

STOKE CITY FOOTBALL CLUB LIMITED

Report and Financial Statements

31 May 2001

**Deloitte & Touche
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 annual general meeting of Stoke City Football Club Limited will be held at the Britannia Stadium, Stoke-on-Trent on 26 October 2001 at 600 pm for the following purposes:

A TO CONSIDER THE FOLLOWING ROUTINE BUSINESS:

1. To receive and adopt the company's accounts for the year to 31 May 2001 together with the reports of the directors and auditors thereon.
2. To confirm Stefan Thorisson as a director.
3. To re-appoint Keith Humphreys as a director.
4. To re-appoint Peter Coates as a director.
5. To re-appoint Deloitte & Touche as auditors of the company and to authorise the directors to fix the auditors remuneration.

B TO CONSIDER AND IF THOUGHT FIT TO PASS THE FOLLOWING ORDINARY RESOLUTIONS AS SPECIAL BUSINESS

6. That the authorised share capital of the company be increased from £1,323,398 to £2,500,000 by the creation of 1,176,602 ordinary shares of £1 each ranking pari passu in all respects with the existing £1 ordinary shares in the capital of the Company.
7. That in accordance with section 80 of the Companies Act 1985 the directors of the Company be and are hereby unconditionally authorised for the period commencing on and with effect from the date of this resolution and expiring on 31 December 2002 to allot up to the authorised but unissued share capital ordinary shares of £1 each in the capital of the Company.

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
E Adalsteinsson (resigned 31 December 2000)
A Sigurvinsson
K A Humphreys
P Coates
P Rawlins
S G Thorisson (appointed 1 January 2001)

CHIEF EXECUTIVE

J Fuller

SECRETARY

I Bailey

MANAGER

G Thordarson

REGISTERED OFFICE

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

BANKERS

Co-operative Bank PLC

SOLICITORS

Knight & Sons
The Brampton
Newcastle Under Lyme
Staffordshire
ST5 0QU

AUDITORS

Deloitte & Touche
Chartered Accountants
201 Deansgate
Manchester
M60 2AT

CHAIRMAN'S STATEMENT

There is no hiding from the fact that last season was one of very high expectations that did not materialise at Stoke City FC. At the end of the previous season we felt we had been robbed of a place in the play-off final and with the addition of some quality players during the summer we felt justified in expecting great things of the team with automatic promotion being the goal. Supporters were of the same opinion and season ticket sales increased by an enormous 60%.

Reality turned out to be somewhat different and, although we had some enjoyable cup success against Charlton and Barnsley in the Worthington Cup and a reasonable run in the LDV Vans Trophy, at the end of 46 games in the League we were 15 points short of our target of 2 points per game, which would have secured automatic promotion. We ended the season in 5th place and went into the play-offs for the second year running. Our performance in the two play-off games against Walsall was simply not good enough and the season ended in bitter disappointment.

Only time will tell if we have learned enough from our failings last season but after having made some quality additions to the squad this summer it is felt that the team is stronger at the start of this season than it has been for a long time. We have seen some very encouraging performances in the first few games of the season and if we can continue in that form I have no concerns about the final outcome at the end of April.

Financial results for the year

The club performed worse financially during the year ending May 31st 2001 than the previous year. Turnover increased by £404,000 but failed to keep up with the increase in operating expenses of £1,125,000. Increased season tickets sales and higher average gates in general contributed to higher income but the bulk of the revenue increase stems from payments for the club's participation in an internet joint venture between The Football League and PTV (a subsidiary of ntl:). The increase in operating expenses was mainly due to increase in the cost of attracting and employing our players, increased cost of running and maintaining our stadium and training ground, the cost involved in defending the club against legal actions from Lou Macari and the increased cost of match day security.

The loss on ordinary activities was £1.7 million compared to £916,000 the previous year. The operating loss before taking into account player trading plus the net interest expense results in a loss of £1.4 million, which is not sustainable in the long run. The directors still believe that once promotion into the 1st Division has been accomplished increased revenues from TV rights, increased sponsorship interest and increased gate receipts will make the club profitable. But until we gain promotion we must become more effective in controlling costs. The first step is for everyone associated with the club to understand that this business is losing substantial amounts of money every single week and we must run a very tight ship while that is the case. We intend to review every aspect of the club this season with the view of seeing where we can do things differently and more effectively.

