

**STOKE CITY FOOTBALL CLUB LIMITED****REPORT AND ACCOUNTS****31<sup>ST</sup> MAY 1999**

# 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 7<sup>th</sup> January 2000 at 7 p.m. for the following purposes-

1. To receive and adopt the company's accounts for the year to 31<sup>st</sup> May 1999 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

I. BAILEY

Company Secretary

Stoke-on-Trent

13<sup>th</sup> December 1999

**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.

# **STOKE CITY FOOTBALL CLUB LIMITED**

## **DIRECTORS AND ADVISERS**

### **President**

Sir Stanley Matthews C.B.E., Hon. M.A. (Keele)

### **Directors**

G.T. Gislason

E.Adalsteinsson

A.Siguruinsson

K.A. Humphreys

P. Coates

### **Chief executive**

J. Moxey

### **Manager**

G. Thordarson

### **Registered office**

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

### **Registered number**

99885 England

### **Bankers**

Co-operative Bank PLC

Barclays Bank PLC

# **STOKE CITY FOOTBALL CLUB LIMITED**

## **CHAIRMAN'S STATEMENT**

The period under review has been particularly difficult financially with recorded losses of £1,484,138 due principally to a large reduction of income as a consequence of being relegated into Division Two.

Although considerable effort was made to reduce expenditure, as is reflected in the accounts, we essentially maintained our First Division wage structure for the players, which included signing both Graham Kavanagh and Peter Thorne to new long term contracts, in an attempt to win promotion immediately.

We began the year with high hopes following the appointment of an experienced management team led by Brian Little. During the course of the season he signed nine new players but unfortunately, despite a tremendous first half of the season, our form collapsed after Christmas and we eventually finished a disappointing eighth.

Today there has never been a greater need for us to develop our own young players. I am pleased to report that our Youth Development Programme was given FA Football Academy status in February 1999 and we have a growing number of bright prospects for the future.

We have plans to create a new training facility which will house both senior and Academy players. This is an important part of the club's strategic development plans.

On behalf of the Board I should like to thank the Chief Executive, Management and Staff for their commitment and dedication during this difficult season. I should also like to thank my fellow directors, including Paul Doona who left the Board in January, for their support and hard work at the Club, and the City Council and Stoke-on-Trent Regeneration for their continuing professional involvement in making the Britannia Stadium a successful community asset.

K.A. HUMPHREYS

23rd October 1999

# STOKE CITY FOOTBALL CLUB LIMITED

## REPORT OF THE DIRECTORS

The directors present their report together with the accounts for the year to 31<sup>st</sup> May 1999.

### RESULTS AND DIVIDENDS:

The loss for the year amounted to £1,484,138 which is adjusted on reserves. Your board do not recommend payment of preference or ordinary share dividends.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

The principal activity of the company is that of a professional football club.

A review of the Club's results for the year and of its prospects are contained in the Chairman's statement on page 4.

### TANGIBLE FIXED ASSETS:

Details of movements in fixed assets during the year are set out in the notes.

### YEAR 2000:

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the year 2000. This risk to the business relates not only to the Club's computer systems but also, to some degree, on those of our customers and suppliers.

The Club has reviewed its computer systems for the impact of the Year 2000 date change. Major risks have been identified and action plans developed to address these in advance of critical dates. The costs are not considered to be material and are being charged to the profit and loss account as they are incurred.

### DIRECTORS:

The names of the present members of the board are set out on page 3.

The directors who held office during the year and their interests (including family interests) in the shares of the company at the beginning and end of the year were as follows:-

	£1 Preference shares		£1 Ordinary shares	
Beneficial:	31.5.99	31.5.98	31.5.99	31.5.98
K.A.Humphreys	18	18	121,676	28,753
P. Coates	29	29	278,742	182,819
D.J. Edwards	-	-	25	25
Non-beneficial:				
P.E. Doona (resigned 24.2.99)	-	-	185,846*	185,846

\* at date of resignation

There was a holding at 31<sup>st</sup> May 1999 by Ramsdell Estates Limited of 157,002 (1998:157,002) ordinary shares and 75 (1998:75) preference shares. Mr. K.A.Humphreys is deemed to have an interest in the shares held by Ramsdell Estates Limited.

