

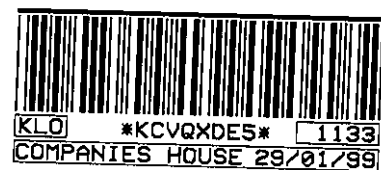
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CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

Company registration number 1788466

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998



NUNN HAYWARD

Chartered Accountants

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

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FOR THE YEAR ENDED 30 JUNE 1998

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CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

DIRECTORS' REPORT

The directors present herewith their annual report together with the audited financial statements of the company for the year ended 30 June 1998.

PRINCIPAL ACTIVITY

The company's principal activity during the year was that of a professional football club.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £1,923,062

The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

R N Alwen	
G P Bone	
N E Capelin	
R D Collins	
M A Gebbett	(appointed 28 July 1997)
D J Hughes	
R D King	
R A Murray	
M A Simons	
M C Stevens	
D C Summers	
D G Ufton	
P D Varney	(appointed 27 October 1997)
R C Whitehand	

No director held any beneficial interest in the share capital of the company at 30 June 1998. The interest of the directors in the share capital of the parent company are disclosed in the financial statements of that company.

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

DIRECTORS' REPORT (CONTINUED)

FIXED ASSETS

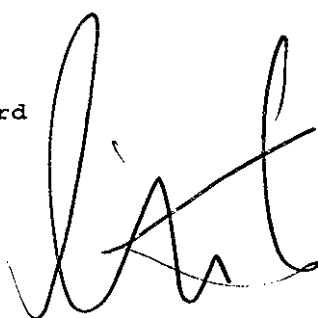
Details of movements in the fixed assets of the company are disclosed in note 8 to the financial statements.

AUDITORS

The auditors, Nunn Hayward (formerly Duke Hayward), will be proposed for reappointment in accordance with Section 384 of the Companies Act 1985.

By Order of the Board

N Capelin  
Director

A handwritten signature in black ink, appearing to be 'N Capelin', written over a horizontal line.

Registered Office: The Valley  
Floyd Road  
Charlton  
London SE7 8BL.

Date: 11 November 1998

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- follow applicable accounting standards 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.

**AUDITORS' REPORT TO THE MEMBERS OF**

**CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED**

We have audited the financial statements set out on pages 5 to 14 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 pages 7 and 8.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

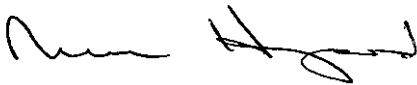
**BASIS OF OPINION**

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 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 circumstances of the company, 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 affairs of the company at 30 June 1998 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**NUNN HAYWARD**  
**Chartered Accountants**  
**and Registered Auditors**

60-70 Coombe Road  
New Malden  
Surrey KT3 4QW.

Date: 11 November 1998

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1998

		Year ended 30 June 1998	Thirteen months ended 30 June 1997 as restated
		£	£
TURNOVER	2	5,769,909	4,329,684
Cost of sales		1,048,873	497,387
Administrative expenses		847,930	469,846
Player and match expenses		5,090,646	3,956,664
		<u>(6,987,449)</u>	<u>(4,923,897)</u>
OPERATING PROFIT/(LOSS) BEFORE PLAYERS' TRANSFER FEES		(1,217,540)	(594,213)
Players' transfer fees	4	<u>(587,775)</u>	<u>2,503,562</u>
OPERATING PROFIT/(LOSS)		(1,805,315)	1,909,349
Interest payable and similar charges	5	<u>(117,747)</u>	<u>(119,171)</u>
PROFIT/(LOSS) ON ACTIVITIES BEFORE TAXATION	6	(1,923,062)	1,790,178
Taxation on profit/(loss) on ordinary activities	7	<u>-</u>	<u>-</u>
PROFIT/(LOSS) for the financial year	16	<u>£ (1,923,062)</u>	<u>£ 1,790,178</u>

All amounts derive from continuing operations.

