

3230871

 ERNST & YOUNG

Bristol City Football Club Limited

Report and Accounts

31 May 2000



Bristol City Football Club Limited

Registered No. 3230871

DIRECTORS

J S Laycock (Chairman)
S P Lansdown (Vice Chairman)
S M Davidson
J L Clapp
R K G Neale
K W Dawe
A W C Gooch

SECRETARY

R A Barr

MANAGER

D Wilson

AUDITORS

Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

BANKERS

National Westminster Bank PLC
32 Corn Street
Bristol
BS99 7UG

SOLICITORS

Burges Salmon
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

REGISTERED OFFICE

Ashton Gate
Bristol
BS3 2EJ

ERNST & YOUNG

Bristol City Football Club Limited

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 May 2000.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £175,647 (1999 - loss £2,352,643). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY

The principal activity during the year was the running of a professional football club and stadium facilities.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Information concerning the review of the business and future developments is contained in the Chairman's Report included in the accounts of the parent undertaking, Bristol City Holdings PLC.

DIRECTORS AND THEIR INTERESTS

The directors at 31 May 2000 were as listed on page 2.

All directors were also directors of the parent undertaking, Bristol City Holdings PLC, and their interests in the share capital of that company are disclosed in the accounts of Bristol City Holdings PLC.

CREDITOR PAYMENT POLICY

The group agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, the directors are required to:

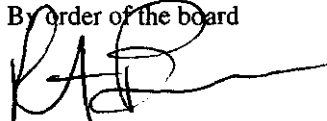
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

Date 25-9-00

REPORT OF THE AUDITORS
to the members of Bristol City Football Club Limited

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention 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 accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

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

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

Fundamental uncertainties concerning these accounts

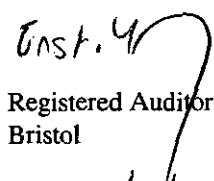
In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the assumptions made by the directors in preparing the accounts.

The accounts have been prepared on a going concern basis, the validity of which depends on certain directors subscribing for further shares and/or for loan stock in the group should the need arise, the group's bankers continuing to make available an overdraft facility, those players who have been made available for transfer being successfully sold and a return to profitable trading. The accounts do not include any adjustments that would be required should the going concern basis prove invalid. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

The accounts have also been prepared in accordance with Financial Reporting Standard No. 10 which requires the value of players' contracts to be capitalised as an asset and amortised over the contract duration. Discussions are currently ongoing between the European Commission and FIFA concerning the possible abolition of the transfer system. This issue has yet to be resolved and accordingly these accounts do not include any adjustments that might be required were the transfer system to be abolished. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. 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 as at 31 May 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Bristol

Date 26/9/00

Bristol City Football Club Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 May 2000

	Notes	2000 £	1999 £
TURNOVER	2	3,438,264	3,631,524
Other operating income	3	2,055,045	1,888,564
		<u>5,493,309</u>	<u>5,520,088</u>
Staff costs	4	4,558,047	4,140,109
Depreciation	10	259,897	243,733
Amortisation of players' contracts	9	1,191,102	1,253,909
Other operating charges		2,458,517	2,283,358
		<u>8,467,563</u>	<u>7,921,109</u>
OPERATING LOSS	5	(2,974,254)	(2,401,021)
Profit on disposal of players' contracts		2,820,274	65,000
		<u>(153,980)</u>	<u>(2,336,021)</u>
Bank interest receivable		2,709	33,164
Interest payable and similar charges	7	(24,376)	(49,786)
		<u>(175,647)</u>	<u>(2,352,643)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(175,647)	(2,352,643)
Tax on loss on ordinary activities	8	-	-
		<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR	17	<u>(175,647)</u>	<u>(2,352,643)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 May 2000

There were no recognised gains or losses other than the loss of £175,647 in the year ended 31 May 2000 and loss of £2,352,643 in the year ended 31 May 1999.

