

Lincoln City Football Club Company Limited

**Annual Report
1997/98**



Lincoln City Football Club Company Limited

Annual Report 1997/98

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Lincoln City Football Club Company Limited

Company Information

Company number :	00045611
Chairman :	K J Reames
Directors :	K J Reames (Chairman) H Sills J Hicks N Woolsey P Jackson
Secretary :	H Sills
Registered Office :	Sincil Bank Lincoln
Auditors :	Mazars Neville Russell Chartered Accountants Aquis House Clasketgate Lincoln LN2 1JN
Bankers :	Barclays Bank plc City Office Park Tritton Road Lincoln

Lincoln City Football Club Company Limited

Directors' Report

The directors present their Report, and the financial statements for the year ended 30 June 1998.

Statement of directors responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

The results of the company for the year ended 30 June 1998 are set out in the attached financial statements.

The directors do not recommend the payment of any dividend.

Principal activities, trading review and future developments

The principal activities of the company continued to be the running of a professional football club and ancillary bar and catering operations.

Lincoln City Football Club Company Limited

Directors' Report (continued)

Directors

The directors set out in the table below have held office during the whole of the period from 1 July 1997 to the date of this report, unless otherwise stated. The interests of the directors holding office on 30 June 1998 in the shares of the company, according to the Register of Directors' Interests were as shown below:

Director's Name	Ordinary shares of 50p each	
	30 June 1998	1 July 1997
	Beneficial interests	Beneficial interests
K J Reames	815,821	815,821
H Sills	163,052	163,052
J Hicks	103,032	103,032
N Woolsey	50,000	50,000
P Jackson	50,000	50,000

The director retiring by rotation is N Woolsey who being eligible, offers himself for re-election.

Year 2000 costs

The directors have considered the year 2000 problem and the affect it will have upon the company. Whilst it is acknowledged that the directors can not eliminate all the risks associated with this problem, they do not consider the effects to be material.

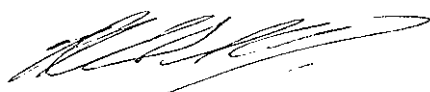
The directors are implementing the final changes that are required to ensure the effects of this problem are minimised.

The costs of addressing this problem are being recognised in the Profit and Loss Account as they are incurred.

Auditors

On 1 September 1998 our auditors, Neville Russell changed their name to Mazars Neville Russell. A resolution to appoint Mazars Neville Russell as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the board on 12 October 1998
and signed on its behalf by



H Sills, Secretary

Auditors' Report to the Members of Lincoln City Football Club Company Limited

We have audited the financial statements on pages 5 to 18 which have been prepared following the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

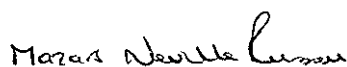
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 19 to the financial statements concerning the preparation of the financial statements on a going concern basis. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



Mazars Neville Russell

**Chartered Accountants
and Registered Auditors**

Aquis House
Clasketgate
Lincoln
LN2 1JN

Dated : 29 October 1998

Lincoln City Football Club Company Limited

Profit and Loss Account

For the year ended 30 June 1998

	Notes	£	1998 £	£	1997 £
Turnover	2		1,187,948		1,041,156
Other operating income	4		<u>403,427</u>		<u>386,534</u>
			1,591,375		1,427,690
Staff costs	6		<u>(1,405,443)</u>		<u>(1,051,294)</u>
			185,932		376,396
Depreciation and amounts written off fixed assets		88,957		86,452	
Other operating charges		<u>491,319</u>		<u>405,864</u>	
			<u>(580,276)</u>		<u>(492,316)</u>
Operating loss			(394,344)		(115,920)
Interest payable and similar charges	5		(38,990)		(26,544)
Transfer fees receivable			446,862		17,500
Transfer fees payable			<u>(168,625)</u>		<u>(145,002)</u>
Loss on ordinary activities before taxation	3		(155,097)		(269,966)
Taxation	8		<u>-</u>		<u>-</u>
Retained loss for the financial year			<u>(155,097)</u>		<u>(269,966)</u>

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

The company has no recognised gains or losses other than the loss for the year.

