

**WOLVERHAMPTON WANDERERS FC  
(1986) LIMITED**

**Report and Financial Statements**

**31 May 1999**



**Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN**

**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Sir Jack Hayward OBE (Chairman)  
D J Harrington CBE (Deputy Chairman)  
J A Harris  
J A Harris Jnr  
R A Hayward  
R Heyhoe Flint MBE DL  
P V S F Manduca  
J P Richards

**SECRETARY**

R I Skirrow

**REGISTERED OFFICE**

Molineux Stadium  
Waterloo Road  
Wolverhampton  
WV1 4QR

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 May 1999.

**PRINCIPAL ACTIVITY**

The principal activity of the company throughout the year was that of a professional football club.

**REVIEW OF DEVELOPMENTS**

The football club continues to strive towards attaining Premiership status.

**BUSINESS REVIEW**

The company's balance sheet as detailed on page 7 shows a deficiency of shareholders' funds amounting to £23,070,998.

**DIVIDENDS AND TRANSFERS TO RESERVES**

The results for the year are shown in the profit and loss account on page 6.

The directors do not propose payment of an ordinary dividend, the loss for the year is to be absorbed by reserves.

**DIRECTORS AND THEIR INTERESTS**

The directors of the company who served during the year, or subsequently and their interests in the shares of the company as recorded in the registrar of director's interests were as follows:

	Ordinary shares of £1 each	
	1999	1998
Sir Jack Hayward OBE (Chairman)	-	-
D J Harrington CBE (appointed 28 July 1998)	-	-
R A Hayward	-	-
J A Harris	-	-
J A Harris Jnr	-	-
R Heyhoe Flint MBE DL	-	-
P V S F Manduca (appointed 27 July 1999)	-	-
J P Richards	-	-

All directors are re-appointed each year at the company's AGM.

No director held or holds any interest in shares in the company, in the parent company or in any fellow subsidiary.

**YEAR 2000**

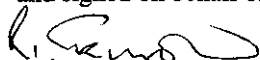
Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with the issue cannot be quantified but are not expected to be significant.

## **DIRECTORS' REPORT**

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



R I Skirrow

Secretary

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



## **AUDITORS' REPORT TO THE MEMBERS OF**

### **WOLVERHAMPTON WANDERERS FC (1986) LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

#### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

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

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

#### **Opinion**

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

*Deloitte & Touche*

Chartered Accountants and Registered Auditors

*23 May 2000*

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 May 1999**

	Note	1999 £	1998 as restated £
<b>TURNOVER</b>	1	11,399,915	12,910,862
Operating expenses		<u>(14,084,976)</u>	<u>(14,458,820)</u>
<b>OPERATING LOSS BEFORE AMORTISATION OF PLAYERS</b>	4	(2,685,061)	(1,547,958)
Amortisation of players		<u>(3,212,691)</u>	<u>(3,061,627)</u>
<b>OPERATING LOSS</b>		(5,897,752)	(4,609,585)
Profit on disposal of players		<u>2,077,410</u>	<u>2,395,583</u>
<b>LOSS BEFORE INTEREST AND TAXATION</b>		(3,820,342)	(2,214,002)
Interest receivable	5	157,587	52,315
Interest payable	6	<u>(18,603)</u>	<u>(150,248)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(3,681,358)	(2,311,935)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
<b>RETAINED LOSS FOR THE YEAR</b>		(3,681,358)	(2,311,935)
<b>Profit and loss account brought forward</b>		<u>(22,389,640)</u>	<u>(20,077,705)</u>
<b>Profit and loss account carried forward</b>		<u><u>(26,070,998)</u></u>	<u><u>(22,389,640)</u></u>

All activities derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 May 1999**

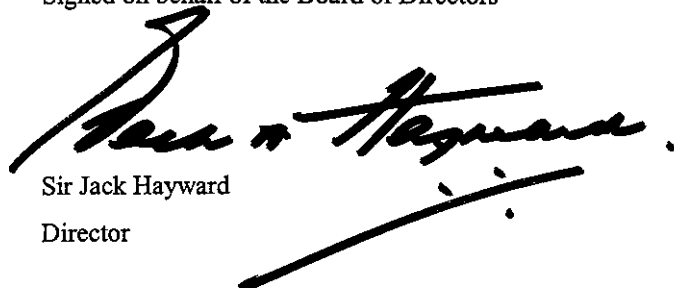
	1999 £	1998 as restated £
Loss for the year attributable to shareholders	<u>(3,681,358)</u>	<u>(2,311,935)</u>
Note of prior year adjustment:		
Total recognised gains and losses relating to the year (as above)	(3,681,358)	
Prior year adjustment (note 2)	<u>5,082,266</u>	
	<u><u>1,400,908</u></u>	

