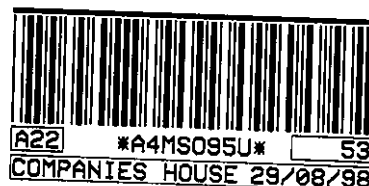


Oxford United Football Club

**Report and Accounts for
the year ended 30th June 1997**

**Registered Number
470509**



OXFORD UNITED FOOTBALL CLUB LIMITED

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OXFORD UNITED FOOTBALL CLUB LIMITED

DIRECTORS

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President

His Grace the Duke of Marlborough

Directors

K A Cox (Managing Director)

M G Evans

N J Harris

G E Coppock (Special Director)

Company Secretary

N Towers

Manager

M Shotton

Registered Office

Manor Ground

London Road

Headington

Oxford OX3 7RS

Registered Number

470509

These accounts show the position of the Club on 30th June 1997 and it was not until November 1997 that I became responsible for overseeing its financial affairs. Accordingly I will confine this report to the events of the Financial Year and of the 1996/97 season.

In August 1996 work commenced on the Club's new stadium at Minchery Farm. It is beyond doubt that the Club requires modern facilities to be able to compete in Division 1. Work commenced because the Board, relying on the confirmations received from experts, believed that adequate funding was or would be available to enable the project to be completed.

This proved not to be the case and work was suspended in February 1997. It is the Board's main concern to ensure work recommences as soon as possible.

In the first half of the 1996-97 season the team performed extremely well with Nigel Jemson signed during the summer scoring heavily. Following a 4-1 win over Sheffield United on December 14th the Club lay 5th in Division 1.

The build up of secured creditors meant that the Club was obliged to sell players and Matt Elliott was sold for a club record fee to Leicester City in January 1997.

The Club won only 6 further games out of 19 played during the rest of the season and finished in 17th position.

The Club enjoyed a good run in the Coca Cola Cup defeating Sheffield Wednesday then top of the Premier League before losing to Southampton in the Fourth round. We were defeated by Watford in the Third Round of the FA Cup.

An operating loss (before provision for the settlement of a legal claim) of £547,061 was entirely off-set by the net profit on transfer dealings so that the Club is able to report a profit before tax of £614,778.

On behalf of the Board

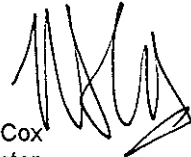


Keith Cox
Managing Director

The Directors present their Report and the Audited Accounts for the year ended 30th June 1997.

Principal Activity	The main activity of the Company is the running of a professional football club and activities related thereto.
Results	<p>The trading results for the year ended 30th June 1997 are set out on page 3. The Club recorded a consolidated profit after interest during the year of £614,778 compared with a loss of £1,920,487 in the year ended 30th June 1996.</p> <p>The Directors consider that the inclusion in the balance sheet of the current value of players and of the Manor Ground would exceed the deficiency of net assets.</p>
Review of business	A review of the Company's business is included within the Managing Director's Statement.
Dividend	The directors do not recommend the payment of a dividend.
Fixed assets	Movements of fixed assets are detailed in Note 7 to the Accounts. As part of the Club's relocation plans it is intended that the Manor Ground will be sold and interest has been expressed by parties who may wish to purchase it. As a consequence the directors believe that the market value of the land and buildings is likely to be in excess of £5 million.
Directors	<p>The directors who held office during the year were as follows:</p> <p>R J Herd (Chairman) [Resigned 31st October 1997] K A Cox N J Harris D Smith (Director of Football) [Resigned 23rd December 1997] G E Coppock (Special Director)</p> <p>M G Evans was appointed to the Board on 19th January 1998</p>
Directors' Interests	The interests of directors in shares of the Company are set out on page 17.
Auditors	A resolution to re-appoint the auditors, Critchleys, and to fix their remuneration, will be proposed at the Annual General Meeting.
Special Director	A resolution will be proposed at the Annual General Meeting giving minority shareholders an opportunity to elect a Special Director until the next Annual General Meeting to represent their views on the Board of Directors. The current Special Director is Mr G E Coppock.
Allotment of shares	A resolution authorising the Directors to allot shares up to the aggregate of the increased authorised but unissued share capital of the Company for five years was passed at the Annual General Meeting held on 28th April 1994.