Readers of the balance sheet will notice that the shareholders equity has turned negative. This is the harsh reality of continued losses at the club. Although this is a grave situation the club finds itself in, I urge readers of the accounts to take into account that among the debts we have unsecured convertible loan stock that is owned by the major shareholders of the club and is only due in 4 years time. I would also like to draw attention to the valuation of the player's registrations of just over £1.1 million at the end of the year. Since that date we have sold two players for a net profit of £2.2 million and still have a very strong squad of players left.

Football results

We had some encouraging cup success at the start of last season. By November the club had knocked York City, Charlton Athletic and Barnsley out of the Worthington Cup. We were looking forward to repeating the pre-season performance against Liverpool at home in the 4th round of the Worthington Cup and had the seemingly easy task of disposing of the Conference side Nuneaton Borough at home in the 1st round of the FA Cup.

We failed to score against Nuneaton in the first game and conceded a goal in the final minutes of the replay. Again Stoke City FC was out of the FA Cup in the first round. As for the Worthington Cup we did very well to reach the 4th round and that is what we should remember from that competition.

We had a good run in the new LDV Vans Trophy competition and the last hurdle before the final in Cardiff was our good neighbours at Port Vale. I am not sure which was more painful for our supporters, to lose against Port Vale at home or being knocked out of the LDV competition being so close to the final in Cardiff.

CHAIRMAN'S STATEMENT

In a cup competition you either end up as winner or end your participation in defeat. On reflection I believe that the least disappointing defeat in the cup competition last season was against Liverpool. We approached the game bravely but naively as equals and although the final score was perhaps a bit too harsh on us it just shows that at the time we were not quite as good as one of the best Premiership sides. Financially our participation in the three cup competitions was a success with gate receipts from cup games topping £400,000.

A lack of consistency plagued our performance in the League. The team could play some brilliant football in one half and terrible in the next. We got good results against the stronger teams in the division and away from home but we failed to secure the 3 points at home against the weaker teams. Towards the end of the season we were not even secure with a play-off place but a string of good results in the final part of the season secured 5th place in the League.

For the second year running we went into the play-offs and now the opponent was Walsall. To cut a long story short we were simply not good enough and our football season ended in defeat away from home. The way the 9 remaining Stoke City players performed the previous year against Gillingham gave us some comfort in defeat but this time around we were left with plain and simple defeat.

Changes in personnel

Last season we signed several players. Wayne Thomas came into the squad before the season started but Rikharður Daðason and Andrew Cooke arrived a few months into the season. We also signed Tony Dorigo and Henrik Risom on one-year contracts at the start of the season.

The club also used the services of a number of loan players last season. Most notable of those were Frode Kippe from Liverpool and Birkir Kristinsson from ÍBV. The club released a number of players at the end of the season and we thank them for their contribution to the club.

This summer the club has signed 5 new players to help us with the promotion push this season. Neil Cutler, Peter Handyside and David Rowson originate from the British Isles but Peter Hoekstra and Siarhei Shtaniuk come from abroad. Jurgen Van Deurzen has also been signed on a long-term loan contract.

Last season we sold Paul Connor to Rochdale for £150,000 and this season we have sold Graham Kavanagh and Peter Thorne to Cardiff for £800,000 and £1.7 million respectively. Selling players is a part of our operations as a football club but both sales this season were in part forced upon us. Graham Kavanagh had only one year left of his contract and the price of extending his contract was too high for the club. The sale of Peter Thorne was forced upon us when funding that the club thought it had secured for this season did not come through. In spite of the circumstances we are satisfied with the prices that we got for those players and the club made a healthy profit from both of those transfers. Because of these transfers the club is expected to almost break even this season and that in the 2nd division.