The notes on pages 10 to 18 form part of these financial statements.

Lincoln City Football Club Company Limited

Note of Historical Cost Profits and Losses For the year ended 30 June 1998

	1998 £	1997 £
Reported loss on ordinary activities before taxation	(155,097)	(269,966)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amounts	32,909	33,240
Historical cost loss on ordinary activities before taxation	(122,188)	(236,726)
Historical cost loss for the year	(122,188)	(236,726)


Lincoln City Football Club Company Limited

Balance Sheet at 30 June 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	9	<u>2,380,864</u>	<u>2,148,631</u>
Current assets			
Stocks	10	33,543	24,239
Debtors	11	98,227	69,806
Cash at bank and in hand		<u>5,740</u>	<u>2,237</u>
		137,510	96,282
Creditors – amounts falling due within one year	12	<u>(1,040,961)</u>	<u>(750,105)</u>
Net current liabilities		<u>(903,451)</u>	<u>(653,823)</u>
Total assets less current liabilities		1,477,413	1,494,808
Creditors – amounts falling due after more than one year	13	<u>(520,787)</u>	<u>(383,335)</u>
		<u>956,626</u>	<u>1,111,473</u>
Capital and reserves			
Called up share capital	15	795,284	795,034
Revaluation reserve	16	1,446,426	1,479,335
Profit and loss account	16	<u>(1,285,084)</u>	<u>(1,162,896)</u>
Shareholders' funds	17	<u>956,626</u>	<u>1,111,473</u>

Approved by the board on 22 October 1998
and signed on its behalf by


K J Reames, Director


H Sills, Director

The notes on pages 10 to 18 form part of these financial statements.

Lincoln City Football Club Company Limited

Cash Flow Statement

For the year ended 30 June 1998

	1998 £	1997 £
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Operating loss	(394,344)	(115,920)
Movements in transfer market	278,237	(127,502)
Depreciation charges	88,957	86,452
Increase in stocks	(9,304)	(3,252)
(Increase)/decrease in debtors	(28,421)	148,850
Increase/(decrease) in creditors	357,516	(61,232)
	<u>292,641</u>	<u>(72,604)</u>
Net cash inflow/(outflow) from operating activities	<u>292,641</u>	<u>(72,604)</u>
Cash flow statement		
Net cash inflow/(outflow) from operating activities	292,641	(72,604)
Returns on investments and servicing of finance (note 1)	(39,106)	(25,663)
Capital expenditure (note 1)	(113,577)	(11,302)
	<u>139,958</u>	<u>(109,569)</u>
Financing (note 1)	(111,244)	66,880
	<u>28,714</u>	<u>(42,689)</u>
Increase/(decrease) in cash in the period	<u>28,714</u>	<u>(42,689)</u>
Reconciliation of net cash flow to movement in net debt (note 2)		
Increase/(decrease) in cash in the period	28,714	(42,689)
Cash inflow/(outflow) from increase in debt and lease financing	111,494	(54,625)
	<u>140,208</u>	<u>(97,314)</u>
Change in net debt resulting from cash flows	140,208	(97,314)
New finance leases	-	(7,550)
Net debt at 1 July 1997	(804,459)	(699,595)
Net debt at 30 June 1998	<u>(664,251)</u>	<u>(804,459)</u>