On behalf of the Board


K A Cox
Director

27th August 1998

OXFORD UNITED FOOTBALL CLUB LIMITED

Statement of Directors' Responsibilities

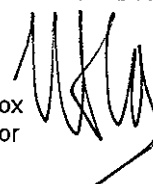
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Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the results of the Company for that year. In preparing those accounts, the directors are required 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 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.

On behalf of the Board

K A Cox
Director



AUDITORS REPORT TO THE MEMBERS OF OXFORD UNITED FOOTBALL CLUB LIMITED

We have audited the accounts on pages 3 to 17 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible 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 mis-statement, 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.

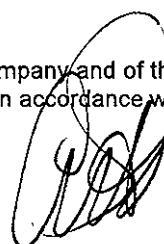
Fundamental uncertainty - going concern

In forming our opinion we have considered the adequacy of the disclosures made in the accounts concerning the availability of resources to enable the Company to continue trading. The accounts have been prepared on a going concern basis, the validity of which depends upon the future funding of the Company as detailed in Notes 1(a), 10 and 18.

The accounts do not include any adjustments that would result from the lack of future funding. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th June 1997 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CRITCHLEYS
Chartered Accountants
Registered Auditors

OXFORD

28th August 1998

OXFORD UNITED FOOTBALL CLUB LIMITED

Consolidated Profit and Loss Account for the year ended 30th June 1997

		3	
	Note	1997 £	1996 £
Turnover	1(b)	3,298,048	2,225,049
Direct Operating costs		(2,669,392)	(2,534,839)
Gross profit/(loss)		628,656	(309,790)
Administration expenses		(823,658)	(793,906)
Provision for settlement of legal claim	11	(250,000)	-
Net profit/(loss) on transfer dealings	1(e)	1,418,113	(458,154)
Net operating profit/(loss)	3	973,111	(1,561,850)
Interest receivable and similar income		93,726	63,681
Interest payable and similar charges	2	(452,059)	(422,318)
Profit/(loss) before and after tax	15	614,778	(1,920,487)

All activities are continuing. There were no gains or losses recognised during the year other than those shown above.

Reconciliation of movements in Shareholders' Funds

	1997 £	1996 £
Profit/(loss) for the financial year	614,778	(1,920,487)
Opening shareholders' funds	(3,671,834)	(1,751,347)
Closing shareholders' funds	(3,057,056)	(3,671,834)

The notes on pages 7 to 17 form part of these accounts

Auditors' Report - page 2

OXFORD UNITED FOOTBALL CLUB LIMITED

Consolidated Balance sheet - 30th June 1997

		1997		1996	
	Note	£	£	£	£
Tangible fixed assets	7		1,848,276		1,861,822
Investments	8		75		-
			<u>1,848,351</u>		<u>1,861,822</u>
Current assets					
Stocks	9	81,116		62,556	
Debtors	10	8,586,491		2,183,183	
Bank balances and cash		18,348		26,897	
		<u>8,685,955</u>		<u>2,272,636</u>	
Creditors - amounts falling due within one year	11	(8,964,524)		(4,377,562)	
Net current liabilities			<u>(278,569)</u>		<u>(2,104,926)</u>
Total assets less current liabilities			1,569,782		(243,104)
Creditors - amounts falling due after more than one year	11		(4,626,838)		(3,428,730)
Net Liabilities			<u>(3,057,056)</u>		<u>(3,671,834)</u>
Capital and Reserves					
Called up share capital	13		283,742		283,742
Share premium account			6,426		6,426
Share contribution reserve	14		-		2,267,286
Revaluation reserve	15		975,336		975,336
Other reserves	15		40,184		40,184
Profit and loss account	15		(4,362,744)		(7,244,808)
Shareholders' Funds			<u>(3,057,056)</u>		<u>(3,671,834)</u>