There is no difference between the historical cost profits and losses and the reported results in the profit and loss accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 1998

	Year ended 30 June 1998	13 months ended 30 June 1997
	£	£
Profit/(loss) for the year	(1,923,062)	1,790,178
Unrealised surplus on revaluation of buildings	<u>-</u>	<u>280,000</u>
Total recognised gains and losses for the year	(1,923,062)	2,070,178
Prior year adjustment (Note 8)	<u>1,929,060</u>	<u>-</u>
Total gains and losses recognised	<u>5,998</u>	<u>2,070,178</u>

The accompanying notes form part of these financial statements.

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

BALANCE SHEET AT 30 JUNE 1998

	Notes	30 June 1998	30 June 1997 as restated
		£	£
<b>FIXED ASSETS</b>			
Intangible		3,944,396	1,929,060
Tangible	10	12,221,550	7,871,770
		<u>16,165,946</u>	<u>9,800,830</u>
<b>CURRENT ASSETS</b>			
Stock		133,941	104,959
Debtors	11	1,488,849	612,995
Cash at bank and in hand		23,700	3,703,793
		<u>1,646,490</u>	<u>4,421,747</u>
<b>CREDITORS: Amounts falling due within one year</b>	12	<u>16,752,773</u>	<u>10,661,417</u>
<b>NET CURRENT LIABILITIES</b>		<u>(15,106,283)</u>	<u>(6,239,670)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,059,663	3,561,160
<b>CREDITORS: Amounts falling due after more than one year</b>	13	(1,053,190)	(1,579,908)
<b>DEFERRED INCOME</b>	14	<u>(3,474,772)</u>	<u>(3,526,489)</u>
<b>NET LIABILITIES</b>		<u>£ (3,468,299)</u>	<u>£ (1,545,237)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	4,982,564	4,982,564
Profit and loss account	16	(6,908,681)	(4,985,619)
Revaluation deficit	16	(1,542,182)	(1,542,182)
<b>Shareholders Funds</b>	17	<u>£ (3,468,299)</u>	<u>£ (1,545,237)</u>

Signed on behalf of the Board

R A Murray  
Director

Approved by the Board on 11 November 1998

The accompanying notes form part of these financial statements



CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

1. ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied are as follows:

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of land and buildings.

1.2 TURNOVER

Turnover represents gate receipts and commercial income exclusive of value added tax.

1.3 DEPRECIATION

Depreciation is not provided in the year of acquisition.

Depreciation is provided using the straight line method, to write down the cost of tangible fixed assets over their estimated useful lives as follows:

Ground and office equipment	3 - 5 years
Motor vehicles	3 years

Land and buildings are not depreciated as they are maintained to standards laid down under the Safety of Sports Ground Act such that their estimated aggregate residual values are at least equal to their book value. Consequently any element of depreciation would, in the opinion of the directors, be immaterial. Residual values are appraised each year by reference to the estimated depreciated replacement cost of the properties. Provision will be made against the cost of the properties in the event of any permanent diminution in value.

1.4 STOCKS

Stocks which comprise goods for resale are valued at the lower of cost and net realisable value.

1.5 GRANTS RECEIVED

Grants received in respect of safety work and ground improvements are treated as deferred income and released to the profit and loss account over the life of the assets to which they relate.

1.6 VALLEY INVESTMENT PLAN

The net amount received by the company through the Valley Investment Plan is treated as deferred income and is being released to the profit and loss account over the period in which the investors receive a free season ticket or a discount on the price of season tickets or league match tickets.

1.7 TRANSFER FEES

The costs of players' registrations are capitalised and amortised over the period of the respective players' contracts.

**CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)**

**1. ACCOUNTING POLICIES (continued)**

**1.8 SIGNING ON FEES**

Signing on fees are recognised in the profit and loss account evenly over the period covered by the players's contracts.

**1.9 DEFERRED TAXATION**

Provision is made for deferred taxation, using the liability method, on all material timing differences which are expected to be reversed in the foreseeable future.

