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Bristol City Football Club Limited

Report and Financial Statements

31 May 2008



Bristol City Football Club Limited

Registered No: 3230871

Directors

S P Lansdown (Chairman)
K W Dawe (Vice Chairman)
C L Sexstone
R W Pearce (Resigned 28 August 2008)
D J Harman (Appointed 1 June 2008)

Chief executive

C L Sexstone

Secretary

R A Barr

Auditors

Deloitte & Touche LLP
Bristol

Bankers

Barclays Bank PLC
Bristol & North Somerset Group
PO Box 207
Bristol
BS99 7AJ

Solicitors

Burges Salmon LLP
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

Registered office

Ashton Gate
Bristol
BS3 2EJ

Directors' report

The directors present their report and the financial statements for the year ended 31 May 2008.

Results and dividends

The loss for the year, after taxation, was £2,026,351 (2007: £194,027). The directors do not recommend the payment of a dividend (2007: £nil).

Principal activity

The principal activity during the year continued to be the running of a professional football club.

Review of the business and future developments

The directors thought the 2006/07 season was one of the most exciting seasons in the history of Bristol City Football Club but this was surpassed in 2007/08. Whereas achieving promotion from League One was long overdue and a relief, competing so well in the Championship was a great credit to everyone associated with the club, in particular Gary Johnson, his staff and the players. It was disappointing not to win promotion to the Premiership, but to come so close and to finish the season in front of over 86,000 fans at Wembley will live long in the memory.

The accounts for the year ended 31 May 2008 show a loss of £2,026,351 (2007: loss of £194,027). Football turnover more than doubled to £8.8m (2007: £4.3m). Inevitably staff costs rose on the back of this. Overall they were £6.9m (2007: £4.1m) for the year, an increase of 68% and representing 70% of turnover. Other costs also rose by 40% to £4.2m (2007: £3.0m).

Competing in the Championship brings with it its own problems, in particular controlling the wage bill. Everyone focuses on transfer activity when talking about improving the playing squad but an equally important element of this is the renegotiation of contracts with existing players. In fact one of our biggest challenges going forward is managing player expectations whilst at the same time providing the appropriate incentivisation. It is going to be increasingly difficult to keep wages under control if the club wishes to progress. The club will work hard to ensure that it uses every means available to bring in quality players at the best possible price and reward as much as possible on a performance related basis.

One important element of the club's strategy is its Academy which, pleasingly, has produced a number of potential first team players. Christian Ribeiro, James Wilson, Tristan Plummer, Frankie Artus and Jordan Walker are recent examples of this. John Clayton and his staff deserve great credit for bringing these players through. The playing performances of the Academy sides reflect considerable progress. The Academy has competed well in the under 18 leagues in the last two seasons and also reached the fifth round of the Youth Cup. The development of young players remains a fundamental part of the club's philosophy as does the need to scout for potential talent elsewhere. Over the last few years the scouting has improved considerably, but this is an area in which the club will need to continue to invest to enable the club to be even more successful in the future.

The new training ground and the joint venture with QEH has moved on apace during the year. The investment will benefit the team immensely by ensuring the players have first class surfaces on which to train, equal to that on a Saturday (well at least when they play at home!). Colin Sexstone, the Chief Executive, has been instrumental in progressing both the stadium project and training facilities.

The future is very bright for the club as long as it maintains its focus and does not rest on its laurels. The club needs to compete at least at Championship level for the foreseeable future in order to justify the investment in the new stadium and training facilities. The club will seek to expand its supporter base whilst developing its commercial activities. These are challenges which are accepted with enthusiasm in the belief that hard work will bring success.

Directors' report

Principal risks and uncertainties

The key risk to the business is the performance of the team which may affect revenue from games and also sponsorship. The company is aware of this risk and addresses the issues by seeking to strengthen the squad through the development and acquisition of players.

Financial risk management

The directors have reviewed the financial risk management objectives and policies of the company. They do not believe there to be significant risks in this area. The company does not enter into any hedging instruments, as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms, relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed by the directors on a needs basis.

