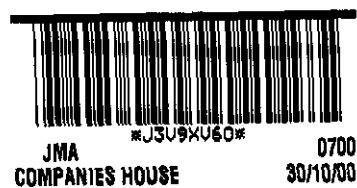


STOKE CITY FOOTBALL CLUB LIMITED

Report and Financial Statements

31 May 2000

**Deloitte & Touche
PO Box 500
201 Deansgate
Manchester
M60 2AT**



STOKE CITY FOOTBALL CLUB LIMITED

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STOKE CITY FOOTBALL CLUB LIMITED

NOTICE OF MEETING

Notice is hereby given that an extra-ordinary general meeting of Stoke City Football Club Limited will be held at the Britannia Stadium, Stoke-on-Trent on Friday 20 October 2000 at 7.00 pm for the following purposes:

1. To receive and adopt the company's accounts for the year to 31 May 2000 together with the reports of the directors and auditors thereon.
2. To authorise the directors to appoint new auditors and to authorise the directors to fix their remuneration.

By order of the Board

Company Secretary

Note:

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend (and on a poll to vote) instead of him. A proxy need not also be a member of the company. Instruments of proxy to be effective must be received at the registered office of the company not later than forty-eight hours before the time fixed for the meeting.

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G T Gislason	(appointed 12 November 1999)
E Adalsteinsson	(appointed 12 November 1999)
A Sigurvinsson	(appointed 12 November 1999)
K A Humphreys	
P Coates	
P Rawlins	(appointed 23 March 2000)
D J Edwards	(resigned 12 November 1999)

CHIEF EXECUTIVE

J Fuller	(appointed 15 June 2000)
J Moxey	(resigned 15 June 2000)

SECRETARY

I Bailey

MANAGER

G Thordarson

REGISTERED OFFICE

Britannia Stadium
Stanley Matthews Way
Stoke-on-Trent
ST4 4EG

BANKERS

Co-operative Bank PLC

AUDITORS

Deloitte & Touche
Chartered Accountants
201 Deansgate
Manchester
M60 2AT

CHAIRMAN'S STATEMENT

Looking back it must be said that last season was very eventful for Stoke City Football Club. At the start of the season we had a new Manager and support staff. In November the Club was taken over by an Icelandic consortium of investors who installed 3 of their own people onto the Board of Directors and replaced the Manager with an Icelandic one. The Club and England then lost their greatest footballing legend with the passing away of Sir Stanley Matthews in February. Another new investor joined the Club and the Board in March. We were victorious at Wembley in April in front of 36,000 of our supporters and participated in a play-off drama in May that will long be remembered. We had a new Chief Executive in the summer and at the start of the new season spirits are higher than they have been for a long time at Stoke City Football Club.

Financial results for the year

The Club performed better financially during the year ending 31 May 2000 than the previous year. Turnover increased by £880,000 but operating expenses increased by only £593,000. Our run in the Auto Windscreens Shield and the play-off matches against Gillingham had a positive effect on our gate receipts and an increase in sponsorship, both from Britannia through their Save & Support account and from Asics, account for most of the increase in turnover. The increase in operating expenses was mainly due to an increase in the cost of employing players and coaching staff, as well as increased cost of running our Football Academy.

The loss on ordinary activities was £916,000 (including £113,000 of costs relating to pension deficit (see note 1) which should be regarded as a one-off in nature) an improvement of £432,000 from the previous year. This is a step in the right direction but it is vital for the Club to make a profit from its ordinary activities. No business, not even a football club, can justify its existence without producing a profit in the long run. The Directors believe that once promotion into the 1st Division has been accomplished increased revenue from TV rights, increased sponsorship and increased gate receipts will make the Club profitable.

Readers of the balance sheet will notice some changes in valuations of our interest in the Stoke on Trent Community Stadium Development Company Limited (SDC) which owns the freehold to the Britannia Stadium.

Our interest in SDC is now valued at cost. This lowers the value of the investment from £16.8 million to £9.0 million. We believe this treatment gives fairer representation of the investment.

We would also like to draw attention to the increase in called up share capital and share premium reserve that represents a part of Phil Rawlins' investment in the Club. The financial injection of Stoke Holding S.A. into the Club last year was in the form of an increase in unsecured convertible loan stock. The Club also converted the overdraft with the Co-operative Bank PLC into term loans.

Football results

We did not have a lot of cup success to start with. By November the Club had already been knocked out of the Worthington Cup in the second round by Sheffield Wednesday and in the FA cup in the first round by Blackpool. The only cup competition left for the new Manager to participate in was the Auto Windscreens competition. He let his desire to go all the way be known and on 16 April he led his team onto the famous pitch at Wembley in front of 36,000 Stoke City supporters to play in the final against Bristol City. When the final whistle blew the Club's third appearance at Wembley had ended in our third Wembley victory.

The competition in the League was fierce and at the end of February our prospect of reaching the play-offs seemed remote. But by pulling together a string of good results in the final part of the season, the Club secured a play-off place by finishing 6th in the league.