**1.10 LEASING AND HIRE PURCHASE COMMITMENTS**

Assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of these obligations is charged to the profit and loss account over the terms of the relevant agreements.

**1.11 PENSION COSTS**

Defined contribution pension arrangements are made for certain employees. Contributions are charged to the profit and loss account as they are incurred.

**1.12 CHANGE IN ACCOUNTING POLICY FOR PLAYERS' TRANSFER FEES**

The directors have reviewed the company's policy for accounting for players' transfer fees. In accordance with Financial Reporting Standard 10 it has been decided to capitalise the costs of players' registrations and amortise them over the period of the respective players' contracts. This represents a change in accounting policy. The effect of the change is set out in Note 8.

**2. TURNOVER**

Turnover, all of which arises in the United Kingdom, is stated net of value added tax and comprises:

	1998	1997
	£	£
Match receipts	2,827,109	1,954,280
Marketing, sponsorship and hospitality receipts	954,263	631,809
Receipts from Football League and Football Association	869,702	772,439
Television and radio rights	213,869	201,103
Sale of programmes	265,514	199,249
Shop sales	571,240	435,270
Other income	68,212	135,534
	<u>£5,769,909</u>	<u>£4,329,684</u>

**3. STAFF COSTS**

**3.1 Staff costs**

	1998	1997
	£	£
Wages and salaries	4,053,844	2,640,324
Social security costs	370,131	246,653
Other pension costs	106,149	76,375
	<u>£4,530,124</u>	<u>£2,963,352</u>

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

3. STAFF COSTS (continued)

3.2 Average number of employees:

	1998 Number	1997 Number
Full-time playing, training and football management	57	57
Administration commercial and stadium maintenance	35	27
	<u>92</u>	<u>84</u>

3.3 Directors' remuneration including benefits in kind amounted to  
£138,493 (1997 - £57,188).

4. PLAYERS' TRANSFER FEES

	Year ended 30 June 1998 £	13 months ended 30 June 1997 £
Proceeds of players' registrations sold	314,639	2,935,975
Net book value of players' registrations sold	(78,710)	(26,250)
Amortisation of players' registrations	(823,704)	(406,163)
	<u>(587,775)</u>	<u>2,503,562</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
Interest on bank loans and overdrafts	26,637	28,772
Interest under finance leases	3,425	3,803
Other interest	746	-
Interest on loans repayable within 5 years not by instalments	146,682	167,081
	<u>173,490</u>	<u>199,656</u>
Interest receivable	(55,743)	(80,485)
	<u>£117,747</u>	<u>£119,171</u>

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998	1997
The profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Audit fee	12,000	8,000
Other services	3,620	3,200
Directors' remuneration	153,130	57,188
Depreciation	84,856	92,305
Rentals under operating leases		
Hire of plant and machinery	5,074	4,013
Other operating leases	172,031	253,502
	<u></u>	<u></u>
and after crediting:		
Amortisation of grant	85,068	85,067
	<u></u>	<u></u>

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

There is no liability to UK corporation tax (1997 - nil).

8. CHANGE IN ACCOUNTING POLICY FOR PLAYERS' TRANSFER FEES

The prior year adjustment of £1,929,060 is made as a result of the change in accounting policy set out in Note 1.12. It is reported in the statement of total recognised gains and losses and is adjusted to opening reserves at 1 July 1997.

The effect of the change in accounting policy is to reduce the current year's loss before taxation by £2,015,335. The effect on the results for the thirteen months ended 30 June 1997 is to increase the profit by £1,508,273 and comparative figures have been restated accordingly.

