

The Blackpool Football Club Limited
Directors' report and financial statements
for the year ended 31 May 2003



The Blackpool Football Club Limited

Company information

Directors	Mr K S Oyston Mr O J Oyston Mrs V Oyston Mr G Warburton Mr C B Muir, OBE Mr P B Smith Mr P J Whitehead	Wife of Mr O J Oyston
Secretary	Mr Roderick Dyer	
Company number	48409	
Registered office	Bloomfield Road Blackpool FY1 6JJ	
Auditors	A I Cherry Limited Chartered Accountants and Registered Auditors 26 Winckley Square Preston PR1 3JJ	
Business address	Bloomfield Road Blackpool FY1 6JJ	
Bankers	National Westminster Bank plc Lytham Road South Shore Blackpool FY4 1DY	

The Blackpool Football Club Limited

Contents

	Page
Directors' report	1 - 2
Auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8 - 18

The Blackpool Football Club Limited

Directors' report for the year ended 31 May 2003

The directors present their report and the financial statements for the year ended 31 May 2003.

Principal activity and review of the business

The principal activity of the company is that of a professional football club, which has continued throughout the year.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the parent company, the Blackpool Football Club (Properties) Limited are as stated below:

	Ordinary shares	
	2003	2002
Mr K S Oyston	25	25
Mr O J Oyston	1,604,694	1,604,694
Mrs V Oyston	1,955	1,955
Mr G Warburton	25	25
Mr C B Muir, OBE	25	25
Mr P B Smith	-	-
Mr P J Whitehead	-	-

None of the directors held any shares in The Blackpool Football Club Limited.

Zabaxe Limited, a company owned and controlled by Mr O J Oyston, holds 62,976 ordinary shares of £1 each in the parent company.

Charitable and Political Contributions

During the year the company contributed £30 to charities.

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Blackpool Football Club Limited

**Directors' report
for the year ended 31 May 2003**

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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that A I Cherry Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 26 January 2004 and signed on its behalf by



Mr Roderick Dyer
Secretary

The Blackpool Football Club Limited

Independent auditors' report to the shareholders of The Blackpool Football Club Limited

We have audited the financial statements of The Blackpool Football Club Limited for the year ended 31 May 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

The Blackpool Football Club Limited


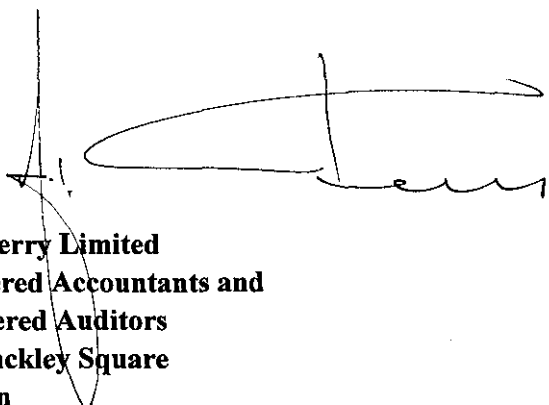
Independent auditors' report to the shareholders of The Blackpool Football Club Limited continued

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the need for continued funding from the parent company remaining available. The financial statements have been prepared on the going concern basis, the validity of which depends on future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain funding. Details of the circumstances relating to this fundamental uncertainty are described in note 1. 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 31 May 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



A I Cherry Limited
Chartered Accountants and
Registered Auditors
26 Winckley Square
Preston
PR1 3JJ

20 February 2004

The Blackpool Football Club Limited

**Profit and loss account
for the year ended 31 May 2003**

Continuing operations			
		2003	2002
	Notes	£	£
Turnover	2	4,251,156	4,238,885
Cost of sales		(856,616)	(549,669)
Gross profit		3,394,540	3,689,216
Administrative expenses		(3,649,393)	(4,207,476)
Other operating income		10,170	68,332
Operating loss before players' transfer fees	3	(244,683)	(449,928)
Players transfer fees	6	7,817	1,219,927
Profit/(loss) on ordinary activities before interest		(236,866)	769,999
Other interest receivable and similar income	4	3,673	1,228
Interest payable and similar charges	5	(7,732)	(3,278)
(Loss)/retained profit for the year		(240,925)	767,949
Accumulated loss brought forward		(4,647,840)	(5,415,789)
Accumulated loss carried forward		(4,888,765)	(4,647,840)

There are no recognised gains or losses other than the profit or loss for the above two financial years.

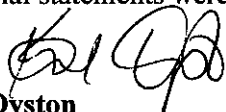
The notes on pages 8 to 18 form an integral part of these financial statements.