Only our lack of concentration at the end of the first game against Gillingham at home and our lack of discipline around half time in the away game prevented us going for the second time to Wembley last season. We lost the away game at Gillingham after having 2 players sent off. But the way the 9 remaining Stoke City players battled on, and refused to give in, left those of us who watched in the stands at Gillingham, on the big screen at the Britannia Stadium or on TV in Iceland, immensely proud to be Stoke City supporters.

If anyone is to blame for our failure to gain promotion last season it is the Icelandic investors for we did not push hard enough to complete the paperwork concerning the take-over of the Club. If only we had been able to complete the take-over a month earlier, as we had originally planned, I am sure that things would have ended differently.

CHAIRMAN'S STATEMENT

Changes in personnel

The Club had 2 new Managers during the last season. At the start of the season Gary Megson was appointed Team Manager. John Rudge also joined the Club as the Football Executive and Nigel Pearson came on board as the First Team Coach. Gary Megson became a victim of the Icelandic take-over and was replaced by Gudjon Thordarson as the Team Manager of Stoke City in November. The Icelandic investors had Gudjon Thordarson in their plans from the start of their deliberations to buy into the Club. Gudjon has proven himself to be a very successful Manager both domestically in Iceland and internationally with the Icelandic national team where he improved the standing of the team by 32 places on the FIFA World Rankings during his 2 years as the national Manager.

Early into last season the Club sold Larus Sigurdsson to West Bromwich Albion, but after the Icelandic take-over in November, four new players came to the Club on a permanent basis. Three of those players, Bjarni Gudjonsson, Brynjar Gunnarsson and Mikael Hansson have already made a significant impact on the quality of our 1st team football. The fourth, Chris Iwelumo, is a promising young striker who we have high hopes for.

The Club also used the services of a number of loan players last season. Most notable of those were Frode Kippe from Liverpool and Arnar Gunnlaugsson from Leicester City who played a large role in our excellent form at the end of the season. The Club released a number of players during and at the end of the season and we thank them for their contribution to the Club.

Jez Moxey resigned from his post of Chief Executive before the season ended and he was replaced by Jonathan Fuller who has already made a very positive impact at the Club in his first months.

During the summer the Club signed five new players to help with the promotion push this season. Tony Dorigo, Henrik Risom, Wayne Thomas and Stefan Thordarson have already joined the Club, and Rikhardur Dadason is expected to join the Club on 1 November.

Sir Stanley Matthews

In February our legendary football hero Sir Stanley Matthews passed away at the age of 85. He was a local hero who touched the hearts of countless people in Stoke on Trent, England and all over the world. In commemoration of this great man the Club is to initiate the erection of a statue outside the Britannia Stadium.

Changes in the Club

The new owners of the Club have not been in charge that long, but I feel we have already had some impact on the Club.

Firstly, we have restored the finance of the Club. The £3 million overdraft has been restructured and new funds have been introduced to help pay for the deficit of running the Club in this division and to improve the playing squad.

A new Manager has been brought to the Club and he has been able to bring in quite a few new players who have greatly improved the quality of the playing squad. Equally important is that the Club has not been forced to sell their best players. I do not believe that the Club would have managed to get through last season without selling some of the young players if the new investors had not come to the rescue.

Last season the team was training at up to 3 locations each week and the Manager often had difficulty in finding good enough pitches to train on. We have now leased a training ground for the 1st team squad and the youth squad with good pitches that the team will be able to use during the difficult winter months. We have improved communications between the Club and supporters both on a formal and informal level.

Hope has been restored at the Club, which is evident from the mood of the supporters and in season ticket sales that were up 50% from last season.

The future of our Club

There are a number of challenges that the Club faces. First of all we need to gain promotion to the 1st Division. That is the main goal for this season and we are firm believers in that the goal can be achieved.

We want to put greater emphasis on youth development both within and outside our Football Academy. We need to gain access to a suitable indoor facility for our Academy and we are looking into various options in that respect. We also want to do more to encourage children in the area to get involved in playing football and we are looking at how the Club can help to achieve greater participation by children.

CHAIRMAN'S STATEMENT

We need to increase the attendance at our League games. It is not only a financial necessity for the Club but also a matter of improving the quality of the football experience. It is more entertaining to watch a game at the Britannia Stadium when we have 20,000 people than when we have 10,000. Our target for this season is to get an average of 15,000 people to watch our League games and that is something that we will be working hard to achieve.

To improve the quality of the football experience further, the Club would like to eradicate the hooligan element from Stoke City. Those who take pleasure in abusing and injuring their fellow men are not welcome at the Britannia Stadium and we call upon all our true supporters to refrain from participating in such activities and to help us evict those who are unable to behave in a civilised manner.

The EU has demanded changes in transfer rules for footballers. At the time of writing it is not known what the final outcome of this matter will be, but any changes will have a great impact on the football industry, not only in England but in all of Europe. Those who will probably gain the most are the high profile footballers like Beckham, Figo and Zidane. Those who will suffer the most are the employers of those high profile footballers and also Clubs that have a relatively small supporter base or financial backing compared to their standing in the pecking order of European football. These changes make it even more important for us to grow our supporter base.