9. INTANGIBLE FIXED ASSETS

	£
<b>Cost of players' registrations</b>	
At 1 July 1997	2,449,936
Additions	2,917,750
Disposals	(128,798)
At 30 June 1998	5,238,888
<b>Amortisation of players' registrations</b>	
At 1 July 1997	520,876
Charged in year	823,704
Disposals	(50,088)
At 30 June 1998	1,294,492
<b>Net book value of players' registrations</b>	
At 30 June 1998	3,944,396
At 30 June 1997	1,929,060

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

10. TANGIBLE FIXED ASSETS

	Ground Improvements under construction £	Ground Improve- ments £	Ground and office equipment £	Motor vehicles £	Total £
<b>COST OR VALUATION</b>					
At 1 July 1997	-	7,651,220	529,165	22,911	8,203,296
Additions	1,082,311	2,941,221	368,104	43,000	4,434,636
Disposals	-	-	(5,000)	-	(5,000)
At 30 June 1998	<u>£1,082,311</u>	<u>£10,592,441</u>	<u>£892,269</u>	<u>£65,911</u>	<u>£12,632,932</u>
<b>DEPRECIATION</b>					
At 1 July 1997	-	-	315,365	16,161	331,526
Charge for period	-	-	82,622	2,234	84,856
Released on disposal	-	-	(5,000)	-	(5,000)
At 30 June 1998	<u>£ -</u>	<u>£ -</u>	<u>£392,987</u>	<u>£18,395</u>	<u>£411,382</u>
<b>NET BOOK VALUE</b>					
At 30 June 1998	<u>£1,082,311</u>	<u>£10,592,441</u>	<u>£499,282</u>	<u>£47,516</u>	<u>£12,221,550</u>
At 30 June 1997	<u>£ -</u>	<u>£ 7,651,220</u>	<u>£213,800</u>	<u>£ 6,750</u>	<u>£7,871,770</u>

With the exception of ground improvements, tangible fixed assets are stated at cost. The original cost of ground improvements amounts to £13,216,934.

Ground improvements were valued as at 19 February 1997 by DTZ Debenham Thorpe, Chartered Surveyors, on the basis of Open Market Value for Existing Use, in accordance with the definitions set out in the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Subsequent additions are included at cost.

The net book value of assets held under finance leases at 30 June 1998 was £71,707 (1997 - £29,294). The depreciation charge relating to these assets amounted to £nil, (1997 - £14,647).

11. DEBTORS	1998 £	1997 £
Trade debtors	225,826	107,539
Other debtors	364,464	359,959
Prepayments and accrued income	898,559	145,497
	<u>£1,488,849</u>	<u>£612,995</u>

**CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)**

**12. CREDITORS: Amounts falling due within one year**

	1998	1997
	£	£
Bank loans and overdrafts	480,526	8,837
Obligations under finance leases	14,587	4,882
Due to group undertakings	10,966,838	7,936,824
Football Trust loan (Note 13.2)	39,996	39,996
Trade creditors	2,337,594	1,207,008
Social security and other taxes	332,276	92,782
Other creditors	63,974	702,750
Accruals	469,017	178,030
Deferred income (Note 12.1)	2,047,965	490,308
	<u>£16,752,773</u>	<u>£10,661,417</u>

**12.1 Deferred income**

Deferred income consists of season ticket, sponsorship and other elements of income which have been received prior to the year end.

**13. CREDITORS: Amounts falling due after more than one year**

	1998	1997
	£	£
Amount due to directors and companies controlled by directors (note 13.1)	1,000,000	1,523,247
Football Trust loan (Note 13.2)	16,665	56,661
Obligations under finance leases (Note 13.3)	36,525	-
	<u>£1,053,190</u>	<u>£1,579,908</u>

**13.1 Directors' loan**

The loan has no fixed date for repayment but is not due to be repaid before 1 July 1999. Interest on normal commercial terms is payable on this loan which is secured by a first legal mortgage over the company's leasehold interest in The Valley and a first charge over Charlton Athletic Holdings Limited's freehold interest in The Valley.

**13.2 Football Trust loan**

The loan from The Football Trust is interest free and repayable in monthly instalments.