BALANCE SHEET  
31 May 1999

	Note	1999	1998 as restated
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	8	2,376,523	5,290,437
Tangible assets	9	1,274,425	1,393,096
Investments	10	4,188	2,300
		<u>3,655,136</u>	<u>6,685,833</u>
<b>CURRENT ASSETS</b>			
Stocks	11	367,067	469,750
Debtors	12	1,987,613	1,537,279
Cash at bank and in hand		232,357	463,625
		<u>2,587,037</u>	<u>2,470,654</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(3,609,834)</u>	<u>(2,960,422)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,022,797)</u>	<u>(489,768)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,632,339	6,196,065
<b>CREDITORS: amounts falling due after more than one year</b>	14	(25,593,962)	(25,377,534)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	16	<u>(109,375)</u>	<u>(208,171)</u>
		<u>(23,070,998)</u>	<u>(19,389,640)</u>
<b>CAPITAL AND DEFICIENCY</b>			
Called up share capital	17	3,000,000	3,000,000
Profit and loss account	18	<u>(26,070,998)</u>	<u>(22,389,640)</u>
<b>EQUITY SHAREHOLDERS' DEFICIENCY</b>		<u>(23,070,998)</u>	<u>(19,389,640)</u>

These financial statements were approved by the Board of Directors on 18<sup>th</sup> May 2000

Signed on behalf of the Board of Directors

  
Sir Jack Hayward  
Director

**NOTES TO THE ACCOUNTS****Year ended 31 May 1999****1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention.

The 1998 results have been restated to reflect the adoption of Financial Reporting Standard 10 (Accounting for goodwill and intangible assets); additional information is given in note 2.

**Turnover**

Turnover represents match receipts and other income associated with the principal activity of running a professional football club and excludes value added tax.

**Depreciation**

Depreciation is calculated on a straight line basis to write down the cost of tangible fixed assets to their estimated residual value over their anticipated useful lives at the following annual rates:

Plant and equipment	10%
Motor vehicles	20%
Fixtures and fittings	12.5%

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

**Intangible fixed assets**

The cost of the players' registrations is capitalised and amortised over the period of the respective players' contracts in accordance with Financial Reporting Standard 10 (accounting for goodwill and intangible assets).

**Deferred taxation**

Deferred taxation is provided on the liability methods in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

**Leases and hire purchase contracts**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

**Deferred grant income**

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

**Pensions**

Defined contribution arrangements are made to eligible employees of the company. The pension cost charged in the year represents contributions payable by the company.

**Signing-on fees**

Signing-on fees payable to players are charged, as part of operating expenses, to the profit and loss account over the period of the player's contract.

## NOTES TO THE ACCOUNTS

Year ended 31 May 1999

## 1. ACCOUNTING POLICIES (CONTINUED)

## Contingent appearance fees

Where the directors consider the likelihood of a player meeting future appearance criteria laid down in the transfer agreement of that player to be probable, provision for this cost is made (see note 16). If the likelihood of meeting these criteria is not probable no provision is made (see note 21).

## Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

## 2. PRIOR YEAR ADJUSTMENT

Following the issue of Financial Reporting Standard 10 (Accounting for goodwill and intangible assets), the company has changed its accounting policy for the cost of players' registrations.

Under the new policy the company capitalises as an intangible asset the element of a player's transfer fee which relates to his registration together with associated costs and amortises that element over the period of his contract including any subsequent agreed extensions. FRS10 makes no provision for the value of the players developed within the company.

The effect of this change in accounting policy upon the profit and loss reserves of the company is given below:

	£
As previously stated at 31 May 1998	(27,471,906)
Prior year adjustment:	
Intangible assets	5,290,437
Provision	(208,171)
	<hr/>
As restated	(22,389,640)

Previously fees payable to and receivable from other football clubs on the transfer of players' registration, together with associated costs, were accounted for in the profit and loss account as net transfer fees receivable/payable in the period in which the transfer took place. The amortisation of players' registration is disclosed separately in the profit and loss account.

The effect on the loss before taxation is shown below:

	£
As previously stated at 31 May 1998	(1,426,283)
Add: Purchased players' registration costs now capitalised	3,214,689
Less: Amortisation of players' registration costs	(3,061,627)
Net book value of players sold	(1,038,714)
	<hr/>
As restated	(2,311,935)

In the year ended 31 May 1998, the effect of the change in accounting policy has been to increase the loss before and after taxation by £885,652.