**STOKE CITY FOOTBALL CLUB LIMITED**

**REPORT OF THE DIRECTORS (CONTINUED)**

**STATEMENT OF DIRECTORS RESPONSIBILITIES IN RELATION TO THE ACCOUNTS:**  
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts 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 accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Approved by the board of directors on 23 October 1999  
and signed on its behalf by:



K.A. HUMPHREYS

Director

**STOKE CITY FOOTBALL CLUB LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR TO 31<sup>ST</sup> MAY 1999**

	Note	1999 £	1998 (restated) £
TURNOVER	1	4,469,593	5,881,866
Operating expenses	2	5,659,250	6,253,820
		<hr/>	<hr/>
OPERATING LOSS BEFORE PLAYER TRADING		(1,189,657)	(371,954)
Player trading	3	(220,317)	2,579,984
		<hr/>	<hr/>
OPERATING PROFIT (LOSS)		(1,409,974)	2,208,030
Non operating income – donations		125,376	71,176
Exceptional item	4	-	(9,000,000)
Net interest payable	6	(203,596)	(373,046)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,488,194)	(7,093,840)
Taxation credit (charge)	7	4,056	(4,056)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,484,138)	(7,097,896)
		<hr/>	<hr/>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:**

	1999 £	1998 (restated) £
Loss for year	(1,484,138)	(7,097,896)
Provision for permanent diminution in value of property revalued in a prior year	-	(12,161)
Unrealised surplus on valuation of leasehold interest in Britannia Stadium	-	16,925,000
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(1,484,138)	9,814,943
Prior year adjustment (note 17)	939,415	730,431
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	(544,723)	10,545,374
	<hr/>	<hr/>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES:**

	£	£
Reported loss on ordinary activities before taxation	(1,488,194)	(7,093,840)
Realisation of property revaluation gains of previous years	44,828	171,940
Difference between historical cost depreciation and actual depreciation charges calculated on the revalued amount	136,851	1,477
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(1,306,515)	(6,920,423)
	<hr/>	<hr/>
Historical cost loss for the year after taxation	(1,302,459)	(6,924,479)
	<hr/>	<hr/>

The notes on pages 10 to 21 form an integral part of these accounts.



# STOKE CITY FOOTBALL CLUB LIMITED

## BALANCE SHEET

31<sup>ST</sup> MAY 1999

	Note	1999	1998 (restated)
<b>FIXED ASSETS:</b>		<b>£</b>	<b>£</b>
Intangible assets	8	375,000	939,415
Tangible assets	9	17,031,504	17,231,160
Investment in associated company	10	-	-
		<hr/>	<hr/>
		17,406,504	18,170,575
		<hr/>	<hr/>
<b>CURRENT ASSETS:</b>			
Stocks	11	-	110,505
Debtors	12	449,101	555,070
Cash at bank and in hand		76,326	96,101
		<hr/>	<hr/>
		525,427	761,676
		<hr/>	<hr/>
<b>CREDITORS: amounts falling due within one year:</b>			
Bank loans and overdraft	13	2,988,532	2,197,102
Other creditors	13	1,778,655	1,651,185
		<hr/>	<hr/>
		4,767,187	3,848,287
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(4,241,760)</b>	<b>(3,086,611)</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>13,164,744</b>	<b>15,083,964</b>
		<hr/>	<hr/>
<b>CREDITORS: amounts falling due after more than one year:</b>			
Other creditors	13	1,844,126	2,260,112
		<hr/>	<hr/>
		11,320,618	12,823,852
		<hr/>	<hr/>
<b>DEFERRED GRANTS</b>	14	<b>2,761,252</b>	<b>2,780,348</b>
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES:</b>			
Called up share capital	16	578,739	578,739
Revaluation reserve	17	16,805,628	16,987,307
Profit and loss account	17	(8,825,001)	(7,522,542)
		<hr/>	<hr/>
		11,320,618	12,823,852
		<hr/>	<hr/>

The accounts were approved by the board of directors on 23 October 1999 and signed on its behalf by:

*K. Humphreys*

K.A. HUMPHREYS ) Director

The notes on pages 10 to 21 form an integral part of these accounts.