During the summer we merged the role of the reserve team coach with the role of the 1st team coach to streamline operations as the size of our squad of professional players shrinks. We also made some changes in the personnel with Dave Kevan taking over as 1st team coach and Ian Cranson taking over as Youth team coach. Our 1st team coach for two years Nigel Pearson left and we would like to thank him for his loyal service with the club.

New developments at the club

Last season a new club badge was introduced alongside the Stoke on Trent coat of arms as the club's identity. The old identity was very complex, not easily recognisable from a distance and it was very difficult to reproduce on clothing. As was expected there was some initial resistance to the new badge but most supporters have now accepted it and indeed prefer the new badge to the old coat of arms which is still used by the club where appropriate.

The Stanley Matthews Foundation was set up last year with the aim of raising an initial £250,000 to erect a statue outside the Britannia Stadium in commemoration of our football legend and to help provide better football coaching and facilities for children in Stoke-on-Trent. In spite of tremendous efforts by Foundation chairman Nigel Johnson, and his colleagues on the Foundation board, the interest from local benefactors and the general public has been disappointing with a few notable exceptions. Only a third of the target amount has been raised and the club has had to fund the erection of the statue to a large degree. The statue itself is a magnificent work of art and will become a major landmark in Stoke-on-Trent when it is unveiled later in the year.

On the 1st of May the control over our retail operation moved from Asics to the Club. The preceding two years Asics had run the retail operation on their account and paid us a fixed fee in return. We also reached an agreement

CHAIRMAN'S STATEMENT

with Le Coq Sportif to become our new kit supplier. We had a very successful launch of our new home strip in the summer and the new away strip is being released at the end of September.

Lou Macari, one of the most respected Stoke City managers of the past, initiated a court case against the club last season. The court did not find any merit in Mr Macari's case and no appeal was made against that ruling. The only victors in this case were the lawyers who we have paid more than £100,000 to defend ourselves. We will seek to recoup some of our legal costs from Mr. Macari but how successful we will be remains to be seen.

In order to maintain an Academy status for our youth development and to improve the training facilities for the 1st team the club will build a new indoor facility with a high quality artificial surface next year. It is our intention that the wider community will also benefit from this project by allowing controlled community use of the facilities.

The club has a magnificent home in the Britannia Stadium of which we can be very proud. It is a large new stadium, which is expensive to run, and the club is still paying for its investment in the stadium. It is therefore a shame that it is usually less than 50% full and we have to try harder to entice more people to visit us on a match day. We have allocated more resources toward this end and hopefully we will improve the utilisation of the stadium and the match day experience at the same time.

Improving communications with our supporters is important to us. We understand that the club plays a large and important role in many peoples lives and we are keen to give supporters the opportunity to know what is happening at the club and to get a stronger sense of belonging. The match day program is a medium, which has a long tradition, and we have this season redesigned it to make it more accessible to supporters. Last season we launched our Internet site with information and live radio broadcasts from our games that can be heard all around the globe. This season sees the introduction of two new communication initiatives in Potters TV that brings news and highlights from previous games as pre-match entertainment for those visiting the stadium and a new club magazine called City Scene.

In football as in many other fields of life a new start brings new hope. In football we are fortunate enough to have a new start every autumn and I am very hopeful of success this season. I base that optimism on the performance of the team at the start of the season and the quality of our squad. Promotion is the ultimate goal for this season but let us not forget to enjoy each and every good performance on our way to promotion.

I would like to thank our supporters and sponsors for their continued support and understanding. If we all pull together we can accomplish the task of restoring this club to its former glory and rebuild it into a thriving business.

Gunnar Þór Gíslason, Chairman

STOKE CITY FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2001.

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 pages 3 to 5.

DIVIDENDS AND TRANSFERS FROM RESERVES

The loss for the year amounted to £1,712,647 (2000 - £915,990) which has been withdrawn from reserves. The directors do not recommend payment of preference or ordinary share dividends.

DIRECTORS AND THEIR INTERESTS

The names of the present members of the board are set out on page 2.