The Blackpool Football Club Limited

**Balance sheet
as at 31 May 2003**

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	8	68,411	131,344
Tangible assets	9	85,234	99,641
		<u>153,645</u>	<u>230,985</u>
Current assets			
Stocks	10	63,159	25,394
Debtors	11	288,949	1,001,644
Cash at bank and in hand		344,571	2,983
		<u>696,679</u>	<u>1,030,021</u>
Creditors: amounts falling due within one year	12	<u>(5,599,080)</u>	<u>(5,728,837)</u>
Net current liabilities		<u>(4,902,401)</u>	<u>(4,698,816)</u>
Total assets less current liabilities		<u>(4,748,756)</u>	<u>(4,467,831)</u>
Creditors: amounts falling due after more than one year	13	<u>(40,000)</u>	<u>(80,000)</u>
Deficiency of assets		<u>(4,788,756)</u>	<u>(4,547,831)</u>
Capital and reserves			
Called up share capital	14	30,000	30,000
Share premium account	15	67,674	67,674
Other reserves	15	2,335	2,335
Profit and loss account	15	<u>(4,888,765)</u>	<u>(4,647,840)</u>
Equity shareholders' funds	16	<u>(4,788,756)</u>	<u>(4,547,831)</u>

The financial statements were approved by the Board on 26/01/04 and signed on its behalf by



Mr K S Oyston
Director

The notes on pages 8 to 18 form an integral part of these financial statements.

The Blackpool Football Club Limited

**Cash flow statement
for the year ended 31 May 2003**

	Notes	2003 £	2002 £
Reconciliation of operating profit/(loss) to net cash inflow from operating activities			
Operating profit/(loss) after transfer fees		(236,866)	769,999
Accounting for players' transfer fees'		(7,817)	(1,219,927)
Depreciation		31,771	23,536
Profit on sale of tangible fixed assets		-	-
(Increase)/decrease in stocks		(37,765)	(21,342)
(Increase)/decrease in debtors		(37,305)	29,300
(Decrease)/increase in creditors		14,084	(109,832)
Net cash (outflow)/inflow from operating activities		<u>(273,898)</u>	<u>(528,266)</u>

CASH FLOW STATEMENT

Net cash (outflow)/inflow from operating activities		(273,898)	(528,266)
Returns on investments and servicing of finance	21	(4,059)	(4,568)
Capital expenditure	21	53,386	345,734
		<u>(224,571)</u>	<u>(187,100)</u>
Financing	21	(40,000)	(40,000)
Decrease in cash in the year		<u>(264,571)</u>	<u>(227,100)</u>

Reconciliation of net cash flow to movement in net debt (Note 22)

Decrease in cash in the year	(264,571)	(227,100)
Cash inflow from decrease in debts and lease financing	40,000	40,000
Change in net debt resulting from cash flows	(224,571)	(187,100)
Net debt at 1 June 2002	(318,073)	(130,973)
Net debt at 31 May 2003	<u>(542,644)</u>	<u>(318,073)</u>

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax and transfer fees, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Computer equipment	-	33 1/3% Straight Line on cost
Plant, machinery and catering equipment	-	10% Straight Line on cost

1.4. Stock

Stock is valued at the lower of cost and net realisable value.

1.5. Deferred taxation

Provision is made for deferred taxation using the full provision method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that there are sufficient taxable losses to cover potential taxable profits.

1.6. Going concern

The accounts are prepared on the going concern basis as the parent company has confirmed that it will make available sufficient financial resources to support the ongoing activities of the company.

1.7. Players' contracts

Transfer fees in respect of players' contracts are capitalised at cost and amortised over the period of the contracts.

1.8. Grants receivable

Football Association and Football Trust grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK. The amount of barter transactions for advertising, in turnover, is £12,701 (2002: £32,775).