Bristol City Football Club Limited

BALANCE SHEET

at 31 May 2000

	Notes	2000 £	1999 Restated £
FIXED ASSETS			
Intangible assets	9	1,580,154	3,055,482
Tangible assets	10	8,628,100	8,857,302
		<u>10,208,254</u>	<u>11,912,784</u>
CURRENT ASSETS			
Stocks of goods for resale		55,550	55,043
Debtors	11	2,259,102	139,520
Cash at bank and in hand		3,180	12,770
		<u>2,317,832</u>	<u>207,333</u>
CREDITORS: amounts falling due within one year	12	(2,171,898)	(1,500,128)
NET CURRENT ASSETS/(LIABILITIES)		<u>145,934</u>	<u>(1,292,795)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,354,188</u>	<u>10,619,989</u>
CREDITORS: amounts falling due after more than one year	13	(13,195,276)	(13,285,430)
		<u>(2,841,088)</u>	<u>(2,665,441)</u>
CAPITAL AND RESERVES			
Called up share capital	16	1	1
Profit and loss account	17	(2,841,089)	(2,665,442)
EQUITY SHAREHOLDER'S FUNDS		<u>(2,841,088)</u>	<u>(2,665,441)</u>

J. S. Laycock

- Chairman

Date 25-9-00

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

1. ACCOUNTING POLICIES

Going concern

Notwithstanding receipts from the sale of players of £2.9m, expenditure on new players of £1.6m and operating losses resulted in a net cash outflow of £323,000 during the year. Since the end of the year, a number of players have been made available for sale. Finally, certain directors have agreed to subscribe for additional shares and/or loan stock in the coming year should the need arise.

The directors are of the opinion that taking into account the anticipated proceeds from the sale of players, certain directors' commitment to subscribe for further shares and/or loan stock should the need arise and assuming that the group's bankers will continue to make available an overdraft facility, the group will have sufficient working capital until the end of the 2000/01 season.

In considering the longer term the directors have assumed that the group will return to profitable trade. This assumption is dependent on a number of factors both within and outwith the group's control but the principal factor is the success of the team. It is for this reason that the directors continue to commit substantial sums of money to the purchase of new players. In addition, the directors' continue to seek to increase the income of the group whilst controlling costs.

Accordingly, these accounts have been prepared on a going concern basis. Should the assumptions referred to above prove to be invalid, the going concern basis would be invalid and accordingly adjustments would have to be made to reduce the value of assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify all fixed assets and long term liabilities as current assets and liabilities respectively.

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Players' transfer fees

Transfer fees payable are capitalised in the year in which the player is bought and amortised over the initial contract life. Transfer fees conditional on player and/or team performance related measures are capitalised as and when they crystallise and are amortised over the remaining contract life.

Where a contract is re-negotiated prior to the expiry of its original term, the net book value at that time is amortised over the remaining revised contract life.

Discussions are currently ongoing between the European Commission and FIFA concerning the possible abolition of the football transfer system. If the transfer system were to be abolished, and the operating losses of the company were to continue this may have an impact on the carrying value of players' contracts within the balance sheet.

As this issue has yet to be resolved players' contracts have continued to be recognised in the balance sheet in accordance with Financial Reporting Standard No. 10.

Profit on disposal of players' contracts

Profits or losses arising on the disposal of players' contracts are credited or charged to the profit and loss account in the year in which the player is sold. They are calculated as the difference arising between the transfer fees received and the net book value of the contracts at the time of this disposal. Any excess of net book value of a player's contract over its net realisable value is taken to the profit and loss account as and when it arises.

Contractual liabilities under players' contracts

Contractual liabilities under players' contracts are written off in the year in which they become payable.

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

1. ACCOUNTING POLICIES (continued)

Deferred income

Revenue derived from season tickets, advertising and sponsorship and subscriptions is credited to income in the year to which it relates.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	over 50 years
Long leasehold property	over the lease term
Plant and machinery	over 4 to 10 years
Fixtures and fittings	over 5 years

Grants

Grants on capital expenditure are deducted from the cost of the related assets when received. Grants of a revenue nature are credited to income in the year to which they relate.

Stocks

Stocks are stated at the lower of cost on a first-in, first-out basis and net realisable value. Net realisable value is based on estimated selling price.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Other operating income

City 2000, which is a private members club, and the Youth Foundation do not fall within the scope of these accounts. Donations from these entities are credited to income in the period in which they are received. Any other operating income is credited to the profit and loss account in the period in which it falls due.

2. TURNOVER

Turnover represents amounts received and receivable in respect of football matches, stated net of value added tax.