Directors

The Membership of the Board is stated on page 1.

Directors' report

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed a willingness to remain in office as the company's auditor. A resolution to reappoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board



R A Barr
Secretary

Date 1st October 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and 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, taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Bristol City Football Club Limited

We have audited the financial statements of Bristol City Football Club Limited for the year ended 31 May 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report

to the members of Bristol City Football Club Limited (continued)

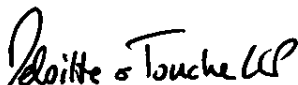
Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 May 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - Going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £2,026,351 during the year ended 31 May 2008 and, as of that date, the company's net current liabilities were £3,481,534 and net liabilities were £16,293,105. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern as it is not practicable to determine or quantify them.



DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

15 October 2008

Profit and loss account

for the year ended 31 May 2008

	Notes	2008 £	2007 £
Turnover - continuing operations			
Football revenue		8,790,936	4,335,124
Other revenue		1,068,327	610,875
	2	9,859,263	4,945,999
Staff costs	3	(6,877,040)	(4,141,868)
Amortisation and impairment of players' contracts	7	(1,138,608)	(175,852)
Depreciation	8	(3,508)	-
Other operating charges		(4,178,717)	(2,966,877)
		(12,197,873)	(7,284,597)
Operating loss - continuing operations	4	(2,338,610)	(2,338,598)
Profit on disposal of players' contracts		358,897	2,194,500
Loss on ordinary activities before interest and taxation		(1,979,713)	(144,098)
Loss excluding player trading		(1,200,002)	(2,162,746)
Player trading*		(779,711)	2,018,648
Bank interest receivable		10,724	-
Interest payable and similar charges	5	(57,362)	(49,929)
Loss on ordinary activities before taxation		(2,026,351)	(194,027)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	13	(2,026,351)	(194,027)

There are no recognised gains and losses for the current and preceding financial years other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.

* Player trading comprises amortisation and impairment of players' contracts and the profit on disposal of players' contracts.

Balance sheet

at 31 May 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	7	2,285,959	444,718
Tangible assets	8	430,909	-
		<u>2,716,868</u>	<u>444,718</u>
Current assets			
Debtors	9	1,650,423	813,024
Cash at bank and in hand		2,560,618	6,871
		<u>4,211,041</u>	<u>819,895</u>
Creditors: amounts falling due within one year	10	(7,692,575)	(3,914,678)
Net current liabilities		<u>(3,481,534)</u>	<u>(3,094,783)</u>
Total assets less current liabilities		<u>(764,666)</u>	<u>(2,650,065)</u>
Creditors: amounts falling due after more than one year	11	(15,528,439)	(11,616,689)
Net liabilities		<u>(16,293,105)</u>	<u>(14,266,754)</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	(16,293,106)	(14,266,755)
Shareholder's deficit		<u>(16,293,105)</u>	<u>(14,266,754)</u>

These financial statements were approved by the Board of Directors on 15th October 2008.

Signed on behalf of the Board of Directors



S P Lansdown – Chairman

15th October 2008

Notes to the financial statements

at 31 May 2008

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Going concern

In accordance with their responsibilities, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. In forming their view, they considered the period to 31 May 2009, a period of less than 12 months from the approval of the financial statements.

The company meets its day-to-day working capital requirements through an overdraft facility and inter company finance, both of which are repayable on demand. The directors have prepared projected cash flow information for the period to 31 May 2009.

The company is currently loss making and has net current liabilities. In order to continue in operational existence as a going concern and to meet its liabilities as they fall due, the company is dependent on securing additional finance from its parent company, Bristol City Holdings Limited. Since the end of the period Stephen Lansdown and Keith Dawe have agreed to subscribe for additional shares and/or loan stock in Bristol City Holdings Limited in the coming year should the need arise.