K A Cox
Director

These accounts were approved by the Board of Directors on 27 August 1998

The notes on pages 7 to 17 form part of these accounts

Auditors' Report - page 2

OXFORD UNITED FOOTBALL CLUB LIMITED

Balance Sheet - 30th June 1997

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		1997		1996	
	Note	£	£	£	£
Tangible fixed assets	7		1,837,503		1,848,683
Investments	8		32,056		37,481
			<u>1,869,559</u>		<u>1,886,164</u>
Current assets					
Stocks	9	71,383		48,484	
Debtors	10	8,581,369		2,170,124	
Bank balances and cash		7,727		7,397	
		<u>8,660,479</u>		<u>2,226,005</u>	
Creditors - amounts falling due within one year	11	(8,942,488)		(4,343,085)	
		<u></u>		<u></u>	
Net current liabilities			(282,009)		(2,117,080)
			<u></u>		<u></u>
Total assets less current liabilities			1,587,550		(230,916)
Creditors - amounts falling due after more than one year	11		(4,617,688)		(3,411,535)
			<u></u>		<u></u>
Net Liabilities			(3,030,138)		(3,642,451)
			<u></u>		<u></u>
Capital and Reserves					
Called up share capital	13		283,742		283,742
Share premium account			6,426		6,426
Share contribution reserve	14		-		2,267,286
Revaluation reserve	15		1,034,547		1,034,547
Profit and loss account	15		(4,354,853)		(7,234,452)
			<u></u>		<u></u>
Shareholders' Funds			(3,030,138)		(3,642,451)
			<u></u>		<u></u>

K A Cox
Director



The accounts were approved by the Board of Directors on 27 August 1998

The notes of pages 7 to 17 form part of these accounts

Auditors' Report - page 2

OXFORD UNITED FOOTBALL CLUB LIMITED

Consolidated Cash Flow Statement for the year ended 30th June 1997

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	Note	1997		1996	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	17(i)		687,275		(2,043,443)
Returns on investments and servicing of financing					
Interest received		856		8,030	
Interest paid		(289,641)		(218,708)	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investments and servicing of finance			(288,785)		(210,678)
Investing activities					
Purchase of tangible fixed assets		6,268		16,557	
Purchase of investments		75		-	
		<u> </u>		<u> </u>	
Net cash outflow from investing activities			(6,343)		(16,557)
Financing					
Loan from The Football Trust		-		500,000	
New loans from directors and connected persons		479,332		(779,177)	
Repayment of amounts borrowed		(409,202)		(460,404)	
Other new loans		602,999		-	
		<u> </u>		<u> </u>	
Net cash inflow from financing	17(ii)		673,129		818,773
			<u> </u>		<u> </u>
Increase/(decrease) in cash and cash equivalents	17(ii)		1,065,276		(1,451,905)
			<u> </u>		<u> </u>

The notes on pages 7 to 17 form part of these accounts

Auditors' Report - page 2

1.
Principal
accounting
policies

- a) The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of land and buildings. The going concern basis has been used, despite the deficiency of net assets, because the Directors are confident that proposals currently under discussion with a consortium of investors will result in funding sufficient to enable the Group to continue trading (see also notes 10 and 18).

The consolidated accounts incorporate the accounts of Oxford United Football Club Limited and Oxford United Supporters Club Limited. A separate profit and loss account dealing with the results of the Company only has not been presented as permitted by S230 of the Companies Act 1985.

- b) Turnover is stated net of value added tax and amounts due to the Football League, Football Association and visiting Football Clubs and includes gate receipts, sponsorships, advertising, fund raising, television fees, Football League pool, donations, Supporters Club bar turnover and sundry related income.
- c) Stocks are valued at the lower of cost and net realisable value.
- d) Depreciation on fixed assets, other than freehold properties, is calculated at rates varying between 10% and 33.33% on a straight line basis. Freehold properties are not depreciated.
- e) Fees payable and receivable on transfers of players' registrations, together with the associated Football League levies (net of refunds), are included in the profit and loss account during the period in which the transfer takes place.

Signing-on fees and loyalty bonuses are charged against the net gain or loss on transfer dealings in the year of payment.

- f) Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of interest charges, are included within creditors. Rentals payable are apportioned between the interest element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

- g) The Company contributes to a defined contribution pension scheme in respect of certain employees. The cost of such contributions to the scheme is charged to the profit and loss account as incurred. The assets of the scheme are held separately from those of the Company in funds administered by the Football League Limited Pension and Life Assurance Scheme.

