

Cardiff Rugby Football Club Limited

Directors' report and financial statements for the period ended 30 April 1997

Registered number 3199030



Cardiff Rugby Football Club Limited

Directors' report and financial statements

Contents	Page
Directors' report	1 - 3
Statement of directors' responsibilities and Corporate governance	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 16

Cardiff Rugby Football Club Limited

1

Directors' report

The directors present their first annual report and the audited financial statements for the period from 15 May 1996 (the date of incorporation) to 30 April 1997.

Principal activity

The company's principal activity is the operation of a professional rugby football team together with related activities. The company was incorporated as Cardiff Rugby Football Club plc on 15 May 1996. The company was re-registered as a private company limited by shares on 16 December 1996. On 1 February 1997 it acquired the business and net liabilities of the rugby section of Cardiff Athletic Club.

Business review

The loss for the period after taxation amounted to £206,056, which has been taken to reserves.

The directors intend to continue the strategy of improving the performance of the business and are optimistic about the long term prospects.

Directors and directors' interests

The directors who held office during the period were as follows:

P Thomas - Chairman	(appointed 21 February 1996)
W G Davies	(appointed 25 November 1996)
R B V Rees	(appointed 22 April 1997)
S Webber	(appointed 22 April 1997)
C D Williams	(appointed 25 November 1996, resigned 22 April 1997)
MB Incorporations Limited	(appointed 15 May 1996, resigned 25 November 1996)

Directors' report (continued)

Directors and directors' interest (continued)

None of the directors who held office at the end of the period had any interests in the shares of the Company.

On 10 June 1997, the following were appointed as directors of the Company:-

P Bailey
G Edwards MBE
R A C Evans
P B Gore
M John
A Peterson
J R Smart

Directors' interest in contracts

The company incurred costs of £111,000 from Morgan Bruce, Solicitors, of which R B V Rees is a practising partner. This was in respect of advice on the incorporation of the Company, the acquisition of the rugby section of the Cardiff Athletic Club and the Share Offer. This transaction was at arm's length.

Post balance sheet event

On 28 April 1997, a Share Offer to the members of Cardiff Athletic Club was made and this offer was open until 30 May 1997. Following the close of the subscription list on 30 May 1997, the following additional shares have been subscribed for:-

	£
2,968,200 ordinary shares of £1	<u>2,968,200</u>

The reasons for the Share Offer were as follows:-

- (i) to raise funds to allow the continued development of the rugby squad,
- (ii) to allow members to participate in the ownership of the company, and
- (iii) to raise funds to develop revenue generating opportunities.

Cardiff Rugby Football Club Limited

3

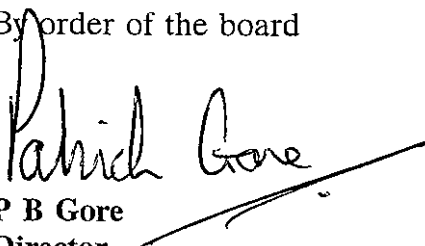
Directors' report (continued)

Auditors

During the period Coopers & Lybrand were appointed as auditors of the company.

In accordance with Section 384 of the Companies Act 1985, a resolution for their re-appointment is to be proposed at the next Annual General Meeting.

By order of the board



P B Gore

P B Gore
Director

Cardiff Arms Park
Westgate Street
Cardiff
CF1 1JA

19 February 1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Corporate Governance

The Board of directors intend, as far as it is applicable for smaller private companies, to comply with the recommendations of the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance, and the Guidance for Smaller Companies, published by the City Group of Smaller Companies, in addition to the Greenbury Study Group on Directors' Remuneration.

Although the company has re-registered as a private company, the directors' believe that the corporate governance framework provided by the above is appropriate given the broad shareholder base after the Share Offer.

In addition, on 26 April 1997, the full board created two committees. These are:

- A remuneration committee, comprising non-executive directors, which will meet at least annually, and be responsible for setting the remuneration of the executive directors.
- An Audit committee, comprising non-executive directors, which will meet at least twice a year to consider the appointment and fees of external auditors and oversee the scope and findings of the audit.

Auditors' report to the members

We have audited the financial statements on pages 6 to 16.

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 as at 30 April 1997 and of its loss for the period from 15 May 1996 to 30 April 1997 and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered accountants and registered auditors

25 February 1998

Cardiff Rugby Football Club Limited

6

Profit and loss account for the period 15 May 1996 to 30 April 1997

	Note	Period from 15 May 1996 to 30 April 1997 £
Turnover - continuing operations	2	828,535
Operating expenses		(883,819)
		<hr/>
Operating loss - continuing operations		(55,284)
Interest payable and similar charges	3	(772)
Provision for legal costs	14	(150,000)
		<hr/>
Loss on ordinary activities before taxation	4	(206,056)
Tax on loss on ordinary activities	7	-
		<hr/>
Loss for the financial period		<u>(206,056)</u>

The company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Cardiff Rugby Football Club Limited