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

	£1 Preference shares		£1 Ordinary shares	
	2001	2000	2001	2000
Beneficial:				
K A Humphreys	18	18	3	3
P Coates	29	29	88,088	88,088

At 31 May 2001 The Chatham Group held 64,000 (2000 - 64,000) ordinary shares. Mr P Rawlins is deemed to have an interest in the shares held by The Chatham Group.

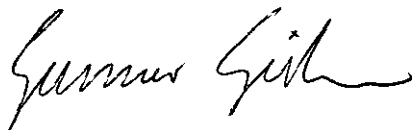
At 31 May 2001 Ramsdell Estates Limited held 88,021 (2000 - 88,021) ordinary shares and 75 (2000 - 75) preference shares. Mr K A Humphreys is deemed to have an interest in the shares held by Ramsdell Estates Limited.

A Sigurvinnsson and S Thorisson own 16,341 and 1,362 ordinary shares in Stoke Holding SA, both holdings being less than 1% of the total issued share capital of the company as at 31 May 2001. Stoke Holding SA owned 59.3% of Stoke City Football Club Limited at 31 May 2001.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



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 24 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

28 September 2001

Chartered Accountants and Registered Auditors

STOKE CITY FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 May 2001

	Note	Operations excluding player trading 2001 £	Player trading 2001 £	Total 2001 £	Total 2000 £
TURNOVER	3	5,881,712	-	5,881,712	5,477,742
Operating expenses		(6,919,305)	(593,023)	(7,512,328)	(6,386,510)
OPERATING LOSS	5	(1,037,593)	(593,023)	(1,630,616)	(908,768)
Profit on disposal of players' registrations	6	-	319,000	319,000	282,204
LOSS BEFORE INTEREST AND TAXATION		(1,037,593)	(274,023)	(1,311,616)	(626,564)
Net interest payable	7			(401,031)	(289,426)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(1,712,647)	(915,990)
Taxation				-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION				(1,712,647)	(915,990)

All the above results derive from continuing activities.

To accord with industry best accounting practice, operating expenses of £6,386,510 shown in the year ended 31 May 2000 have been restated to include amortisation of players registrations (at £271,930) which were previously stated separately and on the face of the profit and loss account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001 £	2000 £
Loss for the year	(1,712,647)	(915,990)
Total recognised gains and losses relating to the year	(1,712,647)	(915,990)
Prior year adjustment - see note 2	-	(7,788,508)
Total gains and losses recognised since last annual report	(1,712,647)	(8,704,498)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2001 £	2000 £
Reported loss on ordinary activities before taxation	(1,712,647)	(915,990)
Difference between historical cost depreciation and actual depreciation charges calculated on the revalued amount	-	359
Historical cost loss on ordinary activities before taxation	(1,712,647)	(915,631)
Historical cost loss for the year after taxation	(1,712,647)	(915,631)

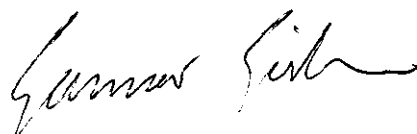
STOKE CITY FOOTBALL CLUB LIMITED

BALANCE SHEET

31 May 2001

	Note	£	2001 £	£	2000 £
FIXED ASSETS					
Intangible assets	8	1,101,997		1,024,020	
Tangible assets	9	515,875		254,098	
Investments	10	9,000,000		9,000,000	
			10,617,872		10,278,118
CURRENT ASSETS					
Stock	11	66,837		-	
Debtors	12	840,509		525,605	
Investments	13	153,846		153,846	
Cash at bank and in hand		608,643		652,156	
		1,669,835		1,331,607	
CREDITORS: amounts falling due within one year	14	4,006,166		4,403,446	
NET CURRENT LIABILITIES			(2,336,331)		(3,071,839)
TOTAL ASSETS LESS CURRENT LIABILITIES			8,281,541		7,206,279
CREDITORS: amounts falling due after more than one year					
Other creditors	15		4,835,738		4,017,120
Unsecured convertible loan stock	15		4,550,000		2,600,000
Provisions for liabilities and charges	17		132,782		113,491
			(1,236,979)		475,668
CAPITAL AND RESERVES					
Called up share capital	19		642,739		642,739
Share premium account	20		556,800		556,800
Revaluation reserve	20		16,761		16,761
Profit and loss account - deficit	20		(2,453,279)		(740,632)
Shareholders funds - deficit	21		(1,236,979)		475,668