OXFORD UNITED FOOTBALL CLUB LIMITED

Notes to the Accounts

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		1997 £	1996 £
2.			
Interest payable and similar charges	Interest on bank and other loans wholly repayable within five years	277,312	289,506
	Bill discounting fees	37,090	-
	Interest on loans from directors and connected persons	137,657	130,623
	Other interest	-	2,189
		<u>452,059</u>	<u>422,318</u>
		1997 £	1996 £
3.			
Net operating loss	Net operating loss is stated after charging:-		
	Directors' emoluments	89,617	105,178
	Depreciation and amortisation	25,305	28,104
	Auditors' remuneration	10,000	9,000
	Operating lease rentals -		
	Land and buildings	14,900	14,900
	Vehicles and equipment	25,202	20,567
	Compensation paid to former director	-	45,000
4.			
Taxation	No provision is necessary for taxation as a result of losses brought forward. At 30th June 1997 the Company had taxation losses carried forward of approximately £6.6 million (1996 - £7.5 million). Accordingly no provision has been made for deferred taxation as no liability is expected to arise in the foreseeable future.		
5.			
Directors' Emoluments		1997 £	1996 £
	Directors' emoluments amounted to:		
	Remuneration as executives including bonuses	89,617	105,178
	Benefits in kind	6,562	12,920
	Pension costs	7,955	8,119
		<u>104,134</u>	<u>126,217</u>
	Emoluments, excluding pension contributions, of the Chairman and highest paid director:		
		£	£
	Chairman	-	-
	Highest paid director	96,179	118,098
	Ranges of all directors' emoluments including expenses but excluding pension contributions and compensation for loss of office:		
		Number	Number
	Nil - £5,000	4	4
	£95,001 - £100,000	1	-
	£115,001 - £120,000	-	1

Interests of directors in contracts of the Company are set out on page 17.

6.
Employee
information

The average monthly number of persons employed by the Group during the year ended 30th June 1997 is analysed below:-

	1997 number	1996 number
Playing staff (including managers and team coaches)	39	34
Ground staff and stewards	100	77
Administration and marketing staff	18	12
Oxford United Supporters Club	18	21
Part time course coaches	48	-
	<u>223</u>	<u>144</u>
Employment costs for the group	1997 £	1996 £
Wages and salaries	2,194,770	2,087,670
Social Security costs	193,517	184,386
Other pension costs	43,854	58,640
	<u>2,432,141</u>	<u>2,330,696</u>

7.
Tangible fixed
assets

	Total £	Freehold Property £	Leasehold Property £	Fixtures and Equipment £
Group				
Cost or valuation				
At 1st July 1996	2,316,708	1,800,000	13,006	503,702
Additions	6,268	-	-	6,268
Disposals	-	-	-	-
	<u>2,322,976</u>	<u>1,800,000</u>	<u>13,006</u>	<u>509,970</u>
At 30th June 1997				
Depreciation				
At 1st July 1996	454,886	-	5,938	448,948
Charge for the year	25,305	-	543	24,762
Adjustment for grants	(5,491)	-	-	(5,491)
	<u>474,700</u>	<u>-</u>	<u>6,481</u>	<u>468,219</u>
At 30th June 1997				
Net book value at 30th June 1997	1,848,276	1,800,000	6,525	41,751
	<u>1,861,822</u>	<u>1,800,000</u>	<u>7,068</u>	<u>54,754</u>
Net book value at 30th June 1996				

7.
Tangible fixed
assets
(continued)

	Total £	Freehold Property £	Leasehold Property £	Fixtures and Equipment £
Company				
Cost or valuation				
At 1st July 1996	2,243,854	1,800,000	13,006	430,848
Additions	4,123	-	-	4,123
	<u>2,247,977</u>	<u>1,800,000</u>	<u>13,006</u>	<u>434,971</u>
At 30th June 1997	2,247,977	1,800,000	13,006	434,971
	<u>2,247,977</u>	<u>1,800,000</u>	<u>13,006</u>	<u>434,971</u>
Depreciation				
At 1st July 1996	395,171	-	5,938	389,233
Charge for the year	20,794	-	543	20,251
Adjustment for grants	(5,491)	-	-	(5,491)
	<u>410,474</u>	<u>-</u>	<u>6,481</u>	<u>403,993</u>
At 30th June 1997	410,474	-	6,481	403,993
	<u>410,474</u>	<u>-</u>	<u>6,481</u>	<u>403,993</u>
Net book value at 30th June 1997	1,837,503	1,800,000	6,525	30,978
	<u>1,837,503</u>	<u>1,800,000</u>	<u>6,525</u>	<u>30,978</u>
Net book value at 30th June 1996	1,848,683	1,800,000	7,068	41,615
	<u>1,848,683</u>	<u>1,800,000</u>	<u>7,068</u>	<u>41,615</u>