Lincoln City Football Club Company Limited

Notes to the Cash Flow Statement For the year ended 30 June 1998

	1998 £	1997 £	
1. Gross cash flows			
Returns on investments and servicing of finance			
Interest paid	(39,106)	(25,663)	
Net cash outflow for returns on investments and servicing of finance	(39,106)	(25,663)	
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets	(329,327)	(11,302)	
Receipts from government and other grants	211,850	-	
Receipts from disposal of tangible fixed assets	3,900	-	
Net cash outflow from capital expenditure and financial investments	(113,577)	(11,302)	
Financing			
New loans	93,815	135,000	
Repayments of loans	(198,902)	(77,949)	
Capital element of finance lease rental payments	(6,407)	(2,426)	
Issue of ordinary share capital	250	12,255	
Net cash (outflow)/inflow from financing	(111,244)	66,880	
2. Analysis of changes in net debt			
	At 1 July 1997 £	Cash flows £	At 30 June 1998 £
Cash in hand and at bank	2,237	3,503	5,740
Overdrafts	(280,991)	25,211	(255,780)
		28,714	
Loans	(519,298)	105,087	(414,211)
Finance leases	(6,407)	6,407	-
		111,494	
Total	(804,459)	140,208	(664,251)

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards.

(a) Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

(b) Turnover

Turnover represents gate monies, football league levy and cup pool, advertising and sponsorship deals, excluding value added tax.

(c) Other operating income

Other operating income represents fundraising, donations, bar and catering receipts.

(d) Depreciation

Depreciation is calculated to write off the cost or revalued amount less estimated residual value of fixed assets over their estimated useful lives at the following rates:

Leasehold stands and buildings	- 2% p.a. straight line
All weather pitch	- 2% p.a. straight line
Fixtures, fittings and equipment	- 10% p.a. straight line
Motor vehicles	- 20% p.a. reducing balance

(e) Government grants

Government grants received are treated as deferred creditors and credited to the profit and loss account over the estimated useful life of the relevant fixed asset.

(f) Stocks

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

(g) Deferred tax

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

(h) Leases

Finance leases

Assets held under finance leases and hire purchase contracts and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a reducing balance basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable, so that the charge for each accounting period is a constant percentage of the original capital sum.

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

1. Accounting policies (continued)

(h) Leases (continued)

Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

(i) Players

The assets of the Football Club do not include the value of the registration and transfer fees in respect of the playing staff as at 30 June 1998.

(j) Pension cost

Pensions are paid to some employees personal pension plans. These costs are charged to the profit and loss account as they occur.

2. Segmental information

The turnover, loss before taxation and net assets are attributable to the principle activity of running a professional football club and ancillary bar and catering operations. The company operates in the U.K. and the whole of the turnover is to the U.K. market.

3. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Staff costs (note 6)	1,405,443	1,051,294
Depreciation of owned tangible fixed assets	89,656	82,149
Depreciation of assets held under hire purchase contracts	-	1,544
Loss on disposal of assets	3,538	2,759
Hire of plant and machinery – operating leases	4,236	3,421
Auditors' remuneration – audit fee	4,100	4,000
	<u> </u>	<u> </u>

4. Other operating income

	1998 £	1997 £
Bar and catering receipts	231,244	216,302
Fundraising and donations	145,733	146,314
Sundry receipts	8,847	11,396
Other income	17,603	12,522
	<u> </u>	<u> </u>
	<u>403,427</u>	<u>386,534</u>

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

5. Interest payable and similar charges

	1998 £	1997 £
Bank loans and overdrafts	19,888	17,569
Other loans	17,865	8,404
Finance charges – hire purchase contracts	1,237	571
	<u>38,990</u>	<u>26,544</u>

6. Staff costs

	1998 £	1997 £
Wages and salaries	1,291,240	962,581
Social security costs	108,506	83,141
Pension contributions	5,697	5,572
	<u>1,405,443</u>	<u>1,051,294</u>

The average number of persons, including directors employed by the company during the year, was as follows:

	1998 Number	1997 Number
Social and catering	21	20
Players	22	21
Office and ground staff	10	7
Team management and coaching	7	7
	<u>60</u>	<u>55</u>

7. Directors

	1998 £	1997 £
Emoluments		
Management services	-	17,739
	<u>-</u>	<u>17,739</u>

8. Taxation

There is no corporation tax liability in either of the current or comparative years.