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 2000

3. OTHER OPERATING INCOME

	2000	1999
	£	£
Donation from Youth Foundation	-	13,545
Donations from City 2000	-	25,000
Rental income	51,073	49,844
Other non-football income	2,003,972	1,800,175
	<u>2,055,045</u>	<u>1,888,564</u>

4. STAFF COSTS

	2000	1999
	£	£
Wages and salaries	4,140,909	3,757,658
Social security costs	383,219	323,362
Contributions to employees' personal pension plans	33,919	59,089
	<u>4,558,047</u>	<u>4,140,109</u>

The average monthly number of employees during the year was as follows:

	2000	1999
	No.	No.
Office, management and ground staff	58	55
Players	42	40
	<u>100</u>	<u>95</u>

5. OPERATING LOSS

This is stated after charging:

	2000	1999
	£	£
Operating lease rentals:		
land and buildings	33,800	26,850
plant and machinery	26,287	20,723
Auditors' remuneration - audit services	8,000	8,000
- non-audit services	1,600	5,000
Amortisation of players' contracts	1,191,102	1,253,909
Depreciation - owned assets	244,549	228,426
- assets held under finance leases and hire purchase contracts	15,348	15,307
	<u></u>	<u></u>

6. DIRECTORS' EMOLUMENTS

	2000	1999
	£	£
Emoluments	17,647	57,913
Company contributions paid to personal pension schemes	2,499	7,499
	<u>20,146</u>	<u>65,412</u>

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 2000

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£	£
Bank loan and overdraft	3,399	27,956
Debenture loan stock	16,006	18,491
Finance charges payable under finance leases and hire purchase agreements	4,971	3,339
	<u>24,376</u>	<u>49,786</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

No charge to corporation tax arises on the result for the year. Tax losses of approximately £4.25m are carried forward, subject to agreement by the Inland Revenue.

9. INTANGIBLE FIXED ASSETS

	Players' contracts £
Cost:	
At 1 June 1999	5,487,577
Additions	1,965,500
Disposals	(3,975,216)
At 31 May 2000	<u>3,477,861</u>
Amortisation:	
At 1 June 1999	2,432,095
Charge for the year	1,191,102
Disposals	(1,725,490)
At 31 May 2000	<u>1,897,707</u>
Net book value:	
At 31 May 2000	<u>1,580,154</u>
At 1 June 1999	<u>3,055,482</u>

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Long leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost:					
At 1 June 1999	9,373,568	25,000	443,047	392,760	10,234,375
Additions	6,711	-	11,499	14,235	32,445
Grants received	(1,750)	-	-	-	(1,750)
At 31 May 2000	<u>9,378,529</u>	<u>25,000</u>	<u>454,546</u>	<u>406,995</u>	<u>10,265,070</u>
Depreciation:					
At 1 June 1999	726,003	2,601	290,969	357,500	1,377,073
Provided during the year	182,082	252	66,581	10,982	259,897
At 31 May 2000	<u>908,085</u>	<u>2,853</u>	<u>357,550</u>	<u>368,482</u>	<u>1,636,970</u>
Net book value:					
At 31 May 2000	<u>8,470,444</u>	<u>22,147</u>	<u>96,996</u>	<u>38,513</u>	<u>8,628,100</u>
At 1 June 1999	<u>8,647,565</u>	<u>22,399</u>	<u>152,078</u>	<u>35,260</u>	<u>8,857,302</u>

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 2000

10. TANGIBLE FIXED ASSETS (continued)

The net book value of plant and machinery above includes amounts of £Nil (1999 - £14,410) in respect of gym equipment, £39,754 (1999 - £47,029) in respect of a scoreboard and £25,895 (1999 - £33,968) in respect of motor vehicles held under finance leases and hire purchase contracts. The net book value of fixtures and fittings above includes an amount of £Nil (1999 - £5,309) in respect of assets held under finance leases and hire purchase contracts.

Included in freehold land and buildings is land with a cost of £275,550 (1999 - £275,550) which is not depreciated.

11. DEBTORS

	2000	1999
	£	£
Called up share capital not paid (note 16)	1	1
Amounts receivable in respect of transfer fees	2,060,000	-
Trade debtors	110,156	62,435
Other debtors	88,945	77,084
	<u>2,259,102</u>	<u>139,520</u>

12. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	313,445	-
Bank loan	-	38,565
Football Trust loan	-	19,998
Secured Debenture Loan Stock 2000-2001 (note 14)	193,333	96,667
Obligations under hire purchase contracts (note 15)	18,488	23,027
Amounts payable in respect of transfer fees	878,325	582,500
Contractual liabilities under players' contracts	14,407	13,525
Trade creditors and accruals	394,109	331,213
Other taxes and social security costs	175,089	168,541
Accruals and deferred income	184,702	226,092
	<u>2,171,898</u>	<u>1,500,128</u>

13. CREDITORS: amounts falling due after more than one year

	2000	1999
	£	Restated £
Secured Debenture Loan Stock 2000-2001 (note 14)	96,667	193,333
Obligations under finance leases and hire purchase contracts (note 15)	37,450	55,938
Amounts due to parent undertaking	13,061,159	13,036,159
	<u>13,195,276</u>	<u>13,285,430</u>

The directors of the parent undertaking, Bristol City Holdings PLC, have resolved not to call for repayment of the amounts due to them within the next twelve months.