I believe we are on the right track to rebuilding a great football Club. I would like to thank our supporters and sponsors for their continued support. Without them our task would be impossible to accomplish. I hope we can repay them by providing both entertaining and successful football in the Britannia Stadium for the coming seasons.

Gunnar Þór Gíslason - Chairman

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2000.

ACTIVITIES

The principal activity is that of a professional football Club.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

A review of the Club's results for the year and of its prospects are contained in the Chairman's statement on page 3.

DIVIDENDS AND TRANSFERS FROM RESERVES

The loss for the year amounted to £915,990 (1999 - £1,347,646 as restated) which has been transferred from reserves. The directors do not recommend payment of preference or ordinary share dividends.

POST BALANCE SHEET EVENTS

A full description of these events can be found in note 26.

DIRECTORS AND THEIR INTERESTS

The names of the present members of the board are set out on page 1.

Except as noted below, no directors who held office during the year had any interest (including family interest) in the shares of the company.

	£1 Preference shares		£1 Ordinary shares	
	31 May 2000	31 May 1999	31 May 2000	31 May 1999
Beneficial:				
K A Humphreys	18	18	3	121,676
P Coates	29	29	88,088	278,742
D J Edwards	-	-	-	25

There was a holding at 31 May 2000 by The Chatham Group of 64,000 (23 March 2000 - Nil) ordinary shares. Mr P Rawlins is deemed to have an interest in the shares held by The Chatham Group.

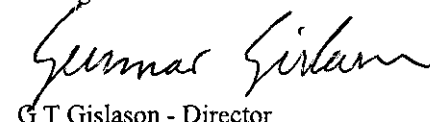
There was a holding at 31 May 2000 by Ramsdell Estates Limited of 88,021 (1999 - 157,002) ordinary shares and 75 (1999 - 75) preference shares. Mr K A Humphreys is deemed to have an interest in the shares held by Ramsdell Estates Limited.

E Adalsteinsson and A Sigurvinsson own 409,133 and 16,341 ordinary shares in shareholdings in Stoke Holding SA in turn representing 5.1% and 0.2% respectively of its share capital as at 31 May 2000. Stoke Holding SA owned 59.3% of Stoke City Football Club Limited at 31 May 2000.

AUDITORS

F Geen & Co resigned as auditors on 12 November 1999 and Deloitte & Touche were appointed to fill the vacancy. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Extra-ordinary General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



G T Gislason - Director

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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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.



STOKE CITY FOOTBALL CLUB LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 9 to 26 which have been prepared under the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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.

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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

28 SEPTEMBER 2000

STOKE CITY FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2000

	Note	2000 £	1999 as restated (see note 2) £
TURNOVER	3	5,477,742	4,594,969
Operating expenses		6,114,580	5,522,758
OPERATING LOSS BEFORE PLAYER TRADING	5	(636,838)	(927,789)
Amortisation of players	6	(271,930)	(519,980)
OPERATING LOSS		(908,768)	(1,447,769)
Profit on disposal of players	6	282,204	299,663
LOSS BEFORE INTEREST AND TAXATION		(626,564)	(1,148,106)
Net interest payable	7	(289,426)	(203,596)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(915,990)	(1,351,702)
Taxation credit	8	-	4,056
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(915,990)	(1,347,646)

All the above results derive from continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2000 £	1999 as restated (see note 2) £
Loss for year	(915,990)	(1,347,646)
Total recognised gains and losses relating to the year	(915,990)	(1,347,646)
Prior year adjustment - see note 2	(7,788,508)	
Total gains and losses recognised since last annual report	(8,704,498)	

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2000 £	1999 as restated (see note 2) £
Reported loss on ordinary activities before taxation	(915,990)	(1,351,702)
Realisation of property revaluation gains of previous years	-	44,828
Difference between historical cost depreciation and actual depreciation charges calculated on the revalued amount	359	359
Historical cost loss on ordinary activities before taxation	(915,631)	(1,306,515)
Historical cost loss for the year after taxation	(915,631)	(1,302,459)

STOKE CITY FOOTBALL CLUB LIMITED

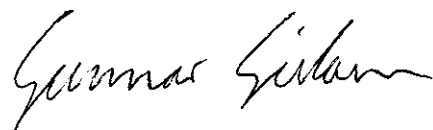
BALANCE SHEET

31 May 2000

	Note	£	2000 £	1999 as restated (see note 2) £
FIXED ASSETS				
Intangible assets	9	1,024,020		375,000
Tangible assets	10	254,098		242,996
Investments	11	9,000,000		9,000,000
			10,278,118	9,617,996
CURRENT ASSETS				
Debtors	12	525,605		449,101
Investments	13	153,846		-
Cash at bank and in hand		652,156		76,326
		1,331,607		525,427
CREDITORS: amounts falling due within one year	14	4,403,446		4,830,277
NET CURRENT LIABILITIES			(3,071,839)	(4,304,850)
TOTAL ASSETS LESS CURRENT LIABILITIES			7,206,279	5,313,146
CREDITORS: amounts falling due after more than one year				
Other creditors	15		4,017,120	4,542,288
Unsecured convertible loan stock	15		2,600,000	-
Provisions for liabilities and charges	17		113,491	-
			475,668	770,858
CAPITAL AND RESERVES				
Called up share capital	19		642,739	578,739
Share premium account	20		556,800	-
Revaluation reserve	20		16,761	17,120
Profit and loss account	20		(740,632)	174,999
			475,668	770,858

These financial statements were approved by the Board of Directors on 28 September 2000.