# STOKE CITY FOOTBALL CLUB LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR TO 31<sup>ST</sup> MAY 1999

	Note	1999 £	1998 (restated) £
Net cash inflow (outflow) from operating activities		(1,400,813)	878,800
Non-operating income – donations		125,376	71,176
Returns on investments and servicing of finance	19	(206,987)	(367,061)
Taxation		5,739	12
Capital expenditure and investment	19	402,961	(234,131)
Grants received		362,514	2,284,731
		<hr/>	<hr/>
Financing	19	(711,210) (450,009)	2,633,527 (3,495,717)
		<hr/>	<hr/>
Increase (decrease) in cash		<u>(1,161,219)</u>	<u>(862,190)</u>

Reconciliation of operating profit (loss) to net cash inflow (outflow) from operating activities:

	1999 £	1998 (restated) £
Operating profit (loss)	(1,409,974)	2,208,030
Amortisation of intangible assets	519,980	834,304
Depreciation of tangible assets	179,754	33,676
Profit on disposal of tangible assets	(38,961)	(21,297)
Profit on disposal of intangible assets	(299,663)	(3,414,288)
Grants released	(31,596)	(54,397)
Decrease (increase) in stocks	110,505	(7,540)
Decrease (increase) in debtors	(249,784)	51,412
Increase (decrease) in creditors	(181,074)	1,248,900
	<hr/>	<hr/>
Net cash inflow (outflow) from operating activities	<u>(1,400,813)</u>	<u>878,800</u>

	1999 £	1998 £
Reconciliation of net cash flow to movement in net debt (note 19):		
Increase (decrease) in cash in year	(1,161,219)	(862,190)
(Increase) reduction in bank loan	350,014	3,402,087
Reduction (increase) in related undertakings loans	-	1,966
Reduction in Football Trust loan	99,995	91,664
	<hr/>	<hr/>
Change in net debt	(711,210)	2,633,527
Net debt at 31 <sup>st</sup> May 1998	(2,784,318)	(5,417,845)
	<hr/>	<hr/>
Net debt at 31 <sup>st</sup> May 1999	<u>(3,495,528)</u>	<u>(2,784,318)</u>

## STOKE CITY FOOTBALL CLUB LIMITED

### STATEMENT OF ACCOUNTING POLICIES

#### ACCOUNTING CONVENTION:

The accounts have been prepared under the historical cost convention, adjusted to include the revaluation of certain assets, on a going concern basis as set out in note 21 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:

Following the introduction of Financial Reporting Standard 10 "Goodwill and Intangible Assets" the company has changed its policy in respect of player's registrations.

Under the new policy the Club capitalises as an intangible asset fees payable to other football clubs on the transfer of a players' registration and amortises that cost over the period of his initial contract. In accordance with FRS 10, no amounts are included for players developed within the Club. Previously fees payable to and receivable from other football clubs on the transfer of players' registrations were dealt with in the profit and loss account in the period in which the transfer took place.

The effect of this change of policy in the year to 31<sup>st</sup> May 1999 is to increase the loss before and after tax by £564,415.

The effect on the profit and loss reserves of the Club is shown in note 18.

The effect on the profit before taxation in the previous year is also shown in note 18.

#### TANGIBLE FIXED ASSETS:

Tangible fixed assets, are depreciated on a straight line basis calculated to write off the assets over their expected useful lives by equal instalments.

The rates normally applied are as follows:-

Freehold buildings	2% p.a.
Leasehold interest in Britannia Stadium	over remaining term of the lease
Plant and equipment	6% - 10% p.a.
Vehicles	25% p.a.

The directors have reconsidered the accounting treatment of both the leasehold interest in the Britannia Stadium and the investment in the associated company (see below). They consider that the value of the leasehold interest in the Britannia Stadium should be included as a separate asset under tangible fixed assets.

Previously it was the directors considered view that the value of that interest attached to the investment in the associated company. Prior years figures have been adjusted to reflect the change of opinion as stated in note 18.

#### INVESTMENT IN ASSOCIATED COMPANY:

The investment in the associated company is stated 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. Previously, the directors considered that the value of the investment in the associated company was best reflected by the value of the Club's leasehold interest in the Britannia Stadium.

The change in treatment has no effect on the results for the year to 31<sup>st</sup> May 1999.

Prior year figures have been adjusted to reflect the change of opinion as stated in note 18.

#### 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.

## **STOKE CITY FOOTBALL CLUB LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **STOCKS:**

Stocks comprising goods held for resale, are valued at the lower of cost and net realisable value.

#### **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 term of the Club's lease with the associated company.

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 profit and loss account as they become payable.

The Football League Pension and Life Assurance Scheme is to be wound up with effect from 31<sup>st</sup> August 1999 (see note 20).

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.