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 2000

14. LOANS

	2000	1999
	£	<i>Restated</i> £
Wholly repayable within five years:		
Secured Debenture Loan Stock 2000-2001	290,000	290,000
	<u>290,000</u>	<u>290,000</u>
Less: included in creditors: amounts falling due within one year	193,333	96,667
	<u>96,667</u>	<u>193,333</u>

The Debenture Loan Stock 2000-2001 is repayable as follows:

	2000	1999
	£	£
Within one year	193,333	96,667
Between one and two years	96,667	96,666
Between two and five years	-	96,667
	<u>290,000</u>	<u>290,000</u>

The Debenture Loan Stock 2000-2001 is secured by a fixed charge over the freehold property of the company together with fixed charges over the plant and machinery, securities, debts, goodwill and insurances held by the company and a floating charge over the undertaking and assets of the company. It accrues interest at a rate which is equivalent to the base rate as published by National Westminster Bank PLC.

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2000	1999
	£	£
Amounts payable:		
Within one year	23,521	27,790
In two to five years	39,799	63,321
	<u>63,320</u>	<u>91,111</u>
Less: finance charges allocated to future periods	(7,382)	(12,146)
	<u>55,938</u>	<u>78,965</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	18,488	23,027
Non-current obligations (note 13)	37,450	55,938
	<u>55,938</u>	<u>78,965</u>

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 2000

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS (continued)

Analysis of changes in finance leases and hire purchase contracts during the current and previous years:

	2000 £	1999 £
At 1 June	78,965	15,953
New agreements	-	77,590
Capital element of rental payments	(23,027)	(14,578)
At 31 May	55,938	78,965

16. CALLED UP SHARE CAPITAL

	2000 No.	Authorised 1999 No.	Allotted and called up 2000 £	1999 £
Ordinary shares of £1 each	500,000	500,000	1	1

17. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 June 1998	1	(312,799)	(312,798)
Loss for the year	-	(2,352,643)	(2,352,643)
At 1 June 1999	1	(2,665,442)	(2,665,441)
Loss for the year	-	(175,647)	(175,647)
At 31 May 2000	1	(2,841,089)	(2,841,088)

18. OTHER FINANCIAL COMMITMENTS

At 31 May 2000 the company had annual commitments under non cancellable operating leases as follows:

	2000 £	Land and buildings 1999 £	2000 £	Other 1999 £
Operating leases which expire:				
Within one year	-	14,608	1,037	-
In two to five years	-	-	2,463	17,296
	-	14,608	3,500	17,296

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

19. CONTINGENT LIABILITIES

The following amounts may be payable at various stages in the future contingent on the relevant players meeting certain performance conditions:

	2000	1999
	£	£
Transfer fees	305,000	555,000
Contractual liabilities under players' contracts	743,815	736,375
	<u>1,048,815</u>	<u>1,291,375</u>

20. PRIOR YEAR ADJUSTMENT

The Secured Debenture Loan Stock 2002 which was issued by Bristol City Holdings PLC in 1999 was previously disclosed in the accounts of Bristol City Football Club Limited rather than the accounts of Bristol City Holdings PLC. The prior year adjustment corrects this.

21. RELATED PARTY TRANSACTIONS

During the year the company took out insurance policies to the value of £80,508 (1999 - £71,894) in the year through Hargreaves Lansdown Insurance Brokers Limited and received sundry income of £4,885 (1999 - £Nil). S P Lansdown, a director of Bristol City Football Club Limited, had a material interest in this company during the year. £381 was outstanding at the balance sheet date (1999 - £Nil).

The Debenture Loan Stock 2000-2001 (note 14) is held by the following directors either personally or by parties connected to them:

	<i>Capital sum outstanding</i>	
	2000	1999
	£	£
R K G Neale	40,000	40,000
K W Dawe	50,000	50,000
J L Clapp	100,000	100,000
S P Lansdown	100,000	100,000
	<u>290,000</u>	<u>290,000</u>

22. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Bristol City Holdings PLC, a company registered in England and Wales. The accounts of the parent undertaking can be obtained from the Company Secretary at Ashton Gate, Bristol, BS3 2EJ.