These financial statements were approved by the Board of Directors on 28 September 2001
Signed on behalf of the Board of Directors



Director

STOKE CITY FOOTBALL CLUB LIMITED

CASH FLOW STATEMENT Year ended 31 May 2001

	Note	2001 £	2000 £
Net cash outflow from operating activities	22	(337,864)	(1,146,954)
Returns on investments and servicing of finance			
Interest received		22,651	3,903
Interest paid		<u>(440,387)</u>	<u>(230,172)</u>
Net cash outflow from returns on investments and servicing of finance		(417,736)	(226,269)
Taxation		-	-
Capital expenditure and financial investment			
Payment to acquire intangible assets		(851,000)	(660,950)
Receipts from sales of intangible assets		239,166	339,302
Payments to acquire tangible assets		<u>(365,400)</u>	<u>(61,570)</u>
Net cash outflow from investing activities		<u>(977,234)</u>	<u>(383,218)</u>
Net cash outflow before financing		(1,732,834)	(1,756,441)
Financing			
Issue of ordinary shares		-	620,800
Issue of loan stock		1,950,000	2,400,000
Issue of term bank loans		-	2,500,000
Repayment of loan		(231,279)	(100,000)
Repayment of Football Trust loans		<u>(99,996)</u>	<u>(99,997)</u>
Net cash inflow from financing		<u>1,618,725</u>	<u>5,320,803</u>
(Decrease)/increase in cash and cash equivalents	23, 24	<u><u>(114,109)</u></u>	<u><u>3,564,362</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

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 below 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.

Leased assets

Assets acquired under hire purchase agreements are capitalised as tangible assets at fair value and are depreciated over the shorter of the lease term and 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.

Stocks

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

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.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

1. ACCOUNTING POLICIES (continued)

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.

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.

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

A prior period adjustment was made in the year ended 31 May 2000 in respect of the change of accounting policy for the investment in the associated company and the treatment of the leasehold investment in the Britannia Stadium.

3. TURNOVER

	2001 £	2000 £
Football activities:		
Gate receipts	2,855,801	2,771,324
Football League distributions	543,754	320,490
Television and broadcasting fees	107,256	78,337
	<u>3,506,811</u>	<u>3,170,151</u>
Commercial income:		
Sponsorship and advertising	770,976	765,349
Club shops	34,058	-
General donations	106,065	143,056
Other income	1,463,802	1,399,186
	<u>2,374,901</u>	<u>2,307,591</u>
	<u>5,881,712</u>	<u>5,477,742</u>

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS Year ended 31 May 2001

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Directors remuneration		
Fees	11,100	5,400
	<u>No</u>	<u>No</u>
Average number of persons employed		
Full time playing staff and apprentices	45	46
Other staff	76	58
	<u>121</u>	<u>104</u>
	£	£
Staff costs during the year		
Wages, salaries and bonuses	4,188,489	3,863,135
Social security costs	445,309	329,725
Pension costs	79,491	84,373
	<u>4,713,289</u>	<u>4,277,233</u>

5. OPERATING LOSS

	2001 £	2000 £
Operating loss is after charging/(crediting):		
Depreciation of tangible fixed assets	103,623	50,468
Grants released (note 16)	(51,843)	(63,090)
Operating lease rentals:		
Property	282,500	274,040
Plant, equipment and vehicles	45,111	31,241
Auditors remuneration:		
- audit fees	6,750	6,500
- non audit charges	5,250	3,250
	<u></u>	<u></u>

6. PLAYER TRADING

	2001 £	2000 £
Amortisation of cost of players' registrations	(593,023)	(271,930)
Profit on disposal of players' registrations	319,000	282,204
	<u>(274,023)</u>	<u>10,274</u>