Losses carried forward amounted to £2,848,503 (1997 £2,756,428).

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

9. Tangible fixed assets

	Leasehold stands & buildings £	All weather pitch £	Fixtures fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 July 1997	2,152,476	-	372,168	30,210	2,554,854
Additions	27,444	288,203	13,680	-	329,327
Disposals	-	-	-	(8,750)	(8,750)
At 30 June 1998	2,179,920	288,203	385,848	21,460	2,875,431
Depreciation					
At 1 July 1997	208,879	-	183,055	14,289	406,223
Charge for the year	43,600	5,763	38,597	1,696	89,656
Eliminated on disposal	-	-	-	(1,312)	(1,312)
At 30 June 1998	252,479	5,763	221,652	14,673	494,567
Net book values					
At 30 June 1998	1,927,441	282,440	164,196	6,787	2,380,864
At 30 June 1997	1,943,597	-	189,113	15,921	2,148,631
Included in the net book values above are the following amounts in respect of assets held under hire purchase contracts:					
At 30 June 1998	-	-	-	-	-
At 30 June 1997	-	-	1,625	7,438	9,063

See note 14 for details of revaluation.

The Stands and Buildings are held on a long lease which expires on 22 June 2117.

10. Stocks

	1998 £	1997 £
Goods for resale	33,543	24,239

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

11. Debtors

	1998 £	1997 £
Due within one year		
Trade debtors	46,615	12,726
Other debtors	19,223	31,757
Prepayments and accrued income	32,389	25,323
	<u>98,227</u>	<u>69,806</u>

12. Creditors – amounts falling due within one year

	1998 £	1997 £
Bank loans and overdraft	255,780	280,991
Obligations under hire purchase contracts	-	3,052
Trade creditors	421,484	92,531
Other creditors	510	-
Football Trust loan	40,000	40,000
Interest bearing loans	50,536	86,644
Bass Brewery loan	-	12,674
Mansfield Brewery loan	6,264	-
Other taxation and social security costs	47,856	43,962
Accruals and deferred income	218,531	190,251
	<u>1,040,961</u>	<u>750,105</u>

The bank overdraft is secured by a debenture dated 21 April 1992.

The hire purchase liabilities are secured on the relevant assets.

The interest bearing loans carry interest at 7% p.a. and are repayable within 3 months.

The Football Trust loan is interest free and is repayable at the rate of £3,333 per month.

The Mansfield Brewery loan has an interest charge of 1.75% below the Midland Bank rate and is secured by a fixed and floating charge over the assets of the company.

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

13. Creditors – amounts falling due after more than one year

	1998 £	1997 £
Obligations under hire purchase contracts	-	3,355
Football Trust loan	16,661	54,991
Interest free loans	215,809	246,421
Bass Brewery loan	-	78,568
Mansfield Brewery loan	84,941	-
Accruals and deferred income	203,376	-
	<u>520,787</u>	<u>383,335</u>
Included above are the following:		
	1998 £	1997 £
Amounts repayable by instalments		
Not wholly repayable within five years:		
Repayable within five years:		
Bass Brewery loan	-	54,433
Mansfield Brewery loan	25,056	-
Repayable after five years:		
Bass Brewery loan	-	24,135
Mansfield Brewery loan	59,885	-
	<u>84,941</u>	<u>78,568</u>
Wholly repayable within five years:		
Obligations under hire purchase contracts	-	3,355
Football Trust loan	16,661	54,991
	<u>16,661</u>	<u>58,346</u>
	<u>101,602</u>	<u>136,914</u>

The Football Trust loan is interest free and is repayable at the rate of £3,333 per month.

The Mansfield Brewery loan has an interest charge of 1.75% below the Midland Bank rate and is secured by a fixed and floating charge over the assets of the company.