Signed on behalf of the Board of Directors



G T Gislason - Director

STOKE CITY FOOTBALL CLUB LIMITED

CASH FLOW STATEMENT

Year ended 31 May 2000

	Note	2000 £	1999 as restated (see note 2) £
Net cash outflow from operating activities	22	(1,146,954)	(1,275,437)
Returns on investments and servicing of finance			
Interest received		3,903	11,685
Interest paid		(230,172)	(218,672)
Net cash outflow from returns on investments and servicing of finance		(226,269)	(206,987)
Taxation			
UK corporation tax repaid		-	5,739
Tax repaid		-	5,739
Capital expenditure and financial investment			
Payment to acquire intangible assets		(660,950)	(100,000)
Receipts from sales of intangible assets		339,302	444,098
Payments to acquire tangible assets		(61,570)	(42,595)
Receipts from disposals		-	101,458
Grants received		-	362,514
Net cash (outflow)/inflow from investing activities		(383,218)	765,475
Net cash outflow before financing		(1,756,441)	(711,210)
Financing			
Issue of ordinary shares		620,800	-
Issue of loan stock		2,400,000	-
Issue of term bank loans		2,500,000	-
Repayment of loan		(100,000)	(350,014)
Replacement of Football Trust loans		(99,997)	(99,995)
Net cash inflow/(outflow) from financing		5,320,803	(450,009)
Increase/(decrease) in cash and cash equivalents	24	<u>3,564,362</u>	<u>(1,161,219)</u>

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, adjusted to include the revaluation of certain assets, on a going concern basis as set out in note 26 and in accordance with applicable Accounting Standards.

Turnover

Turnover, exclusive of value added tax, comprises net match receipts and other income arising from the Club's activities.

Intangible assets

The Club capitalises as an intangible asset fees payable to other football clubs on the transfer of a player's registration and amortises that cost over the period of the initial contract. In accordance with FRS10, no amounts are included for players developed within the Club.

Tangible fixed assets

Tangible fixed assets are depreciated on a straight line basis calculated to write off cost or valuation of the assets over their expected useful lives by equal instalments. The rates normally applied are as follows:

Freehold buildings	2% p.a.
Plant and equipment	10 - 33% p.a.
Vehicles	10 - 25% p.a.

Investment in associated company

The investment in the associated company is stated at cost less any provision for permanent impairment. This policy has been altered from the prior year, the effect of which is highlighted in note 2.

Leased assets

Assets acquired under hire purchase agreements are capitalised as tangible assets at fair value and are depreciated over their useful lives. The corresponding obligation is included as a creditor and the interest element is charged to the profit and loss account over the term of the agreement. Rentals payable under operating leases are charged to the profit and loss account as incurred.

Signing on fees

Signing on fees are charged to profit and loss account in the year in which they are payable.

Deferred taxation

Provision is made for deferred taxation in respect of timing differences to the extent that a liability may become payable in the foreseeable future.

Grants

Grants received from The Football Trust in respect of the building costs of the Britannia Stadium, the freehold of which is owned by the associated company, are treated as deferred income and released to profit and loss account over the useful economic life of the Stadium.

Grants received from The Football Trust and other awarding bodies in respect of other capital expenditure are treated as deferred income and released to profit and loss account over the expected useful lives of the related assets.

Grants received in respect of revenue expenditure are recognised in the profit and loss account in the year in which the relevant expenditure was incurred.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

1. ACCOUNTING POLICIES (continued)

Pension costs

Certain of the employees of the Club participate in the Football League Pension and Life Assurance scheme and the Football League Players' Benefit scheme. Both schemes are defined benefits schemes co-sponsored by the FA Premier League and the Football League. The Club makes contributions to the schemes in accordance with the recommendations of the actuaries to the schemes.

As the Club is one of a number of participating employers in the schemes, it is not possible to allocate that part of any actuarial rights or deficit owing to the Club's employees. Consequently, contributions are charged to the profit and loss account as they become payable.

The Football League Pension and Life Assurance Scheme has developed a significant deficit. Under the terms of the Pension Act 1995 where a final salary pension scheme winds up with a deficit, the deficit becomes a statutory unsecured debt payable to the scheme by the participating employers. Briefly, this means that every Club that has paid contributions to the scheme will have to make a contribution towards the statutory debt arising.