# STOKE CITY FOOTBALL CLUB LIMITED

## NOTES TO THE ACCOUNTS

<b>1. TURNOVER:</b>	<b>1999</b>	<b>1998</b>
Football activities:	£	£
Gate receipts	2,219,469	2,842,983
Football League distributions	321,627	586,102
Television and broadcasting fees	99,892	198,697
	<u>2,640,988</u>	<u>3,627,782</u>
Commercial income:		
Sponsorship and advertising	557,085	613,544
Club shops	468,235	641,028
Other income	803,285	999,512
	<u>1,828,605</u>	<u>2,254,084</u>
	<u>4,469,593</u>	<u>5,881,866</u>
<b>2. OPERATING EXPENSES:</b>	<b>£</b>	<b>£</b>
Staffs costs (note 5)	3,721,517	3,886,380
Depreciation of tangible fixed assets	179,754	33,676
Grants released (note 14)	(31,596)	(54,397)
Operating lease rentals:		
Property	271,423	236,263
Plant, equipment and vehicles	68,074	56,667
Auditors remuneration:		
- audit fees	5,000	4,950
- non audit charges	7,987	6,963
Profit on disposal of tangible fixed assets	(38,961)	(21,297)
Other operating charges	1,476,052	2,104,615
	<u>5,659,250</u>	<u>6,253,820</u>
<b>3. PLAYER TRADING:</b>	<b>£</b>	<b>£</b>
Amortisation of cost of players' registrations	(419,980)	(549,804)
Additional charges re appearances	(100,000)	(284,500)
Profit on disposal of players' registrations	299,663	3,414,288
	<u>(220,317)</u>	<u>2,579,984</u>
<b>4. EXCEPTIONAL ITEM:</b>	<b>£</b>	<b>£</b>
Amount provided against cost of investment in associated company	-	9,000,000
	<u>-</u>	<u>9,000,000</u>
<b>5. STAFF COSTS:</b>	<b>No.</b>	<b>No.</b>
The average number of persons employed during the year was as follows:		
Full time playing staff and apprentices	41	46
Other staff	51	50
	<u>92</u>	<u>96</u>
Employment costs:	£	£
Wages and salaries	3,348,983	3,539,660
Social security costs	293,226	307,727
Pension costs	79,308	38,993
	<u>3,721,517</u>	<u>3,886,380</u>

No remuneration was paid to the directors.

**STOKE CITY FOOTBALL CLUB LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

	1999 £	1998 £
<b>6. NET INTEREST PAYABLE:</b>		
Interest payable on bank loans and overdrafts:		
- repayable within five years	189,208	351,936
Other loans:		
- repayable within five years	26,073	40,424
	<u>215,281</u>	<u>392,360</u>
Interest receivable	11,685	19,314
	<u>203,596</u>	<u>373,046</u>
<b>7. TAXATION (CHARGE) CREDIT:</b>	£	£
Corporation tax at 21% on interest received	-	(4,056)
Corporation tax recoverable	4,056	-
	<u>4,056</u>	<u>(4,056)</u>
<b>8. INTANGIBLE ASSETS:</b>		
Cost:		<b>Players registrations</b>
		£
At beginning of year		1,689,500
Additions		100,000
Disposals		(320,000)
At end of year		<u>1,469,500</u>
Amortisation:		
At beginning of year		750,085
Charge for year		519,980
Disposals		(175,565)
At end of year		<u>1,094,500</u>
Net book value:		
At 31 <sup>st</sup> May 1999		<u>375,000</u>
At 31 <sup>st</sup> May 1998		<u>939,415</u>

# STOKE CITY FOOTBALL CLUB LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

9. TANGIBLE ASSETS:	Freehold and buildings	Leasehold interest in Britannia Stadium	Plant, and vehicles	Total
	£	£	£	£
Cost or valuation:				
At beginning of year	185,000	16,925,000	357,144	17,467,144
Additions	-	-	42,595	42,595
Disposals	(160,000)	-	(19,001)	(179,001)
At end of year	<u>25,000</u>	<u>16,925,000</u>	<u>380,783</u>	<u>17,330,738</u>
At valuation 1998	-	16,925,000	-	16,925,000
At valuation 1992	25,000	-	-	25,000
At cost	<u>-</u>	<u>-</u>	<u>380,738</u>	<u>380,738</u>
Depreciation:				
At beginning of year	100,545	-	135,439	235,984
Charge for year	500	136,492	42,762	179,754
Disposals	(97,503)	-	(19,001)	(116,504)
At end of year	<u>3,542</u>	<u>136,492</u>	<u>159,200</u>	<u>299,234</u>
Net book value:				
31 <sup>st</sup> May 1999	<u>21,458</u>	<u>16,788,508</u>	<u>221,538</u>	<u>17,031,504</u>
31 <sup>st</sup> May 1998	<u>84,455</u>	<u>16,925,000</u>	<u>221,705</u>	<u>17,231,160</u>