The fixed assets are shown at cost except for the freehold property of the Company which is stated at the valuation carried out by Chartered Surveyors on an open market basis as at 30th June 1990. The cost of the freehold property under the historical cost accounting rules would be £676,157 (1996 : £676,157). Movements on the cost of freehold property are written off against the revaluation reserve.

8.
Invest-
ments

Investment in subsidiary undertaking:-

	1997		1996	
	Group £	Company £	Group £	Company £
Investment at cost	75	77	-	2
Loan to subsidiary	-	31,979	-	37,479
	<u>75</u>	<u>32,056</u>	<u>-</u>	<u>37,481</u>

The Company holds 100% (1996-100%) of the issued share capital of Oxford United Supporters Club Limited, the accounts of which are included in the Group consolidation. Oxford United Supporters Club Limited is registered in England and carries on the business of running a football supporters' club.

On 24th September 1996 the Company acquired 75% of the issued share capital of OUR Limited, the company which it is intended will develop and manage the Club's new stadium. On 7th November 1996 that company changed its name to the Oxford Landmark Stadium Company Limited.

Oxford Landmark Stadium Company Limited has not yet entered into any contract to acquire the new stadium and accordingly the accounts of that company do not reflect the expenditure or liabilities incurred by the Club as referred to in note 10. The accounts of Oxford Landmark Company Limited have not therefore been consolidated in the group accounts.

Oxford Landmark Company Limited has incurred administration and other costs totalling £52,216 at 30th June 1997, and its balance sheet reflects these liabilities.

9. Stocks	1997		1996	
	Group £	Company £	Group £	Company £
Playing gear	19,000	19,000	10,000	10,000
Goods for resale	57,084	48,815	48,353	36,553
Consumable items	5,032	3,568	4,203	1,931
	<u>81,116</u>	<u>71,383</u>	<u>62,556</u>	<u>48,484</u>

The replacement cost of stock held at 30th June 1997 was not significantly different from the historical cost shown above.

10. Debtors	1997		1996	
	Group £	Company £	Group £	Company £
New stadium development costs	8,366,697	8,366,697	1,932,493	1,932,493
Trade debtors	77,249	76,411	129,671	127,566
Other debtors	49,723	49,723	31,376	31,376
Amounts due from parent undertakings	79,677	79,677	73,638	73,638
Prepayments and accrued income	13,145	8,861	16,005	5,051
	<u>8,586,491</u>	<u>8,581,369</u>	<u>2,183,183</u>	<u>2,170,124</u>

New stadium development costs represent monies expended to date in initiating the project to relocate from the Manor Ground. A separate company has been formed to develop the new stadium which, when funded, it is intended will take over the relocation project and will repay the initial development costs to the Club. Heads of Agreement were signed on 3rd July 1998 with a consortium of investors who propose to acquire the majority shareholding in the Club and to back the completion of the new stadium. As a result, the directors are confident that funding will be obtained to enable the Club to be repaid these monies in the foreseeable future together with further expenditure to be incurred on the stadium development (see note 18).

Amounts due from parent undertakings fall due after more than one year.

11. Creditors	1997		1996	
	Group £	Company £	Group £	Company £
Amounts falling due within one year:-				
Bank overdraft (see note 12)	1,242,810	1,242,810	2,316,635	2,316,635
Season ticket income in advance	278,889	278,889	287,930	287,930
Other income received in advance	347,034	345,955	39,816	38,837
Trade creditors	40,650	40,650	139,125	123,532
Stadium development creditors	6,411,962	6,411,962	905,957	905,957
Taxation and social security	128,187	122,289	181,085	175,735
Other creditors	117,935	115,660	-	-
Loans from directors and connected persons	168,265	168,265	325,232	325,232
Settlement of legal claim	15,000	15,000	-	-
Other loans	137,752	129,782	108,896	99,996
Accruals	76,040	71,226	72,886	69,231
	<u>8,964,524</u>	<u>8,942,488</u>	<u>4,377,562</u>	<u>4,343,085</u>