An estimate of Stoke City Football Club Limited's respective contribution to make good the deficit has been provided and charged to the profit and loss account (see note 17).

Contributions are also paid to individuals' money purchase pension schemes. The contributions are charged to profit and loss account in the year in which they become payable.

The assets of all the pension schemes are held separately from those of the Club in independently administered funds.

2. PRIOR PERIOD ADJUSTMENT

The prior period adjustment represents the effect of a change in accounting policy for the investment in the associated company and the treatment of the leasehold investment in the Britannia Stadium.

The investment in the associated company is now stated at cost less provision for any impairment. The directors consider that this treatment gives a fairer presentation of the investment.

The previous policy was to state the investment at cost less an amount provided to reflect the Club's share of the associated company's net assets as adjusted for a professional valuation of the associated company's freehold interest in the Britannia Stadium, less the leasehold interest granted to the Club by the associated company, included separately under tangible fixed assets.

Had the accounting policy not been changed, reported profit would have been £136,492 lower, in the current year being the depreciation charge on the leasehold interest in Britannia Stadium (some changes removed in prior year).

As a result of these changes in accounting policy, the profit and loss and balance sheet comparatives have been restated as follows:

	Profit and loss reserves at 31 May 1999 £	Revaluation reserve at 31 May 1999 £	Total at 31 May 1999 £
As previously reported	(8,825,001)	16,805,628	7,980,627
Prior year adjustment	9,000,000	(16,788,508)	(7,788,508)
As restated	<u>174,999</u>	<u>17,120</u>	<u>192,119</u>

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

2. PRIOR PERIOD ADJUSTMENT (continued)

	Investment in associated company £	Tangible assets (Net book value) £
As previously reported	-	17,031,504
Prior year adjustment	9,000,000	(16,788,508)
As restated	<u>9,000,000</u>	<u>242,996</u>

The effect on the loss on ordinary activities after taxation in 1999 is shown below:

As previously reported	(1,484,138)
Depreciation not required	<u>136,492</u>
As restated	<u>(1,347,646)</u>

3. TURNOVER

	2000 £	1999 £
Football activities:		
Gate receipts	2,771,324	2,219,469
Football League distributions	320,490	321,627
Television and broadcasting fees	<u>78,337</u>	<u>99,892</u>
	<u>3,170,151</u>	<u>2,640,988</u>
Commercial income:		
Sponsorship and advertising	765,349	557,085
Club shops	-	468,235
General donations	143,056	125,376
Other income	<u>1,399,186</u>	<u>803,285</u>
	<u>2,307,591</u>	<u>1,953,981</u>
	<u>5,477,742</u>	<u>4,594,969</u>

Restatement

Income from donations has been reclassified from non operating income in 1999 to turnover. The directors consider this is a better presentation of the nature of the revenue.

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS Year ended 31 May 2000

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors remuneration		
Fees	5,400	-
	<u> </u>	<u> </u>
	No	No
Average number of persons employed		
Full time playing staff and apprentices	46	41
Other staff	58	51
	<u> </u>	<u> </u>
	104	92
	<u> </u>	<u> </u>
	£	£
Staff costs during the year		
Wages, salaries and bonuses	3,863,135	3,348,983
Social security costs	329,725	293,226
Pension costs	84,373	79,308
	<u> </u>	<u> </u>
	4,277,233	3,721,517
	<u> </u>	<u> </u>

5. OPERATING LOSS BEFORE PLAYER TRADING

	2000 £	1999 as restated (see note 2) £
Operating loss before player trading is after charging/(crediting):		
Depreciation of tangible fixed assets	50,468	43,262
Grants released (note 16)	(63,090)	(31,596)
Operating lease rentals:		
Property	274,040	271,423
Plant, equipment and vehicles	31,241	68,074
Profit on disposal of tangible fixed assets	-	(38,961)
Auditors remuneration:		
- audit fees	6,500	5,000
- non audit charges	3,250	7,987
	<u> </u>	<u> </u>

6. PLAYER TRADING

	2000 £	1999 £
Amortisation of cost of players' registrations	(271,930)	(419,980)
Additional charges re appearances	-	(100,000)
Profit on disposal of players' registrations	282,204	299,663
	<u> </u>	<u> </u>
	10,274	(220,317)
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 May 2000

7. NET INTEREST PAYABLE

	2000 £	1999 £
Interest payable on bank loans and overdrafts	204,671	189,208
Interest payable on convertible loan stock	78,955	-
Interest on other loans	9,703	26,073
	<u>293,329</u>	<u>215,281</u>
Interest receivable	(3,903)	(11,685)
	<u><u>289,426</u></u>	<u><u>203,596</u></u>

8. TAXATION CREDIT

	2000 £	1999 £
Corporation tax recoverable	-	4,056
	<u><u>-</u></u>	<u><u>4,056</u></u>