The directors are confident that taking into account the commitment by Stephen Lansdown and Keith Dawe to subscribe for further shares and/or loan stock in Bristol City Holdings Limited should the need arise, the group will have sufficient working capital until at least the end of the 2008/2009 season.

In considering the longer term the directors believe that the company will either return to profitable trading or that additional funding will be made available. Profitability is dependent on a number of factors both in and out of the group's control but the principal factor is the success of the team. It is for this reason that Stephen Lansdown and Keith Dawe continue to commit substantial sums of money to the group. In addition, the directors continue to seek to increase the income of the company whilst controlling costs.

Accordingly, the directors consider it appropriate to prepare these financial statements on a going concern basis. Should the assumptions referred to above prove to be invalid, the going concern basis may be invalid and accordingly adjustments may 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.

Basis of preparation

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

Cash flow statement

The company has taken advantage of the exemption available under FRS 1 (Revised) in not preparing a cash flow statement, being a wholly owned subsidiary of Bristol City Holdings Limited that prepares publicly available consolidated financial statements which include a cash flow statement.

Notes to the financial statements

at 31 May 2008

1. Accounting policies (continued)

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.

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.

Revenue recognition

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

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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

Fixtures and fittings	over 5 to 10 years
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Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or received) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 May 2008

1. Accounting policies (continued)

Leasing commitments

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

Post-retirement benefits

The company contributes to employees' personal pension plans. The amount charged against profits represents the contributions paid in respect of the accounting period.

2. Turnover

Turnover is wholly attributable to the principal activity of the company and represents the amounts received and receivable, stated net of value added tax.

3. Staff costs

	2008	2007
	£	£
Wages and salaries	6,109,341	3,709,539
Social security costs	762,608	427,920
Pension contributions	5,091	4,409
	<u>6,877,040</u>	<u>4,141,868</u>

The average monthly number of employees (excluding directors) during the year was as follows:

	No.	No.
Office and football management	17	15
Players	33	29
	<u>50</u>	<u>44</u>

The directors received no remuneration from the company throughout the current or the preceding years. Directors are paid for their services to the group by another group company, Ashton Gate Limited. It is not practicable to allocate their remuneration between their services to the various companies.

Notes to the financial statements

at 31 May 2008

4. Operating loss

This is stated after charging:	2008	2007
	£	£
Operating lease rentals:		
- property	32,142	30,543
- others	17,702	10,010
Depreciation	3,508	-
Amortisation and impairment of players' contracts	1,138,608	175,852

The audit fee of £7,500 (2007: £7,000) is borne by Ashton Gate Limited and not recharged.

5. Interest payable and similar charges

	2008	2007
	£	£
Interest on overdraft	57,362	49,929

6. Tax on loss on ordinary activities

No charge to taxation arises in the current or preceding years due to losses being incurred and no provision for deferred taxation is required.

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 29.7% (2007: 30%). The differences are explained below:

	2008	2007
	£	£
Loss on ordinary activities before tax	(2,026,351)	(194,027)
	£	£
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.7% (2007: 30%).	(601,826)	(58,208)
Effect of:		
Expenses not deductible for tax purposes	27,943	15,259
Depreciation for period in excess of capital allowances	615	1,395
Other timing differences	(745)	-
Losses carried forward	574,013	41,554
Current tax charge for the year	-	-

The company has tax losses at 31 May 2008 of approximately £9,512,794 (2007: £7,512,230) that are available indefinitely for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as they do not satisfy the recognition criteria for deferred tax asset in FRS 19.

The standard rate of corporation tax is calculated at 29.7% due to the change in tax rates from 30% to 28% in April 2008.

There are no known factors that may materially affect the future tax charge.