Notes to the Accounts

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11.
Creditors
(continued)

	1997		1996	
	Group £	Company £	Group £	Company £
Amounts falling due after more than one year:-				
Loans from directors and connected persons	2,483,935	2,483,935	1,531,220	1,531,220
Other loans	1,907,903	1,898,753	1,897,510	1,880,315
Settlement of legal claim	235,000	235,000	-	-
	<u>4,626,838</u>	<u>4,617,688</u>	<u>3,428,730</u>	<u>3,411,535</u>

The main terms of significant items included in other loans (whether due within or after more than one year) are as follows:-

- (a) £1,520,431 (1996 - £1,496,997) is due to Energy Holdings Limited. Interest is charged at 3% over Lloyds Bank base rate; the initial repayment date was set at 1st July 1997 but for the time being it has been agreed that repayment will be deferred until the Manor Ground is sold.
- (b) £379,152 (1996 - £483,314) represents the outstanding balance of a loan of £500,000 from The Football Trust. The loan is interest free and is repayable in 60 equal monthly instalments.

The legal claim figure represents the amount to be paid to Headington Holdings Limited (in administration) by way of out-of-court settlement of the writ issued by that company in 1995.

12.
Secured
borrowings

The Bank overdraft is secured by way of a fixed charge on the freehold property of the Company and a floating charge on the other assets of the Company. Mr R J Herd has also personally guaranteed amounts due to the Club's bankers. The amounts due to Energy Holdings Limited are secured by a second charge over the freehold property of the Company. Loans from Mr R J Herd and connected persons are secured by a further legal charge over the freehold property of the Company.

13.
Share Capital

	1997 and 1996	
	Authorised	Issued and fully paid
Ordinary Shares of £7 each	5,600	5,600
Ordinary shares of £1 each	1,354,400	138,142
5.25% preference shares of £1 each	140,000	140,000
	<u>1,500,000</u>	<u>283,742</u>

The Company has 434 shareholders (1996 : 434)

The rights conferred by the ordinary shares are as follows:

- (a) Ordinary shares carry one vote for every £1 of nominal capital. Subject to this, the ordinary shares of £7 each and the ordinary shares of £1 each rank pari passu in all respects and constitute one class.
- (b) No dividend can exceed the maximum allowed from time to time by the Football Association. Subject thereto and the Companies Act 1985 interim dividends may be declared and paid by the directors in their discretion if the profits so justify. Subject as above the payment of final dividends requires an ordinary resolution.
- (c) Ordinary shares are not redeemable.
- (d) On a winding up the ordinary shares rank behind the preference shares in respect of any surplus assets but if such surplus assets are more than sufficient to pay to members the whole amount paid up on their shares, the balance shall be given to the Football Association Benevolent Fund or to some other similar club or institute in Oxfordshire.

13.
Share Capital
(continued)

The rights conferred by the preference shares are as follows:-

- (a) Holders are entitled to a fixed preferential dividend at the rate of 5.25% per annum on the amounts for the time being paid up thereon. This dividend ranks for payment in priority to the payment on other shares of the Company and is payable in respect of any accounting reference period (if and so far as, in the opinion of the Directors, the profits of the Company justify such payment) six months after the accounting reference date which concludes that period, provided such preference shares were in issue during the whole of such period.
- (b) On a winding up or other repayment of capital, holders are entitled to have the assets of the Company available for distribution amongst the members applied, in priority to any other class of shares, in paying to them *pari passu* the capital paid up on their preference shares.
- (c) Holders are not entitled to receive notice of or attend or vote at any General Meeting unless the business of the meeting includes the consideration of a resolution for winding up the Company or reducing its share capital.
- (d) Holders do not have the right to any further or other participation in the profits or assets of the Company.
- (e) Preference shares are not redeemable.