9. INTANGIBLE ASSETS

	Players' registrations £
Cost	
At 1 June 1999	1,469,500
Additions	920,950
Disposals	(225,000)
	<u>2,165,450</u>
At 31 May 2000	
Amortisation	
At 1 June 1999	1,094,500
Charge for year	271,930
Disposals	(225,000)
	<u>1,141,430</u>
At 31 May 2000	
Net book value	
At 31 May 2000	<u><u>1,024,020</u></u>
At 31 May 1999	<u><u>375,000</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold interest in Britannia Stadium £	Plant and vehicles £	Total £
Cost or valuation				
At 1 June 1999 as previously stated	25,000	16,925,000	380,738	17,330,738
Prior period adjustment - see note 2	-	(16,925,000)	-	(16,925,000)
At 1 June 1999 as restated	25,000	-	380,738	405,738
Additions	14,075	-	47,495	61,570
Disposals	-	-	(1,850)	(1,850)
At 31 May 2000	39,075	-	426,383	465,458
Depreciation				
At 1 June 1999 as previously stated	3,542	136,492	159,200	299,234
Prior period adjustment - see note 2	-	(136,492)	-	(136,492)
At 1 June 1999 as restated	3,542	-	159,200	162,742
Charge for year	500	-	49,968	50,468
Disposals	-	-	(1,850)	(1,850)
At 31 May 2000	4,042	-	207,318	211,360
Net book value				
At 31 May 2000	35,033	-	219,065	254,098
At 31 May 1999 as previously stated	21,458	16,788,508	221,538	17,031,504
Prior period adjustment - see note 2	-	(16,788,508)	-	(16,788,508)
At 31 May 1999 as restated	21,458	-	221,538	242,996
At valuation 1992	25,000	-	-	25,000
At cost	-	-	380,738	380,738

Freehold land and buildings were valued in 1992 on the basis of open market value on an existing use basis.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

11. INVESTMENTS IN ASSOCIATED COMPANY

Investments in Associated company

The company owns 49% of the issued ordinary share capital of Stoke-on-Trent Community Stadium Development Company Limited.

	2000 £	1999 as restated (see note 2) £
At cost	<u>9,000,000</u>	<u>9,000,000</u>

As described in note 2, the directors have considered the most appropriate accounting treatment of the investment in associated company is to be carried at cost less provision for any impairment.

The Club's share of the associated company's results and net assets as extracted from that company's management accounts for the 18 month period ended 31 May 2000 and published accounts for the 12 months period drawn up to 30 November 1998, was as follows:

	12 months ended 31 May 2000 (unaudited) £	Period ended 30 November 1998 £
Turnover	<u>372,321</u>	<u>221,686</u>
Profit before tax	56,557	12,141
Taxation	-	-
Profit after tax	<u>56,557</u>	<u>12,141</u>
Fixed assets	7,523,268	7,525,065
Current assets	184,203	123,888
Liabilities due within one year	(218,575)	(217,687)
Liabilities due after more than one year	<u>(1,161,598)</u>	<u>(1,170,524)</u>
Share of net assets	<u>6,327,298</u>	<u>6,260,742</u>

The principal activity of the associated company is the development and management of the Britannia Stadium.

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

12. DEBTORS

	2000 £	1999 £
Trade debtors	123,571	357,563
Amounts owed by related undertakings	11,487	3,533
Other debtors	7,059	35,263
Prepayments and accrued income	379,432	48,686
Corporation tax recoverable	4,056	4,056
	<u>525,605</u>	<u>449,101</u>

13. INVESTMENTS HELD AS CURRENT ASSETS

	2000 £	1999 £
Shares in Stoke Holding SA	<u>153,846</u>	<u>-</u>

The shares in Stoke Holding SA were purchased at fair value and are held in order to facilitate the exercising of options in Stoke Holding SA by an employee of Stoke City Football Club Limited. The options are exercisable at £1 per share over a period of 5 years, and represent 1.8% of the share capital.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 as restated (see note 2) £
Bank loans and overdrafts (note 15)	2,500,000	2,988,532
Trade creditors	356,327	298,740
Accruals	449,801	480,773
Deferred income	586,186	415,650
Deferred grants	63,090	63,090
Amounts owed to parent undertaking	70,654	-
Loan from related undertakings	-	200,000
Amounts owed to related undertaking	12,661	26,483
Taxation and social security	264,727	157,009
Directors loans	-	100,000
Football Trust loan	100,000	100,000
	<u>4,403,446</u>	<u>4,830,277</u>

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 as restated (see note 2) £
Other creditors:		
Trade creditors	80,000	-
Football Trust loan	83,325	183,322
Deferred income	1,218,723	1,660,804
Deferred grants - note 16	2,635,072	2,698,162
	<u>4,017,120</u>	<u>4,542,288</u>
Convertible unsecured loan stock (see below)	2,600,000	-
	<u>6,617,120</u>	<u>4,542,288</u>

Deferred income consists of season tickets, sponsorship and other elements of income which have been received prior to the year end in respect of following football seasons and includes £401,129 received under an advance discount agreement with a brewery, this amount being secured by a legal charge over the Britannia Stadium.