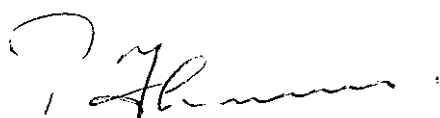
7

Balance sheet at 30 April 1997

	Note	1997 £
Fixed assets		
Intangible assets	8	1,304,971
Tangible assets	9	56,928
Investments	10	60,049
		<hr/>
		1,421,948
Current assets		
Stocks - goods for resale		33,359
Debtors	11	578,133
Cash in hand		150
		<hr/>
		613,642
Creditors: amounts falling due within one year	12	(1,176,790)
		<hr/>
Net current liabilities		(563,148)
		<hr/>
Total assets less current liabilities		858,800
Creditors: amounts falling due after more than one year	13	(164,854)
Provisions for liabilities and charges	14	(150,000)
		<hr/>
Net assets		543,946
		<hr/>
Capital and reserves		
Called up share capital	15	750,002
Profit and loss account	16	(206,056)
		<hr/>
Equity shareholders funds	16	543,946
		<hr/>

These financial statements on pages 6 to 16 were approved by the board of Directors on 19 February 1998 and were signed on its behalf by:

P Thomas
Director



P B Gore
Director



Notes to the financial statements

1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and the historical cost convention as modified by the revaluation of certain fixed assets.

The directors have concluded it is appropriate to prepare the accounts on a going concern basis due to the Share Offer to the members of Cardiff Athletic Club that closed after the period end and raised £2.9m in cash.

2 Principal accounting policies

The principal accounting policies are set out below, and have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Goodwill

Purchased goodwill is capitalised and treated as an intangible asset. The cost is written off over the estimated useful life, estimated at 20 years, in equal instalments, commencing in the year of acquisition.

In the opinion of the directors, 20 years represents a prudent estimate of the period over which the Company will derive economic benefit from the goodwill acquired. The period over which the goodwill is to be amortised and the carrying value of the goodwill is reviewed annually by the directors.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings and equipment	-	4 - 7 years
----------------------------------	---	-------------

Notes to the financial statements (continued)**2 Accounting policies (continued)****Leases**

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 finance charges, are included with creditors. Rentals payable are apportioned between the finance 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.

Investments

Investments held under fixed assets are recorded in the balance sheet at the lower of mid market value and cost.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, or slow moving items.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents all income arising from the activities of the company, excluding transfer fees received or receivable.

Transfer fees

Fees payable to and receivable from other rugby football clubs on the transfer of player's registration, together with associated costs, are dealt with through the profit and loss account in the accounting period in which the transfer of the player's registration takes place.

Deferred income

Deferred income is included in the balance sheet and released to the profit and loss account on a straight line basis over the period to which it relates.

Notes to the financial statements (continued)**2 Accounting policies (continued)****Cash flow**

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

Players' contracts

No value has been attributed to players' contracts in the balance sheet.

3 Interest payable and similar charges

	1997 £
On bank overdraft	154
Finance charges in respect of finance leases	618
	<hr/> 772 <hr/>

4 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	1997 £
Auditors remuneration	6,000
Goodwill amortisation	16,521
Depreciation of tangible fixed assets	8,148
	<hr/> <hr/>

5 Remuneration of directors

	1997 £
Aggregate emoluments	19,500
	<hr/> <hr/>

Notes to the financial statements (continued)

6 Staff members and costs

The average number of persons (or full-time equivalents) employed by the company (including directors) during the period, analysed by category, was as follows:

	1997
	Number of employees
Directors	1
Coaching and playing staff	29
Admin staff	17
	<hr/>
	47
	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997
	£
Wages and salaries	353,669
Social security costs	31,326
	<hr/>
	384,995
	<hr/>

7 Taxation

No tax charge arises due to the trading loss in the period.

8 Intangible fixed assets

	Goodwill
	£
Cost	
Acquired in the period and at 30 April 1997	1,321,492
	<hr/>
Amortisation	
Charge for the period and at 30 April 1997	16,521
	<hr/>
Net book value	
As at 30 April 1997	1,304,971
	<hr/>

The goodwill of £1,321,492 arose on the acquisition of the rugby section of the Cardiff Athletic Club (see note 17).

Notes to the financial statements (continued)
9 Tangible fixed assets

	Fixtures, fittings and equipment
	£
Cost	
Additions and at 30 April 1997	65,076
Depreciation	
Charge for the period and at 30 April 1997	8,148
Net book value	
As at 30 April 1997	56,928

10 Fixed asset investment

	£
Cost or valuation	
Acquired in the period at 30 April 1997	70,543
Amounts written off	
Provided for in the period at 30 April 1997	10,494
Net book value	
At 30 April 1997	60,049

The above fixed asset investment is listed on a recognised stock exchange. The aggregate market value of the listed investment is equal to its net book value.