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

The leasehold interest in the Britannia Stadium was valued in 1998 using the Depreciated Replacement Cost valuation principles in arriving at the capital value of the whole from which was deducted the rent reserved under the Head Ground Lease to arrive at a profit rent which is capitalised.

As described under accounting policies the directors have reconsidered the accounting treatment of the leasehold interest in the Britannia Stadium and have included the valuation as a separate asset under tangible fixed assets rather than as a basis for assessing the value of the investment in the associated company, which owns the freehold to the stadium.

Prior year figures have been restated accordingly.

If the above assets had not been revalued the depreciation charge for the year would have been £136,851 lower at £42,903 and the net book value would have been £16,805,628 lower at £225,876.

## 10. INVESTMENT IN ASSOCIATED COMPANY:

Associated company:

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

	1999 £	1998 £
At cost	9,000,000	9,000,000
Amount provided	9,000,000	9,000,000
	<u>-</u>	<u>-</u>

As described under accounting policies the directors have reconsidered the accounting treatment of the investment in associated company.

Prior year figures have been restated accordingly.

**STOKE CITY FOOTBALL CLUB LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**10. INVESTMENT IN ASSOCIATED COMPANY (CONTINUED)**

The Club's share of the associated company's results and net assets as extracted from that company's accounts drawn up to 30<sup>th</sup> November 1998, was as follows:

	1999 £	1998 £
Turnover	221,686	45,536
Profit before tax	12,141	6,245
Taxation	-	-
Profit after tax	12,142	6,245
Fixed assets	7,525,065	7,446,650
Current assets	123,888	106,728
Liabilities due within one year	(217,687)	(263,490)
Liabilities due after more than one year	(1,170,524)	(1,041,288)
Share of net assets	6,260,742	6,248,600

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

**11. STOCKS:**

	1999 £	1998 £
Goods for resale	-	110,505

The company's stock of merchandise and souvenirs were sold during the year to a major supplier, who now operates the club shops under a licence agreement.



**STOKE CITY FOOTBALL CLUB LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>12. DEBTORS:</b>		
Due within one year:		
Trade debtors	357,563	78,005
Related undertakings	3,533	59,400
Other debtors	35,263	351,227
Prepayments	48,686	56,643
Corporation tax recoverable	4,056	2,021
Provision for receipt in respect of surrender of consortium loss relief	-	7,774
	<u>449,101</u>	<u>555,070</u>
<b>13. CREDITORS: amounts falling due within one year:</b>	<b>£</b>	<b>£</b>
Other creditors:		
Football Trust loan	100,000	100,000
Directors' loans	100,000	100,000
Related undertakings loan	200,000	200,000
Trade creditors	298,740	365,955
Taxation and social security	157,009	130,292
Accruals	480,773	359,230
Corporation tax	-	4,056
Deferred income	415,650	379,480
Related undertaking	26,483	12,172
	<u>1,778,655</u>	<u>1,651,185</u>
Bank loans and overdraft	2,988,532	2,197,102
	<u>4,767,187</u>	<u>3,848,287</u>
<b>CREDITORS: amounts falling due after more than one year:</b>	<b>£</b>	<b>£</b>
Other creditors:		
Football Trust loan	183,322	283,317
Deferred income	1,660,804	1,976,795
	<u>1,844,126</u>	<u>2,260,112</u>
<b>Analysis of borrowings:</b>	<b>£</b>	<b>£</b>
Bank loans and overdraft	2,988,532	2,197,102
Football Trust loan	283,332	383,317
Directors' loans	100,000	100,000
Related undertakings loans	200,000	200,000
	<u>3,571,864</u>	<u>2,880,419</u>
<b>Analysis of loan repayments:</b>	<b>£</b>	<b>£</b>
Within one year	3,388,532	2,597,102
Between one and two years	100,000	100,000
Between two and five years	83,332	183,317
	<u>3,571,864</u>	<u>2,880,419</u>

# STOKE CITY FOOTBALL CLUB LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### 13. CREDITORS (Continued):

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 £446,244 received under an advance discount agreement with a brewery, this amount being secured by a legal charge over the Britannia Stadium.