The interest free loans are repayable upon twelve months notice.

The hire purchase liability is secured on the relevant assets.

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

13. Creditors – Analysis of debt maturity

1998

	Bank loans and overdrafts £	Other loans £	Total £
Amounts payable:			
In one year or less or on demand	255,780	96,800	352,580
Between one and two years	-	238,734	238,734
Between two and five years	-	18,792	18,792
In five years or more	-	59,885	59,885
	<u>255,780</u>	<u>414,211</u>	<u>669,991</u>

1997

	Bank loans and overdrafts £	Other loans £	Total £
Amounts payable:			
In one year or less or on demand	280,991	139,318	420,309
Between one and two years	-	299,725	299,725
Between two and five years	-	59,046	59,046
In five years or more	-	21,209	21,209
	<u>280,991</u>	<u>519,298</u>	<u>800,289</u>

Obligations under finance leases and hire purchase contracts:

Amounts payable:

	1998 £	1997 £
In one year or less	-	3,052
Between one and two years	-	2,517
Between two and five years	-	838
	<u>-</u>	<u>6,407</u>

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

14. Capital commitments and revaluation

The completed St Andrews Stand and Stacey West Stands were revalued by the directors in the year 1990/91 and the completed South Park Stand was revalued by the directors in 1992/93. In 1993/94 the Stacey West Stand was revalued by a further £300,000 and other ground improvements by £91,022. In 1994/95 the Sincil Bank stand was completed and revalued by £719,821. In all cases the revaluations are at a value less than actual construction costs incurred. The difference between cost less grants, and the revaluation, has been transferred to a Revaluation Reserve.

All depreciation relating to the revaluation written off these assets has been transferred to Profit and Loss Account from Revaluation Reserve as shown in Note 16. Had revaluation not taken place, original costs less grants would have been Stands and Buildings £562,422 and Motor Vehicles £12,460. The net book values would have been Stands and Buildings £483,252 and Motor Vehicles £4,545.

No provision is made for any potential taxation liability that might arise if the assets were realised at the revalued amount.

15. Share capital

	Authorised		Allotted, issued and fully paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of 50p each	<u>900,000</u>	<u>900,000</u>	<u>795,284</u>	<u>795,034</u>

During the year 500 ordinary shares of 50p each were issued at par.

16. Reserves

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 1 July 1997	1,479,335	(1,162,896)	316,439
Retained loss for the year	-	(155,097)	(155,097)
Transfer of amount equivalent to additional depreciation on revalued assets	(32,909)	32,909	-
At 30 June 1998	<u>1,446,426</u>	<u>(1,285,084)</u>	<u>161,342</u>

The revaluation reserve is not available for distribution.

Lincoln City Football Club Company Limited

Notes to the Financial Statements For the year ended 30 June 1998

17. Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Opening shareholders' funds	1,111,473	1,369,384
Retained loss for the year	(155,097)	(269,966)
New share capital subscribed	250	12,055
	<hr/>	<hr/>
Closing shareholders' funds	956,626	1,111,473
	<hr/>	<hr/>

18. Financial commitments

At 30 June 1998 the company was committed to making the following payments under non-cancellable operating leases, in the year to 30 June 1999:

	1998 £	1997 £
Other operating leases which expire within two to five years	4,236	315
	<hr/>	<hr/>

19. Going concern

These financial statements have been prepared on the going concern basis notwithstanding a significant excess of creditors falling due within one year over current assets.

The company relies on goodwill and support from various sources to fund its activities, including the local business community, its bankers, the directors and the shareholders.

In particular, the company relies on an overdraft from the bank and loans made by the directors to support its day to day cash requirements. Without this support the company would have difficulty meeting its obligations.

The going concern basis has been applied on the basis that the company will continue to receive support of its bankers and other loan creditors.

20. Related party transactions

Mr K J Reames, director, is the person who controls the company.