In the year ended 31 May 1999, the effect of the change in accounting policy has been to increase the loss before and after taxation by £2,815,116.

**NOTES TO THE ACCOUNTS****Year ended 31 May 1999****3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>Directors' emoluments</b>		
Directors' remuneration	140,493	53,121
Other pension costs	13,200	6,600
	<u>          </u>	<u>          </u>
	<b>No</b>	<b>No</b>
<b>Average number of persons employed</b>		
Playing staff	52	50
Non-playing staff	149	154
	<u>          </u>	<u>          </u>
	<b>201</b>	<b>204</b>
	<u>          </u>	<u>          </u>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	7,257,949	7,255,711
Social security costs	639,452	641,702
Pension costs	30,125	24,573
	<u>          </u>	<u>          </u>
	<b>7,927,526</b>	<b>7,921,986</b>
	<u>          </u>	<u>          </u>

The number of directors who are members of defined contribution scheme was 1 (1998 -1).

**4. OPERATING LOSS**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>Operating loss is stated after charging/(crediting):</b>		
<b>Auditors' remuneration</b>		
Audit fees	22,500	22,000
Non-audit fees	1,325	61,421
<b>Operating leases</b>		
Hire of plant and machinery	25,654	25,609
Hire of assets other than plant and machinery	107,373	94,393
Profit on sale of tangible fixed assets	1,588	(2,988)
Depreciation of tangible fixed assets	348,240	320,657
Amortisation of grant income	(7,970)	(7,970)
	<u>          </u>	<u>          </u>

**NOTES TO THE ACCOUNTS**

Year ended 31 May 1999

**5. INTEREST RECEIVABLE**

	1999 £	1998 £
Bank interest	133,209	52,315
Interest from other football clubs	24,378	-
	<u>157,587</u>	<u>52,315</u>

**6. INTEREST PAYABLE**

	1999 £	1998 £
Bank interest	-	129,418
Finance lease interest	18,603	20,830
	<u>18,603</u>	<u>150,248</u>

**7. TAXATION**

The company has no liability for taxation. The tax losses carried forward, subject to the agreement of the tax authorities, amount to £27 million (1998 - £27 million).

**8. INTANGIBLE FIXED ASSETS**

	£
<b>Cost</b>	
At 1 June 1998	11,887,318
Additions	1,593,427
Disposals	(5,885,760)
	<u>7,594,985</u>
At 31 May 1999	
<b>Amortisation</b>	
At 1 June 1998	6,596,881
Charge for the year	3,212,691
Disposals	(4,591,110)
	<u>5,218,462</u>
At 31 May 1999	
<b>Net book value</b>	
At 31 May 1999	<u>2,376,523</u>
At 31 May 1998	<u>5,290,437</u>

NOTES TO THE ACCOUNTS  
Year ended 31 May 1999

## 9. TANGIBLE FIXED ASSETS

	Motor vehicles £	Safety expenditure £	Fixtures and fittings £	Plant and Equipment £	Total £
<b>Cost</b>					
At 1 June 1998	44,495	25,089	1,725,725	1,034,434	2,829,743
Additions	120	-	127,114	105,423	232,657
Disposals	-	-	(9,757)	-	(9,757)
At 31 May 1999	44,615	25,089	1,843,082	1,139,857	3,052,643
<b>Accumulated depreciation</b>					
At 1 June 1998	20,971	25,089	934,343	456,244	1,436,647
Charge for the year	7,347	-	223,290	117,603	348,240
Disposals	-	-	(6,669)	-	(6,669)
At 31 May 1999	28,318	25,089	1,150,964	573,847	1,778,218
<b>Net book value</b>					
At 31 May 1999	16,297	-	692,118	566,010	1,274,425
At 31 May 1998	23,524	-	791,382	578,190	1,393,096

The net book value of fixed assets included £130,614 (1998 - £114,899) in respect of assets held under finance leases and hire purchase contracts.

## 10. INVESTMENTS HELD AS FIXED ASSETS

	£
<b>Cost and net book value</b>	
At 1 June 1998	2,300
Additions	1,888
At 31 May 1999	4,188

The company owns a 1.1% (1998 - 1%) share in "The Wolf", a radio station that broadcasts in the Wolverhampton area.