The bank overdraft 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 eleven accounting periods to 31<sup>st</sup> May 1999.

	1999 £	1998 £
<b>14. DEFERRED GRANTS:</b>		
Balance at 31 <sup>st</sup> May 1998	2,780,348	1,155,746
Grants receivable	12,500	1,678,999
Grants released to profit and loss account (note 2)	(31,596)	(54,397)
	<hr/>	<hr/>
Balance at 31 <sup>st</sup> May 1999	2,761,252	2,780,348
	<hr/>	<hr/>

### 15. DEFERRED TAXATION:

The potential liability to deferred taxation not provided, in the accounts, calculated at a tax rate of 30% (1998: 31%), is set out below:

	1999 £	1998 £
Accelerated capital allowances	(190,632)	(185,218)
Short term timing differences	112,500	291,219
Potential corporation tax in respect of revaluation surplus on leasehold interest in Britannia Stadium	5,040,000	5,250,000
Less potential tax loss arising on sale of investment at book value	(2,700,000)	(2,790,000)
	<hr/>	<hr/>
	2,261,868	2,566,001
	<hr/>	<hr/>

Losses of approximately £1.9 million (1998: £1 million) are available to carry forward against future trading profits.

	1999 £	1998 £
<b>16. CALLED UP SHARE CAPITAL:</b>		
Authorised:		
5.25% Cumulative preference shares of £1 each	1,000	1,000
Ordinary shares of £1 each	649,000	649,000
	<hr/>	<hr/>
	650,000	650,000
	<hr/>	<hr/>
Allotted and fully paid:		
5.25% Cumulative preference shares of £1 each	1,000	1,000
Ordinary shares of £1 each	577,739	577,739
	<hr/>	<hr/>
	578,739	578,739
	<hr/>	<hr/>

**STOKE CITY FOOTBALL CLUB LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**17. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES:**

	Share capital £	Revaluation reserves Property £	Investment £	Profit and loss account £	Total 1999 £	Total 1998 £
Balance at 31 <sup>st</sup> May 1998 as previously stated.	578,739	62,307	7,925,000	538,043	9,104,089	(501,870)
Prior year adjustments	-	16,925,000	(7,925,000)	(8,060,585)	939,415	730,431
Balance restated	578,739	16,987,307	-	(7,522,542)	10,043,504	228,561
Transfer of amount equivalent to additional depreciation on revalued assets	-	(136,851)	-	136,851	-	-
Amount realised	-	(44,828)	-	44,828	-	-
Provision for permanent diminution in value	-	-	-	-	-	(12,161)
Surplus on valuation of leasehold interest in Britannia Stadium	-	-	-	-	-	16,925,000
Loss for year	-	-	-	(1,484,138)	(1,484,138)	(7,097,896)
Balance at 31 <sup>st</sup> May 1999	578,739	16,805,628	-	(8,825,001)	8,559,366	10,043,504

**18. PRIOR YEAR ADJUSTMENTS:**

The effect on the profit before taxation in the previous year is as follows:

	£	£
Profit before tax as previously reported		1,697,176
Players registrations:		
Cost of players registrations now capitalised	794,500	
Amortisation of players registration costs	(549,804)	
Net book value of players sold	(35,712)	
		208,984
Investment in association company:		
Amount provided		(9,000,000)

Loss before tax as restated (7,093,840)

The effect on the profit and loss reserves brought forward is as follows:

Value of players registrations at 31 <sup>st</sup> May 1998	939,415
Revaluation reserve arising on valuation of leasehold interest in Britannia Stadium	(16,925,000)
Revaluation reserve previously attributed to investment in associated company	7,925,000
	<u>(8,060,585)</u>

**STOKE CITY FOOTBALL CLUB LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**19. GROSS CASH FLOWS:**

	1999 £	1998 £
Returns on investments and servicing of finance:		
Interest received	11,685	19,314
Interest paid	(218,672)	(386,375)
	<u>(206,987)</u>	<u>(367,061)</u>
Capital expenditure and investment:	£	£
		(restated)
Payments to acquire intangible assets	(100,000)	(1,689,000)
Receipts from sales of intangible assets	444,098	4,060,000
Payments to acquire tangible assets	(42,595)	(195,103)
Receipts from sales of tangible assets	101,458	2,021,297
Investment in associated company	-	(4,431,325)
	<u>402,961</u>	<u>(234,131)</u>
Financing:		
Bank loan repayments	(350,014)	(3,402,087)
Related undertakings loan repayments	-	(1,966)
Football Trust loan repayments	(99,995)	(91,664)
	<u>(450,009)</u>	<u>(3,495,717)</u>