14.
Share
Contribution
Reserve

	1997 Group and Company £	1996 Group and Company £
At 1st July 1996	2,267,286	2,267,286
Transfer to profit and loss account	(2,267,286)	-
	<u> </u>	<u> </u>
	-	2,267,286
	<u> </u>	<u> </u>

The share contribution reserve represented amounts contributed to the Company during the period July 1989 to February 1991 by PH(US) Inc and various other Maxwell private companies. The effect of the settlement reached on 30th April 1998 with Headington Holdings Limited (in administration) (note 11) is that these monies represent a donation to the Company and accordingly have been transferred to the accumulated profit and loss account.

15.
Reserves

	1997		1996	
	Group £	Company £	Group £	Company £
Revaluation reserve				
On land and buildings	975,336	1,034,547	975,336	1,034,547
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other reserves				
Preacquisition reserves re subsidiary	40,184	-	40,184	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	1997		1996	
	Group £	Company £	Group £	Company £
15. Reserves (Continued)				
Profit and loss account				
At 1st July 1996	(7,244,808)	(7,234,452)	(5,324,321)	(5,300,842)
Profit/(loss) for the year	614,778	612,313	(1,920,487)	(1,933,610)
Transfer from Share Contribution Reserve	2,267,286	2,267,286	-	-
At 30th June 1997	(4,362,744)	(4,354,853)	(7,244,808)	(7,234,452)

All Shareholders' Funds, with the exception of preference share capital of £140,000 (1996: £140,000) relate to equity shares.

16. Provisions for liabilities and charges

Provision for capital gains tax of approximately £281,000 (1996: £307,000) which could arise on the sale of the freehold property has not been made as such tax will be deferred by rollover relief on the development of the new site.

17. Notes to the cash flow statement

(i) Reconciliation of operating profit/(loss) to operating cash flows

	1997 £	1996 £
Operating loss	973,111	(1,561,850)
Depreciation charges	25,305	28,104
Capital grant adjustment	(5,491)	(13,125)
Increase in stocks	(18,560)	(14,369)
Increase in debtors	(6,310,439)	(1,247,099)
Increase in creditors	6,026,524	767,987
Write off of loans by way of discount	(3,175)	(3,091)
	<u>687,275</u>	<u>(2,043,443)</u>

(ii) Reconciliation of net cashflow to movement in net debt

	1997 £	1996 £
Increase/(Decrease) in cash in year	1,065,276	(1,451,905)
Cash inflow from loans	(673,129)	(818,773)
Write off of loans by way of discount	3,175	3,091
Unpaid loan interest credited to loan funds	(165,043)	(125,915)
	<u>230,279</u>	<u>(2,393,502)</u>
Net debt at 1 July 1996	(6,152,596)	(3,759,094)
Net debt at 30 June 1997	<u>(5,922,317)</u>	<u>(6,152,596)</u>

17.
Notes to the
cash flow
statement
(continued)

(iii) Analysis of changes in net debt

	At 1 July 1996	Cashflow	At 30 June 1997
Cash in hand at bank	26,897	(8,549)	18,348
Overdraft	(2,316,635)	1,073,825	(1,242,810)
Debt due within 1 year	(434,128)	128,111	(306,017)
Debt due after 1 year	(3,428,730)	(963,108)	(4,391,838)
	<u>(6,152,596)</u>	<u>230,279</u>	<u>(5,922,317)</u>

18.
Subsequent
Events and
Capital
Commitments

On 6th August 1996 the Company paid a deposit of £100,000 on a 125 year lease over land from Oxford City Council with the benefit of planning and development agreements for the construction of a new stadium. A further payment of £900,000 is due under the lease on the date the stadium is first brought into use. The lease originally provided for this amount to be paid no later than 30 September 1997 but Oxford City Council have agreed to delay this pending the prospective sale of the majority shareholding in the Company (note 10). The balance of the premium on the lease totals £1,000,000 payable over future years by way of rent in accordance with a detailed formula once the stadium is in use.

Following the acquisition of this lease, work on the construction of the new stadium has commenced and at the date of approval of these accounts work to the value of approximately £6 million has been completed. At the date of approval of these accounts work on the stadium had halted but it is planned as part of the investment and development arrangements that a restart will be achieved within a few months. It is also envisaged that the lease will be assigned in due course to the stadium development company.

At 30th June 1997 the maximum total capital expenditure contracted for by the directors was approximately £23 million including the £6 million referred to above (1996: £nil). Expenditure authorised but not contracted for was £nil (1996: approximately £23 million).