	£
Instalments falling due:	
Within one year	39,996
Between two and five years	16,665
	<u>£56,661</u>

**13.3 Obligations under finance leases**

Obligations under finance leases, which are all repayable within five years, are secured by related leased assets.

**CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)**

**14. DEFERRED INCOME**

	1998			1997		
	Grants	Valley		Grants	Valley	
	Receivable	Investment	Total	Receivable	Investment	Total
	£	£	£	£	£	£
At 1 July 1997	3,101,149	425,340	3,526,489	3,101,149	510,407	3,611,556
Receivable in period	33,351	-	33,351	-	-	-
	<u>3,134,500</u>	<u>425,340</u>	<u>3,559,840</u>	<u>3,101,149</u>	<u>510,407</u>	<u>3,611,556</u>
Released to profit & loss account	-	(85,068)	(85,068)	-	(85,067)	(85,067)
At 30 June 1998	<u>£3,134,500</u>	<u>£340,272</u>	<u>£3,474,772</u>	<u>£3,101,149</u>	<u>£425,340</u>	<u>£3,526,489</u>
	=====	=====	=====	=====	=====	=====

**14.1 Grants receivable**

The grants received from The Football Trust of £3,134,500 are only repayable at the discretion of The Football Trust in the event of The Valley ceasing to be used by Charlton Athletic Football Company (1984) Limited for the purposes of football. There is no intention to dispose of The Valley and in these circumstances the directors are of the opinion that the grants will not fall due for repayment. To comply with SSAP 4 the grants will be released to the profit and loss account over the life of the stadium in accordance with the company's depreciation policy.

**15. CALLED UP SHARE CAPITAL**

	1998	1997
Authorised:		
5,500,000 ordinary shares of £1 each	<u>£5,500,000</u>	<u>£5,500,000</u>
Allotted, issued and fully paid		
4,982,564 ordinary shares of £1 each	<u>£4,982,564</u>	<u>£4,982,564</u>

**16. RESERVES**

	Profit and loss account £	Revaluation deficit £
At 1 July 1997 as previously stated	(6,914,679)	
Prior year adjustment (Note 8)	<u>1,929,060</u>	
At 1 July 1997 as restated	(4,985,619)	(1,542,182)
Loss for year	(1,923,062)	-
Revaluation surplus	<u>-</u>	<u>-</u>
At 30 June 1998	<u>£ (6,908,681)</u>	<u>£ (1,542,182)</u>

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Shareholders' funds at 1 July 1997		
as previously stated	(3,474,297)	(4,036,202)
Prior year adjustment (Note 8)	1,929,060	420,787
Shareholders' funds at 1 July 1997 as restated	(1,545,237)	(3,615,415)
Profit/(loss) for year	(1,923,062)	1,790,178
Revaluation surplus	-	280,000
Shareholders' funds at 30 June 1998	£(3,468,299)	£(1,545,237)

18. OPERATING LEASE COMMITMENTS

At 30 June 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	Other
Leases which expire:		
Within 2 - 5 years inclusive	-	44,874
After 5 years	129,000	-
	£129,000	£44,874

19. CAPITAL COMMITMENTS

At 30 June 1998 the company had capital commitments of £3,895,000 (1997 - £1,647,000)

20. CONTINGENT LIABILITIES

At 30 June 1998 additional transfer fees payable of £461,500 (1997 - £220,000) will arise upon players making specific numbers of appearances.

21. GOING CONCERN

The accounts have been prepared on a going concern basis notwithstanding the company's net current liabilities and net liabilities at 30 June 1998 on the basis that the parent company will continue to provide support and that the accounts do not include in the balance sheet the value of the playing staff who had an insurance valuation of £14,165,000 at 30 June 1998.

22. RELATED PARTIES

The ultimate parent company is Charlton Athletic plc, a company incorporated in England. The consolidated accounts of this group are available to the public and can be obtained from The Valley, Floyd Road, Charlton, London SE7 8BL.