## 11. STOCKS

	1999 £	1998 £
Finished goods	367,067	469,750

## NOTES TO THE ACCOUNTS

Year ended 31 May 1999

## 12. DEBTORS

	1999 £	1998 £
Amounts falling due within one year		
Trade debtors	466,305	189,648
Amounts owed by fellow subsidiary	3,243	3,243
Other debtors	1,110,637	782,863
Prepayments and accrued income	407,428	561,525
	<u>1,987,613</u>	<u>1,537,279</u>

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Amounts due under finance lease obligations (note 15)	33,805	33,714
Trade creditors	1,001,269	679,665
Other taxation and social security	390,679	183,665
Other creditors	1,059,048	1,150,886
Accruals and deferred income	1,117,063	904,522
Deferred grant	7,970	7,970
	<u>3,609,834</u>	<u>2,960,422</u>

## 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £	1998 £
Group undertakings	25,516,440	25,260,414
Amounts due under finance lease obligations (note 15)	58,610	90,238
Deferred grant	18,912	26,882
	<u>25,593,962</u>	<u>25,377,534</u>

The amounts owed to group undertakings are interest free and repayable on demand, subject to a reservation of the right to interest at the lenders discretion. However, the directors have confirmed the support of the group companies and therefore the loans are to be treated as long term liabilities.

## NOTES TO THE ACCOUNTS

Year ended 31 May 1999

## 15. BORROWINGS

	1999 £	1998 £
Obligations under finance leases:		
Due within one year	33,805	33,714
Due within one to two years	33,159	32,438
Due within two to five years	25,451	57,800
	<u>92,415</u>	<u>123,952</u>

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £	1998 £
Contingent appearance fees (see note 1)		
Balance at 1 June 1998	208,171	440,949
Transferred to profit on disposal of players	(98,796)	-
Transferred to trade creditors	-	(232,778)
Balance at 31 May 1999	<u>109,375</u>	<u>208,171</u>

## 17. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised, allotted, called up and fully paid 3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

## 18. PROFIT AND LOSS ACCOUNT

	£
At 1 June 1998	(27,471,906)
Prior year adjustment (note 2)	<u>5,082,266</u>
As restated	(22,389,640)
Retained loss for the year	<u>(3,681,358)</u>
At 31 May 1999	<u>(26,070,998)</u>

**NOTES TO THE ACCOUNTS****Year ended 31 May 1999****19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIENCY**

	1999 £	1998 £
Opening shareholders' deficiency:		
As previously stated	(24,471,906)	(23,045,623)
Prior period adjustment	<u>5,082,266</u>	<u>5,967,918</u>
As restated	(19,389,640)	(17,077,705)
Loss for the financial year	<u>(3,681,358)</u>	<u>(2,311,935)</u>
Closing shareholders' deficiency	<u><u>(23,070,998)</u></u>	<u><u>(19,389,640)</u></u>

**20. OPERATING LEASE COMMITMENTS**

At 31 May 1999, the company was committed to making the following payments during the next year in respect of operating leases:

	1999 £	1998 £
Leases which expire within two to five years	<u>72,912</u>	<u>133,027</u>

**21. CONTINGENT LIABILITIES**

The company had the following commitments at the balance sheet date:

- (i) Contingent appearance fees of £450,450 (1998 - £183,032)
- (ii) The company has committed to stock being taken from suppliers to the value of £109,014 at the year-end.
- (iii) In about March 1997 the company made a payment of £100,000 purportedly in repayment of intercompany indebtedness owed by the company to Wolverhampton Wanderers Properties Limited, which sum ultimately was received by a former director of the company. The company has been advised that such payment was made without authority and did not amount to a valid repayment of intercompany indebtedness and that the company may still be liable for repayment of such sum to Wolverhampton Wanderers Properties Limited. On 7<sup>th</sup> January 1999 the company commenced proceedings in the Chancery Division of the High Court against two of its former directors and against its former legal advisors seeking recovery of this sum paid away and also claiming damages for breach of contract and/or negligence against its former legal advisors. Counsel has advised the company that its claim has good prospects of success. Accordingly, no provision has been made in the accounts for the company's potential liability to Wolverhampton Wanderers Properties Limited. Costs of progressing the action have been charged to the profit and loss account.

**22. PARENT UNDERTAKING**

The immediate parent undertaking is W. W. (1990) Limited a company registered in England and Wales. Copies of these financial statements are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. The ultimate parent company is regarded as being Wend Investments Limited, a company incorporated in the Bahamas.

**NOTES TO THE ACCOUNTS**

**Year ended 31 May 1999**

**23. RELATED PARTY TRANSACTIONS**

In accordance with Financial Reporting Standard 8, the company has not disclosed transactions with its parent company or related subsidiaries as the company's results are consolidated into the financial statements of the group which are publicly available.

**24. POST BALANCE SHEET EVENTS**

Since the year end, the company have been involved in transfer activity resulting in sale proceeds of £6,123,000 and a profit of £6,104,000. In addition the company have acquired players with a value of £5,447,000 since the balance sheet date.