19.
Operating lease
Commitments

Rentals payable in the next year under operating leases terminating:-

	1997		1996	
	Vehicles and Equipment £	Land and Buildings £	Vehicles and Equipment £	Land and Buildings £
Within one year	2,139	-	2,374	-
In 2 to 5 years	45,001	-	9,334	-
Over 5 years	-	14,900	-	14,900
	<u>47,140</u>	<u>14,900</u>	<u>11,708</u>	<u>14,900</u>

20.
Directors'
interests
in transactions

The interests of directors in shares and in contracts of the Company are set out on page 17.

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Notes to the Accounts

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21. Contingencies

On 20th January 1997 a summons was issued by Thames Water Utilities Limited against the Oxford City Council and Oxford United Football Club Limited. This referred to land at Minchery Farm sold to Oxford City Council by Thames Water in 1993 and alleged that to use this land for the erection of a Football Stadium would be in breach of a restrictive covenant included in the Deed of Exchange made at the time of sale. A settlement of the claim was agreed in principle on 13th August 1998 by which the Company is to make the following payments to Thames Water:

- (i) £300,000 if the Company is sold to a new investor
- (ii) £100,000 when the new stadium comes into use. Interest would be payable on £100,000 from the date in (i) above to the date of payment
- (iii) £35,000 in respect of legal costs to be paid on the same date as (ii) above

Oxford City Council has agreed that payments made by the Club to Thames Water may be deducted from rent due under the Minchery Farm lease (note 18) subject to a maximum of £200,000.

The directors consider the above amounts to be part of the development costs of the new stadium, and as such recoverable as part of the stadium development costs as explained in note 10.

22. Ultimate parent Company

The ultimate holding Company is OU (Holdings) Limited, a company registered in England.

(i) Interests in shares	Interests of directors holding office at 30th June 1997 and their families as shown in the Company's Register of Directors' Interests are as follows:-	
	30th June 1997 and 30th June 1996	
	Ordinary shares	
	£1	£7
	R J Herd	126,933
	K A Cox	200
	G E Coppock	189
		200
		-
		62
(ii) Material interests in contracts	Mr K A Cox is a partner in Cox Clitheroe, a firm which provides legal services to the Company. New stadium development costs include a charge of £49,633 (of which £4,208 represents disbursements) in respect of such services during the year ended 30th June 1997 (1996: £235,881 covering the period 24th June 1994 to 30th June 1996 (of which £7,631 represents disbursements)).	

(ii) Loans	The analysis of loans from directors and connected persons is as follows:	
	1997 £	1996 £
	Within one year -	
	Loan from Biomass Recycling Limited	65,000
	Loan from Cox Clitheroe	325,232
	Loan from Robin Herd Limited	9,699
		-
		93,566
		-
		168,265
		325,232
	After more than one year -	
	Loan from Biomass Recycling Limited	311,357
	Loan from The Robert Herd Pension Fund	-
	Loans from Robin Herd Limited	533,357
	Other loans from Robin Herd and connected persons	1,089,846
	Loan from G E Coppock	1,259,096
	Loan from N J Harris	441,374
	Loan from D Smith	350,125
		10,000
		10,000
		10,000
		2,483,935
		1,531,220

Mr R J Herd is a director and shareholder of Biomass Recycling Limited and of Robin Herd Limited. He is also a beneficiary of the The Robert Herd Pension Fund. Mr K A Cox is a director of Biomass Recycling Limited and a partner in Cox Clitheroe.

The main terms of the above loans at 30th June 1997 are as follows:

- Amounts due to Biomass Recycling Limited do not have a specific repayment date and do not carry a specific interest charge but a finance charge may be agreed by the parties at the time of repayment.
- The loan from the Robert Herd Pension Fund carries interest at 3% above base rate. At 30th June 1997 interest had been accrued but in order to assist the Club Mr Herd had not asked for it to be paid. The loan is repayable on 24th May 2000.
- The loans from Robin Herd Limited carry interest at 3% above base rate. At 30th June 1997 interest had been accrued but in order to assist the Club Mr Herd had not asked for it to be paid. Of the total £220,000 plus associated interest is repayable on 24th May 2000, a further £380,000 plus associated interest is repayable on 10th October 2000 and the balance carries no specific repayment date.