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

3. Operating loss	2003	2002
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	31,771	23,536
Operating lease rentals		
- Plant and machinery	18,854	16,159
Auditors' remuneration	8,000	8,000
Auditors' remuneration from non-audit work	290	5,000
and after crediting:		
Profit on disposal of intangible fixed assets	-	1,350,000
Donations from Development Association	356,950	480,250
Grants receivable	138,000	138,000
	<u> </u>	<u> </u>
4. Interest receivable and similar income	2003	2002
	£	£
Bank interest	3,673	1,228
	<u> </u>	<u> </u>
5. Interest payable and similar charges	2003	2002
	£	£
On bank loans and overdrafts	7,732	3,278
	<u> </u>	<u> </u>
6. Players' transfer fees		
The (credit)/charge for players' transfer fees comprises	2003	2002
	£	£
Amortisation of transfer fees	72,933	113,273
Profit on disposal of players' contracts	-	(1,350,000)
Additional transfer fees received	(125,000)	(30,000)
Additional transfer fees paid	-	-
Transfer fee levy	44,250	46,800
	<u> </u>	<u> </u>
	(7,817)	(1,219,927)

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

7. Employees

Number of employees

The average monthly numbers of employees (including the directors) during the year were:	2003	2002
Footballers, coaches and managers	42	50
Administrative staff	34	49
Catering staff	13	6
	<u>89</u>	<u>105</u>

Employment costs

	2003	2002
	£	£
Wages and salaries	3,162,264	2,712,820
Social security costs	923,074	234,824
Other pension costs	10,010	12,769
	<u>4,095,348</u>	<u>2,960,413</u>

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

8. Intangible fixed assets

	Players' Contracts £	Total £
Cost		
At 1 June 2002	696,600	696,600
Additions	10,000	10,000
At 31 May 2003	<u>706,600</u>	<u>706,600</u>
Provision for diminution in value		
At 1 June 2002	565,256	565,256
Charge for year	72,933	72,933
At 31 May 2003	<u>638,189</u>	<u>638,189</u>
Net book values		
At 31 May 2003	<u>68,411</u>	<u>68,411</u>
At 31 May 2002	<u>131,344</u>	<u>131,344</u>

9. Tangible fixed assets

	Computer equipment £	Catering equipment plant and machinery £	Total £
Cost			
At 1 June 2002	99,792	161,044	260,836
Additions	-	17,364	17,364
At 31 May 2003	<u>99,792</u>	<u>178,408</u>	<u>278,200</u>
Depreciation			
At 1 June 2002	89,402	71,793	161,195
Charge for the year	5,358	26,413	31,771
At 31 May 2003	<u>94,760</u>	<u>98,206</u>	<u>192,966</u>
Net book values			
At 31 May 2003	<u>5,032</u>	<u>80,202</u>	<u>85,234</u>
At 31 May 2002	<u>10,390</u>	<u>89,251</u>	<u>99,641</u>

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

10. Stocks	2003	2002
	£	£
Catering and bar stocks	14,173	11,433
Souvenir shop stock	48,986	13,961
	<u>63,159</u>	<u>25,394</u>
 11. Debtors	 2003	 2002
	£	£
Trade debtors	217,948	892,473
Other debtors	2,639	1,404
Prepayments and accrued income	68,362	107,767
	<u>288,949</u>	<u>1,001,644</u>

In 2002 trade debtors included £750,000 (2003: nil) owing from Southampton Football Club in respect of the sale of Brett Ormerod. This amount was received during the year.

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

12. Creditors: amounts falling due within one year	2003 £	2002 £
Bank overdraft	-	201,056
Secured loan from Blackpool Borough Council	40,000	40,000
Trade creditors	232,559	178,937
Amounts owed to group undertaking	4,057,989	4,120,176
Other taxes and social security costs	304,725	199,726
Directors' accounts and unsecured loans	419,637	328,637
Other creditors	12,979	10,023
Accruals and deferred income	531,191	650,282
	<u>5,599,080</u>	<u>5,728,837</u>

The overdraft is secured by an unlimited guarantee over the parent undertaking, The Blackpool Football Club (Properties) Limited.

At 31 May 2003 HSBC Plc also held a debenture dated 12 August 2002.

The amount owed to group undertaking represents the amount due to the parent, The Blackpool Football Club (Properties) Limited. The maximum balance outstanding on the loan was £4,057,989.

Directors' accounts and unsecured loans includes £400,137 (2002:£309,137) owed to the director, Mr O J Oyston. The maximum balance owed to Mr Oyston was £400,137.

Also included in directors accounts and unsecured loans is £5,000 owed to Mr S Oyston, son of the director K Oyston. The maximum balance on this loan is the year end balance.

The unsecured loans are interest free and repayable on demand.