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS Year ended 31 May 2001

7. NET INTEREST PAYABLE

	2001 £	2000 £
Interest payable on bank loans and overdrafts	210,239	204,671
Interest payable on convertible loan stock	213,443	78,955
Interest on other loans	-	9,703
	<u>423,682</u>	<u>293,329</u>
Interest receivable	(22,651)	(3,903)
	<u>401,031</u>	<u>289,426</u>

8. INTANGIBLE ASSETS

	Players' registrations £
Cost	
At 1 June 2000	2,165,450
Additions	671,000
Disposals	(19,500)
At 31 May 2001	<u>2,816,950</u>
Amortisation	
At 1 June 2000	1,141,430
Charge for year	593,023
Disposals	(19,500)
At 31 May 2001	<u>1,714,953</u>
Net book value	
At 31 May 2001	<u>1,101,997</u>
At 31 May 2000	<u>1,024,020</u>

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS Year ended 31 May 2001

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and vehicles £	Total £
Cost or valuation			
At 1 June 2000	39,075	426,383	465,458
Additions	133,104	232,296	365,400
Disposals	-	-	-
At 31 May 2001	172,179	658,679	830,858
Depreciation			
At 1 June 2000	4,042	207,318	211,360
Charge for year	5,212	98,411	103,623
Disposals	-	-	-
At 31 May 2001	9,254	305,729	314,983
Net book value			
At 31 May 2001	162,925	352,950	515,875
At 31 May 2000	35,033	219,065	254,098
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.

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

10. 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.

	2001 £	2000 £
At cost	<u>9,000,000</u>	<u>9,000,000</u>

As described in note 1, 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 year ended 31 May 2001 and published accounts for the 18 months period drawn up to 31 May 2000, was as follows:

	31 May 2001 (unaudited) £	31 May 2000 £
Turnover	<u>303,566</u>	<u>372,321</u>
Profit before tax	91,285	56,557
Taxation	-	-
Profit after tax	<u>91,285</u>	<u>56,557</u>
Fixed assets	7,473,153	7,523,268
Current assets	168,614	174,203
Liabilities due within one year	(179,300)	(319,715)
Liabilities due after more than one year	<u>(1,053,884)</u>	<u>(1,060,458)</u>
Share of net assets	<u>6,408,583</u>	<u>6,317,299</u>

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

11. STOCKS

Goods for resale	<u>66,837</u>	<u>-</u>
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STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

12. DEBTORS

	2001 £	2000 £
Trade debtors	200,768	123,571
Amounts owed by related undertakings	37,043	11,487
Other debtors	87,882	7,059
Prepayments and accrued income	514,816	379,432
Corporation tax recoverable	-	4,056
	<u>840,509</u>	<u>525,605</u>

13. INVESTMENTS HELD AS CURRENT ASSETS

	2001 £	2000 £
Shares in Stoke Holding SA	<u>153,846</u>	<u>153,846</u>

The shares in Stoke Holding SA were purchased at fair value and are held in order to facilitate the exercise 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 4 years, and represent 1.8% of the share capital.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts (note 15)	2,339,321	2,500,000
Football Trust loan (note 15)	83,329	100,000
Trade creditors	337,144	356,327
Amounts owed to parent undertaking	47,168	70,654
Amounts owed to related undertaking	-	12,661
Accruals	298,954	449,801
Deferred income	379,584	586,186
Deferred grants	57,098	63,090
Taxation and social security	463,568	264,727
	<u>4,006,166</u>	<u>4,403,446</u>

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS Year ended 31 May 2001

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

	2001 £	2000 £
Football Trust loan	-	83,325
Trade creditors	-	80,000
Deferred income	2,246,517	1,218,723
Deferred grants - note 16	2,589,221	2,635,072
	<u>4,835,738</u>	<u>4,017,120</u>
Convertible unsecured loan stock (see below)	4,550,000	2,600,000
	<u>9,385,738</u>	<u>6,617,120</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 future football seasons. It includes £172,342 received under an advance discount agreement with a brewery, this amount being secured by a legal charge over the leasehold interest in the Britannia Stadium.