11 Debtors

	1997 £
Amounts falling due within one year	
Trade debtors	400,395
Amounts due from related parties	166,937
Prepayments	10,801
	578,133

Notes to the financial statements (continued)**12 Creditors: amounts falling due within one year**

	1997 £
Bank overdraft (unsecured)	108,263
Loans (see note 13)	23,935
Obligations under finance leases	3,148
Trade creditors	216,352
Other creditors including taxation and social security:	
Other taxes and social security	158,987
Accruals	363,997
Deferred income	302,108
	<hr/>
	1,176,790
	<hr/>

13 Creditors: amounts falling due after more than one year

	1997 £
Loans:-	164,854
	<hr/>
(i) Loans	
Repayable after five years	164,854
	<hr/>
Due within one year (note 12)	23,935
	<hr/>
	188,789
	<hr/>

The above loans are secured and non-interest bearing.

14 Provisions for liabilities and charges

	1997 £
Profit and loss account	150,000
	<hr/>
At 30 April 1997	150,000
	<hr/>

The company is engaged in litigation with the Welsh Rugby Union. Approximately £10,000 of costs and expenses have been incurred up to the period end.

On the basis of legal advice, the action is being vigorously pursued. On the grounds of prudence, legal costs of £150,000 have been provided which represents the directors' best estimate of any likely costs.

Notes to the financial statements (continued)**15 Called up share capital**

	1997 £
Authorised	
Ordinary shares of £1	7,000,000
Heritage shares of £1	750,000
	<hr/> 7,750,000 <hr/>
Allotted, called up and fully paid	
Ordinary shares of £1	2
Heritage shares of £1	750,000
	<hr/> 750,002 <hr/>

The Company was incorporated on 15 May 1996 with an authorised share capital of 50,000 ordinary shares of £1, of which 2 ordinary shares of £1 were issued to Cardiff Athletic Club and were fully paid.

The authorised share capital was increased to 7,000,000 ordinary shares of £1 and 750,000 heritage shares of £1 on 22 April 1997.

The heritage shares rank equally with ordinary shares except for the right to appoint two directors to the Board and to remove any person appointed from time to time.

In addition the approval of the holders of the Heritage Shares must be obtained before the company can, amongst other things, dispose of its rugby activities, substantially alter the nature of the business, change the club's colours or move the home ground outside Cardiff.

Details of the Company's issue of heritage shares to acquire the rugby business of Cardiff Athletic Club are set out in note 17.

16 Reconciliation of movements in shareholders' funds

	1997 £
Issues of share capital (see note 15)	750,002
Loss for the financial period	(206,056)
	<hr/> 543,946 <hr/>

Notes to the financial statements (continued)

17 Acquisition

On 1 February 1997 the company acquired the activities and net liabilities of the rugby section of Cardiff Athletic Club.

The assets and liabilities acquired are set out below:-

	£	Book value £
Fixed assets		
Tangible		63,428
Investments		70,543
		<hr/>
		133,971
Current assets		
Stocks	41,340	
Debtors	284,502	
Cash	115	
	<hr/>	
		325,957
Liabilities		
Deferred income	506,048	
Hire purchase	10,556	
Trade creditors	77,224	
Accruals	73,321	
Loans	194,630	
	<hr/>	
		(861,779)
Net liabilities		<hr/>
Satisfied by the issue of £750,000 Heritage shares		(401,851)
		750,000
		<hr/>
Acquisition costs		1,151,851
		169,641
		<hr/>
Goodwill		1,321,492
		<hr/> <hr/>

18 Financial commitments

At 30 April 1997 the Company had annual commitments under non-cancellable operating leases as follows:-

	Land and buildings £
Expiring in over five years	75,000
	<hr/> <hr/>

Notes to the financial statements (continued)**19 Related party transactions**

At 30 April 1997, all the issued share capital of the Company consisting of 2 ordinary shares of £1, and 750,000 heritage shares of £1, was held on trust for the members of Cardiff Athletic Club.

During the period the Company acquired the activities of the rugby section of Cardiff Athletic Club. Further details are given to the financial statements.

An amount of £166,937 included in the balance sheet within "Debtors - other debtors" relates to amounts receivable from Cardiff Athletic Club. This has arisen where the Company has made payments on behalf of Cardiff Athletic Club.

The company incurred costs of £111,000 from Morgan Bruce, Solicitors, of which R B V Rees is a practising partner. This was in respect of advice on the incorporation of the Company, the acquisition of the rugby section from Cardiff Athletic Club and the Share Offer. This transaction was at arm's length.

20 Post balance sheet events

On 28 April 1997, a Share Offer to the members of Cardiff Athletic Club was made and this offer was open until 30 May 1997. Following the close of the subscription list on 30 May 1997, the following additional shares have been subscribed for:

	£
2,968,200 ordinary shares of £1	2,968,200
	<u>2,968,200</u>

The reasons for the Share Offer were as follows:-

- (i) to raise funds to allow the continued development of the rugby squad,
- (ii) to allow members to participate in the ownership of the company, and
- (iii) to raise funds to develop revenue generating opportunities.

21 Comparatives

This is the first period of trading and hence there are no comparatives.