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

13. Creditors: amounts falling due after more than one year	2003 £	2002 £
Blackpool Borough Council	<u>40,000</u>	<u>80,000</u>

The original loan from Blackpool Borough Council was for a period of 10 years from 2 July 1990. After the expiry of the 10 year period on 2 July 2000, it was rescheduled to be repaid in 4 equal instalments of £40,000 per annum, commencing on 16 October 2001. It is secured by way of a legal charge over the group's freehold and leasehold properties, apart from the land on the Tangerine Club site on the south side of Bloomfield Road, book and other debts and by way of a floating charge over the assets and undertakings of the group. Interest is chargeable at 3% above base rate on the outstanding amount except for the first £80,000, which is interest free. Interest is also charged if the company defaults on the repayment arrangements. No interest is charged by Blackpool Borough Council where the group's bank balance and cash are less than £80,000.

14. Share capital	2003 £	2002 £
Authorised equity		
30,000 Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
Allotted, called up and fully paid equity		
30,000 Ordinary shares of 1 each	<u>30,000</u>	<u>30,000</u>

15. Equity Reserves	Share premium account £	Profit and loss account £	Capital redemption reserve £	Total £
At 1 June 2002	67,674	(4,647,840)	2,335	(4,577,831)
(Loss)/retained profit for the year	-	(240,925)	-	(240,925)
At 31 May 2003	<u>67,674</u>	<u>(4,888,765)</u>	<u>2,335</u>	<u>(4,818,756)</u>

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

16. Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit/(loss) for the year	(240,925)	767,949
Opening shareholders' funds	(4,547,831)	(5,315,780)
Closing shareholders' funds	<u>(4,788,756)</u>	<u>(4,547,831)</u>

17. Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:

	Amount owing	Maximum
	2003	2002
	£	£
Mr K S Oyston	2,233	-
Mrs V Oyston	-	1,404
	<u>2,233</u>	<u>1,404</u>

18. Commitments under operating leases and guarantees.

At 31 May 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Other	2003	2002
		£	£
Expiry date:			
Within one year		5,348	-
Between one and five years		21,391	6,200
		<u>26,739</u>	<u>6,200</u>

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

19. Related party transactions	2003	2002
	£	£
The following expenses were recharged by the following related parties:		
Denwis Limited		
Management charges	-	23,300
Rent charges	-	13,852
Heat and light charges	-	3,967

The following income was charged by the company to the following related parties:

Natfarm Limited		
Catering income	5,213	3,237
Protoplan Limited	100,000	-

From April 2002 Denwis Limited occupied an office in the football stadium for a fee of £5,000 per annum.

The following amounts are included in trade debtors (note 11):

Denwis Limited	-	5,258
Natfarm Limited	8,450	4,137

The following amounts are included in trade creditors (note 12):

Denwis Limited	658	1,649
----------------	-----	-------

The director, Mr O J Oyston is also a director and majority shareholder of Protoplan Limited and Natfarm Limited and a director and shareholder of Denwis Limited.

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

During the year the director Karl Oyston has continued a regular onsite presence, examining and assessing the work carried out by sub-contractors on an ongoing basis. A charge was made by The Blackpool Football Club Limited to Protoplan Limited, the company engaged to construct the stadium, for the work that Mr Oyston has carried out on their behalf. This was agreed on an open market basis between the companies at £100,000 for the current year. Both The Blackpool Football Club Limited and Protoplan Limited are companies controlled by Mr O J Oyston.

20. Ultimate parent undertaking

The company is a subsidiary of The Blackpool Football Club (Properties) Limited, a company incorporated in England & Wales, which held 95.3% (2002: 95.3%) of the issued share capital of the Company at 31 May 2003. The Blackpool Football Club (Properties) Limited is controlled by the director, Mr O J Oyston.

21. Gross cash flows

	2003	2002
	£	£
Returns on investments and servicing of finance		
Interest received	3,673	1,228
Interest paid	(7,732)	(5,796)
	<u>(4,059)</u>	<u>(4,568)</u>
Capital expenditure		
Payments to acquire intangible assets	(54,250)	(202,800)
Payments to acquire tangible assets	(17,364)	(81,466)
Receipts from sales of intangible assets	125,000	630,000
	<u>53,386</u>	<u>345,734</u>
Financing		
Repayment of other long term loans	(40,000)	(40,000)

The Blackpool Football Club Limited

**Notes to the financial statements
for the year ended 31 May 2003**

..... continued

22. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	2,983	341,588	344,571
Overdrafts	(201,056)	201,056	-
	<u>(198,073)</u>	<u>542,644</u>	<u>344,571</u>
Debt due within one year	(40,000)	-	(40,000)
Debt due after one year	(80,000)	40,000	(40,000)
	<u>(120,000)</u>	<u>40,000</u>	<u>(80,000)</u>
Net funds	<u><u>(318,073)</u></u>	<u><u>582,644</u></u>	<u><u>264,571</u></u>