**ANALYSIS OF CHANGES IN NET DEBT:**

	At 31.5.98 £	Cash flows £	At 31.5.99 £
Cash at bank and in hand	96,101	(19,775)	76,326
Overdraft	(1,847,088)	(1,141,444)	(2,988,532)
		<u>(1,161,219)</u>	
Debt due within 1 year	(750,014)	350,014	(400,000)
Debt due after 1 year	(283,317)	99,995	(183,322)
	<u>(2,784,318)</u>	<u>(711,210)</u>	<u>(3,495,528)</u>

**20. COMMITMENTS AND CONTINGENT LIABILITIES:**

	1999 £	1998 £
Capital commitments:		
Contracted for but not provided in the accounts	-	-
Lease commitments:		
Payments due during next year in respect of operating leases for which the commitment expires:	£	£
Property:		
Within 1 year	-	11,667
In 2 <sup>nd</sup> to 5 <sup>th</sup> year	22,000	-
After more than 5 years	250,000	260,000
Plant, equipment and vehicles:		
In 2 <sup>nd</sup> to 5 <sup>th</sup> year	2,490	2,040

## **STOKE CITY FOOTBALL CLUB LIMITED**

### **NOTES TO THE ACCOUNTS (CONTINUED)**

#### **20. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED):**

##### **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 £2,420,069.

##### **The Football League Limited Pension and Life Assurance Scheme:**

A valuation of the above scheme as at 1<sup>st</sup> September 1997 revealed a significant shortfall.

The trustees decided to wind up the scheme with effect from 31<sup>st</sup> August 1999.

Under the terms of the Pensions 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.

The size of the debt, across all participating Clubs is likely to be in excess of £5.1 million.

The trustees will inform each Club of their share of the deficit once the relevant calculations have been made but have pointed out that it could be some years before precise figures can be notified to Clubs.

The accounts do not contain provision for any such potential liability.

#### **21. GOING CONCERN:**

The directors have reviewed the cash and trading forecasts of the Club and consider that the accounts are appropriately prepared on a going concern basis in view of the continuing financial support provided by themselves and related undertakings.

#### **22. RELATED PARTY TRANSACTIONS:**

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

Mr. P. Coates and Mr. K.A. Humphreys are directors of Stoke-on-Trent Community Stadium Development Company Limited an associated company which owns the freehold to the Britannia Stadium.

During the period of his directorship of the Club, Mr. P.E. Doona was also a director of Stoke-on-Trent Regeneration Limited which company has an equity investment of 15% in Stoke-on-Trent Community Stadium Development Company Limited. Stoke-on-Trent Regeneration Limited also provided project management services to Stoke-on-Trent Community Stadium Development Company Limited during the development of the Britannia Stadium.

**STOKE CITY FOOTBALL CLUB LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**22. RELATED PARTY TRANSACTIONS (CONTINUED):**

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

	1999		1998	
	Value of transactions £	Balance at year end £	Value of transactions £	Balance at year end £
Payable by Stoke City Football Club Ltd:				
Stoke-on-Trent Community Stadium Development Company Ltd:				
Rent	250,000	-	208,762	-
Short term hire	1,500	-	-	-
Reimbursements	3,740	-	36,753	-
Lindley Catering Investments Ltd:				
Catering services supplied	116,803	27,395	156,265	12,991
Payable to Stoke City Football Club Ltd:				
Stoke-on-Trent Community Stadium Development Company Ltd:				
Reimbursements	65,183	3,533	905,744	59,400
Lindley Catering Investments Ltd:				
Reimbursements	3,743	917	3,357	819
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

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

**STOKE CITY FOOTBALL CLUB LIMITED**

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF STOKE CITY FOOTBALL CLUB LIMITED:**

We have audited the accounts on pages 7 to 21 which have been prepared under the accounting policies set out on pages 10 and 11.

**Respective responsibilities of directors and auditors**

As described on page 6 the company's directors have responsibility for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

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

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

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> May 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



F. GEEN & CO.

Chartered Accountants and  
Registered Auditors

Stoke-on-Trent

23 October 1999