The convertible unsecured loan stock may be invested at a holders option into fully paid ordinary shares of £1 each at any date up to 12 November 2004 at the rate of one ordinary share for every £8 of convertible loan stock. Full conversion of the outstanding rights will result in the issue of 325,000 ordinary shares.

If Stoke City gain promotion to the First Division of the English Football League by 13 November 2001 at the option of the largest loan stock holder £350,000 of loan stock may be repaid.

If the conversion option is not exercised the loan stock will be redeemed on 12 November 2005 at nominal value of £2,600,000 together with accrued interest.

The loan stock will bear interest at the rate of 7½% per annum and is charged to the profit and loss account on a straight line basis.

The consideration received for the issue of loan stock consisted of cash injection of £2,300,000 received between 12 November 1999 and 17 March 2000 and the replacement of £300,000 of loans previously disclosed as "related undertakings loans" and "directors loans" for £300,000 of loan stock.

Analysis of borrowings:

Bank loans and overdrafts	2,500,000	2,988,532
Convertible unsecured loan stock	2,600,000	-
Football Trust loan	183,325	283,332
Directors' loans	-	100,000
Related undertakings' loans	-	200,000
	<u>5,283,325</u>	<u>3,571,864</u>

Analysis of loan repayments:

Within one year	2,600,000	3,388,532
Between one and two years	83,325	100,000
Between two and five years	2,600,000	83,332
	<u>5,283,325</u>	<u>3,571,864</u>

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Contained within amounts repayable within one year are bank loans of £2,500,000. Although technically repayable upon demand a schedule of repayments has been agreed over seven and five years on loans of £1,000,000 and £1,500,000 respectively.

The bank loan is secured by way of a fixed and floating charge over all the assets of the Club and a legal charge over the Club's leasehold interest in the Britannia Stadium.

The loan from The Football Trust is interest free and is repayable in monthly instalments over a period of five years.

Preference share dividends amounting to £577 in respect of the 1,000 £1 cumulative preference shares in issue are in arrears for the twelve accounting periods to 31 May 2000. These are not currently being accrued as the likelihood of them being paid is remote.

16. DEFERRED GRANTS

	2000 £	1999 £
Balance at 31 May 1999	2,761,252	2,780,348
Grants receivable	-	12,500
Grants released to profit and loss account (note 5)	(63,090)	(31,596)
Balance at 31 May 2000	<u>2,698,162</u>	<u>2,761,252</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension obligations £
Balance at 1 June 1999	-
Profit and loss charge	<u>113,491</u>
Balance at 31 May 2000	<u>113,491</u>

Payment is expected to be made over approximately eight years.

See note 1 (pension costs) for further details.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

18. DEFERRED TAXATION

The potential liability to deferred taxation not provided in the accounts calculated at a tax rate of 30% (1999 - 30%), is set out below:

	2000 £	1999 £
Accelerated capital allowances	(201,277)	(190,632)
Short term timing differences	(735,905)	112,500
	<u>(955,182)</u>	<u>(78,132)</u>

Included within short term timing differences is a deferred tax asset relating to cumulative trading losses of approximately £2.6m (1999 - £1.9m) which are available to carry forward against future trading income.

19. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised:		
5.25% Cumulative preference shares of £1 each	1,000	1,000
Ordinary shares of £1 each	1,322,398	649,000
	<u>1,323,398</u>	<u>650,000</u>
Allotted and fully paid:		
5.25% Cumulative preference shares of £1 each	1,000	1,000
Ordinary shares of £1 each	641,739	577,739
	<u>642,739</u>	<u>578,739</u>

Share issues

- On 5 November 1999 a special resolution was passed which increased the authorised share capital of the company from £650,000 to £1,200,000 by the creation of 550,000 £1 ordinary shares ranking pari passu in all aspects with existing ordinary shares.
- On 23 March 2000 a special resolution was passed which increased the authorised share capital of the company from £1,200,000 to £1,323,398 by the creation of 123,398 £1 ordinary shares ranking pari passu in all aspects with existing ordinary shares.
- Also on 23 March 2000 64,000 £1 ordinary shares were allotted and issued at £9.70 each to provide additional working capital for the company.

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

20. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium £	Revaluation reserve £	Profit and loss account £	Total 2000 £
Balance at 31 May 1999 -as restated (note 2)	-	17,120	174,999	192,119
Loss for year	-	-	(915,990)	(915,990)
Issue of share capital	556,800	-	-	556,800
Transfer of amount equivalent to additional depreciation on revalued assets	-	(359)	359	-
Balance at 31 May 2000	<u>556,800</u>	<u>16,761</u>	<u>(740,632)</u>	<u>(167,071)</u>

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial year	(915,990)	(1,347,646)
Issue of share capital	620,800	-
Net reduction to shareholders' funds	(295,190)	(1,347,646)
Opening shareholders' funds as previously stated	8,559,366	10,043,504
Prior period adjustments - see note 2	(7,788,508)	(7,925,000)
Opening shareholders' funds as restated	<u>770,858</u>	<u>2,118,504</u>
Closing shareholders' funds	<u>475,668</u>	<u>770,858</u>

22. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 as restated (see note 2) £
Operating loss	(626,564)	(1,148,106)
Amortisation of intangible assets	271,930	519,980
Depreciation of tangible assets	50,468	43,262
Profit on disposal of tangible assets	-	(38,961)
Profit on disposal of intangible assets	(282,634)	(299,663)
Grants released	(63,090)	(31,596)
Decrease in stocks	-	110,505
(Increase) in debtors	(287,018)	(249,784)
(Decrease) in creditors	(323,537)	(181,074)
Increase in provisions	113,491	-
	<u>(1,146,954)</u>	<u>(1,275,437)</u>

The prior year comparative figures have been restated to incorporate £125,376 of donations received within the operating loss (see note 3), and to remove the £136,492 of depreciation relating to the leasehold interest in Britannia Stadium (note 2).

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

23. ANALYSIS OF CHANGES IN NET DEBT

	At 31 May 1999 £	Cash flows	At 31 May 2000 £
Cash at bank and in hand	76,326	575,830	652,156
Overdraft	(2,988,532)	2,988,532	-
	(2,912,206)	3,564,362	652,156
Debt due within 1 year	(400,000)	(2,200,000)	(2,600,000)
Debt due after 1 year	(183,322)	(2,500,003)	(2,683,325)
	(3,495,528)	(1,135,641)	(4,631,169)

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
Increase/(decrease) in cash in year	3,564,362	(1,161,219)
(Increase)/reduction in bank loan	(2,500,000)	350,014
Issue of loan stock	(2,400,000)	-
Reduction in Football Trust loan	99,997	99,995
Repayment of directors' loans	100,000	-
Change in net debt	(1,135,641)	(711,210)
Net debt at 31 May 1999	(3,495,528)	(2,784,318)
Net debt at 31 May 2000	(4,631,169)	(3,495,528)

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

25. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments			2000 £	1999 £
Contracted for but not provided			130,000	-
	Land and buildings		Other operating leases	
	2000 £	1999 £	2000 £	1999 £
Operating lease commitments:				
Within 1 year	-	-	-	-
In 2-5 years	22,000	22,000	39,521	2,490
After more than 5 years	250,000	250,000	-	-
	272,000	272,000	39,521	2,490

Contracts with employees and other clubs

In common with normal practice, certain employees are entitled to future payments, mainly dependent on the success of the team and/or individuals. Similar terms exist in contracts for the purchase and sale of players' registrations. The directors consider that any such payments will have no material impact on future accounts.

Ground safety grants

When a facility which has attracted a grant ceases to be used or is sold, The Football Trust reserves the right to call for repayment of all or a proportion of a grant.

Collateral security

The company has granted a legal charge over its interest in the Britannia Stadium as collateral security for the borrowings of the associated company which at the year end were £2,370,608.

26. POST BALANCE SHEET EVENTS

Net transfer expenditure completed subsequent to 31 May 2000 amounted to £220,000.

On 14 July 2000 an additional £703,598 of unsecured convertible loan stock was issued.

27. GOING CONCERN

The directors have reviewed the cash and trading forecasts of the Company and consider that the accounts are appropriately prepared on a going concern basis in view of the continuing financial support provided by Stoke Holding SA.

NOTES TO THE ACCOUNTS

Year ended 31 May 2000

28. RELATED PARTY TRANSACTIONS

Mr P Coates is a director and controlling shareholder in Lindley Catering Investments Limited which provided catering services to the Club during the year under review. Mr Coates did not take part in the negotiation of these contracts.

Mr E Adalsteinsson and Mr G T Gislason are directors of Stoke on Trent Community Stadium Development Company Limited an associated company which owns the freehold to the Britannia Stadium.

Transactions with the above companies during the year were as follows:

	Value of transactions £	2000 Balance at end of year £	Value of transactions £	1999 Balance at end of year £
Payable by Stoke City Football Club Limited:				
Stoke-on-Trent Community Stadium Development Company Limited:				
Rent	250,000	-	250,000	-
Short term hire	-		1,500	-
Reimbursement	-		3,740	-
 Lindley Catering Investment Limited:				
Catering services supplied	136,989	12,661	116,803	27,395
 Payable to Stoke City Football Club Limited				
Stoke-on-Trent Community Stadium Development Company Limited:	58,735	8,396	65,183	3,533
 Lindley Catering Investments Limited:				
Reimbursements	11,399	3,091	3,743	917
 Mata EHF	4,847	2,155	-	-
 Fiskimid Exporting Co.	1,565	-	-	-
 Kaupthing Investment Bank	7,701	-	-	-
 Julius Bjarnason	2,958	3,094	-	-

Details relating to the investment in Stoke-on-Trent Community Stadium Development Company Limited are given in note 11.

The directors have reviewed and approved all of the above arrangements.

29. ULTIMATE COMPANY OWNERSHIP

The ultimate parent company is Stoke Holding SA which is registered in Luxembourg.

The registered office is 12 Rue Guillaume Schneider L-2522 Luxembourg.