£3,800,000 of 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 475,000 ordinary shares.

If the conversion option is not exercised the loan stock will be redeemed on 12 November 2004 at nominal value of £3,800,000 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 remaining £750,000 of convertible loan stock (all issued on 14 July 2000) may be invested at a holders option into fully paid ordinary shares of £1 each at any time up to 30 June 2010 at the following rates:

- £12 per share for the first £266,000 of loan stock to be converted
- £13 per share for next £266,000 of loan stock to be converted
- £13 per share for the last £218,000 of loan stock to be converted.

Full conversion of the outstanding rights on the £750,000 will result in the issue of 63,089 ordinary shares. If the conversion option is not exercised the loan stock will be redeemed on 30 June 2010 at nominal value of £750,000. The consideration received for the issue of new loan stock consisted of a cash injection of £1,950,000, for working capital purposes, received between 14 July 2000 and 4 April 2001.

The £750,000 loan stock is interest free.

	2001 £	2000 £
Analysis of borrowings:		
Bank loans and overdrafts	2,339,321	2,500,000
Convertible unsecured loan stock	4,550,000	2,600,000
Football Trust loan	83,329	183,325
	<u>6,972,650</u>	<u>5,283,325</u>
Analysis of loan repayments:		
Within one year	2,422,650	2,600,000
Between one and two years	-	83,325
Between two and five years	4,550,000	2,600,000
	<u>6,972,650</u>	<u>5,283,325</u>

NOTES TO THE ACCOUNTS
Year ended 31 May 2001

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

Contained within amounts repayable within one year are bank loans of £2,268,725. Although technically repayable upon demand a schedule of repayments has been agreed over seven and five years on loans of £913,113 and £1,355,612 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.

16. DEFERRED GRANTS

	2001 £	2000 £
Balance at 31 May 2000	2,698,162	2,761,252
Grants released to profit and loss account (note 5)	(51,843)	(63,090)
Balance at 31 May 2001	<u>2,646,319</u>	<u>2,698,162</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension obligations £
Balance at 1 June 2000	113,491
Profit and loss charge	19,291
Balance at 31 May 2001	<u>132,782</u>

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 was provided and charged to the profit and loss account in the year ended 31 May 2000. Final confirmation of the club's contribution has now been received and an additional amount has been provided and charged to the profit and loss account in the current year.

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

18. DEFERRED TAXATION

The potential deferred tax asset not provided in the accounts, calculated at a tax rate of 30% (2000 - 30%), is set out below:

	2001 £	2000 £
Accelerated capital allowances	(98,108)	(201,277)
Short term timing differences	(1,387,471)	(735,905)
	<u>(1,485,578)</u>	<u>(937,182)</u>

Included within short term timing differences is a deferred tax asset relating to cumulative trading losses of approximately £4.5m (2000 - £2.6m) which are available to carry forward against future trading income.

19. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised:		
5.25% Cumulative preference shares of £1 each	1,000	1,000
Ordinary shares of £1 each	1,322,398	1,322,398
	<u>1,323,398</u>	<u>1,323,398</u>
Allotted and fully paid:		
5.25% Cumulative preference shares of £1 each	1,000	1,000
Ordinary shares of £1 each	641,739	641,739
	<u>642,739</u>	<u>642,739</u>

Preference share dividends amounting to £577 in respect of the 1,000 £1 cumulative preference shares in issue are in arrears for the thirteen accounting periods to 31 May 2001. These are not currently being accrued as the likelihood of them being paid is remote.

20. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium £	Revaluation reserve £	Profit and loss account £	Total 2001 £
Balance at 31 May 2000	556,800	16,761	(740,632)	(167,071)
Loss for year	-	-	(1,712,647)	(1,712,647)
Transfer of amount equivalent to additional depreciation on revalued assets	-	-	-	-
Balance at 31 May 2001	<u>556,800</u>	<u>16,761</u>	<u>(2,453,279)</u>	<u>(1,879,718)</u>

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Loss for the financial year	(1,712,647)	(915,990)
Issue of share capital	-	620,800
Net reduction to shareholders' funds	(1,712,647)	(295,190)
Opening shareholders' funds as previously stated	475,668	8,559,366
Prior period adjustments - see note 2	-	(7,788,508)
Opening shareholders' funds as restated	475,668	770,858
Closing shareholders' funds	(1,236,979)	475,668

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

	2001 £	2000 £
Operating loss	(1,311,616)	(626,564)
Amortisation of intangible assets	593,023	271,930
Depreciation of tangible assets	103,623	50,468
Profit on disposal of intangible assets	(319,000)	(282,634)
Grants released	(51,842)	(63,090)
Increase in stocks	(66,837)	-
Increase in debtors	(234,814)	(287,018)
Increase/(decrease) in creditors	930,308	(323,537)
Increase in provisions	19,291	113,491
	(337,864)	(1,146,954)

23. ANALYSIS OF CHANGES IN NET DEBT

	At 31 May 2000 £	Cash Flows £	At 31 May 2001 £
Cash at bank and in hand	652,156	(43,513)	608,643
Overdraft	-	(70,596)	(70,596)
	652,156	(114,109)	538,047
Debt due within 1 year	(2,683,325)	331,271	(2,352,054)
Debt due after 1 year	(2,600,000)	(1,950,000)	(4,550,000)
	(4,631,169)	(1,732,838)	(6,364,007)

STOKE CITY FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2001

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

	2001 £	2000 £
(Decrease)/increase in cash in year	(114,109)	3,564,362
Reduction in/(increase) to bank loan	231,275	(2,500,000)
Issue of loan stock	(1,950,000)	(2,400,000)
Reduction in Football Trust loan	99,996	99,997
Repayment of directors' loans	-	100,000
Change in net debt	(1,732,838)	(1,135,641)
Net debt at 31 May 2000	(4,631,169)	(3,495,528)
Net debt at 31 May 2001	(6,364,007)	(4,631,169)

25. COMMITMENTS AND CONTINGENT LIABILITIES

	2001 £	2000 £
Capital commitments		
Authorised but not contracted or provided	600,000	-
Contracted for but not provided	27,000	130,000

	Land and Buildings		Other operating leases	
	2001 £	2000 £	2001 £	2000 £
Operating lease commitments:				
Within 1 year	-	-	-	-
In 2-5 years	36,000	22,000	45,111	39,521
After more than 5 years	250,000	250,000	-	-
	<u>286,000</u>	<u>272,000</u>	<u>45,111</u>	<u>39,521</u>

Contracts with employees and other clubs

In common with normal practice, certain employees are entitled to future payments related to performance, 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 £2,150,783.

NOTES TO THE ACCOUNTS**Year ended 31 May 2001****26. POST BALANCE SHEET EVENTS**

Since 31 May 2001, the Club has entered into transfer agreements for confirmed contracted net transfer fees receivable of £1,776,000.

27. RELATED PARTY TRANSACTIONS

Mr P Coates was a director during the year to 31 May 2001 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. Post year end Mr P Coates sold his shareholding and is no longer a director of Lindley Catering Investments Limited.

Mr S G Thorisson, J Fuller 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 £	2001 Balance at end of year £	Value of transactions £	2000 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	-
Reimbursement	33,285	-	-	-
Lindley Catering Investment Limited:				
Catering services supplied	196,581	-	136,989	12,661
Payable to Stoke City Football Club Limited				
Stoke-on-Trent Community Stadium Development Company Limited:	86,614	22,394	58,735	8,396
Lindley Catering Investments Limited:				
Reimbursements	52,299	10,331	11,399	3,091
Mata EHF	-	-	4,847	2,155
Fiskimid Exporting Co.	-	-	1,565	-
Kaupthing Investment Bank	8,000	-	7,701	-
Julius Bjarnason	481	3,371	2,958	3,094

Details relating to the investment in Stoke-on-Trent Community Stadium Development Company Limited are given in note 10.

All contract terms were agreed on an arms length basis and the directors have reviewed and approved all of the above arrangements.

28. 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.