Notes to the financial statements

at 31 May 2008

7. Intangible fixed assets

	<i>Players' contracts</i> £
Cost:	
At 1 June 2007	750,000
Additions	3,020,952
Disposals	(150,000)
At 31 May 2008	3,620,952
Amortisation:	
At 1 June 2007	305,282
Charge for the year	1,059,608
Impairment losses	79,000
Disposals	(108,897)
At 31 May 2008	1,334,993
Net book value:	
At 31 May 2008	2,285,959
At 31 May 2007	444,718

8. Tangible fixed assets

	<i>Fixture and fittings</i> £	<i>Assets under construction</i> £	<i>Total</i> £
Cost:			
At 1 June 2007	-	-	-
Additions	60,404	374,013	434,417
At 31 May 2008	60,404	374,013	434,417
Depreciation:			
At 1 June 2007	-	-	-
Charge for the period	3,508	-	3,508
At 31 May 2008	3,508	-	3,508
Net book value:			
At 31 May 2008	56,896	374,013	430,909
At 31 May 2007	-	-	-

Notes to the financial statements

at 31 May 2008

9. Debtors

	2008	2007
	£	£
Trade debtors	46,214	204,486
Called up share capital not paid (note 12)	1	1
Amount receivable in respect of transfer fees	255,083	540,250
Other debtors	1,349,125	68,287
	<u>1,650,423</u>	<u>813,024</u>

10. Creditors: amounts falling due within one year

	2008	2007
	£	£
Bank overdraft	-	1,393,409
Amounts due to group undertakings	44,287	775,346
Football League loan	13,250	13,250
Amounts payable in respect of transfer fees	436,748	46,750
Contractual liabilities under players' contracts	11,355	18,864
Trade creditors	461,574	170,346
Other taxes and social security costs	943,811	569,130
Accruals and deferred income	5,781,550	927,583
	<u>7,692,575</u>	<u>3,914,678</u>

The overdraft is repayable on demand and is secured by a fixed and floating charge over the assets of the company.

The loan from the Football League is not secured, no interest is charged and the amount is repayable within the next year.

11. Creditors: amounts falling due after more than one year

	2008	2007
	£	£
Football League loan	-	13,250
Amounts due to parent undertaking	15,528,439	11,603,439
	<u>15,528,439</u>	<u>11,616,689</u>

The directors of the parent undertaking, Bristol City Holdings Limited, have resolved not to call for repayment of the amounts due to the parent undertaking within the next twelve months. The amount is not secured. There is no fixed repayment date. There is no interest payable in respect of the balance.

Notes to the financial statements

at 31 May 2008

12. Called up share capital

	<i>Authorised</i>		<i>Allotted and called up</i>	
	<i>2007 and 2008</i>		<i>2007 and 2008</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	500,000	500,000	1	1

13. Reconciliation of shareholder's deficit and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 June 2006	1	(14,072,728)	(14,072,727)
Loss for the year	-	(194,027)	(194,027)
At 31 May 2007	1	(14,266,755)	(14,266,754)
Loss for the year	-	(2,026,351)	(2,026,351)
At 31 May 2008	1	(16,293,106)	(16,293,105)

14. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £847,188 (2007: £nil).

15. Other financial commitments

At 31 May 2008 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Other 2008</i>	<i>Other 2007</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
Within one year	1,919	7,067
In two to five years	29,904	-
	31,823	7,067

Notes to the financial statements

at 31 May 2008

16. Contingent liabilities

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

	2008 £	2007 £
Transfer fees	650,000	25,000
Contractual liabilities under players' contracts	175,701	109,802
	<u>825,701</u>	<u>134,802</u>

17. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose details of transactions or balances with related parties as the company is a wholly owned subsidiary undertaking and details concerning these transactions are disclosed in the financial statements of the parent undertaking, Bristol City Holdings Limited.

18. Post balance sheet events

Since the end of the financial year the company has contracted for the purchase and sale of various players. The net outgoings from these transfers, taking into account the applicable levies but excluding value added tax, is approximately £1,725,000. These transfers will be accounted for in the year ended 31 May 2009.

19. Parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is Bristol City Holdings Limited, a company registered in England and Wales.

Bristol City Holdings Limited is the parent company of the smallest and largest group of which the company is a member and for which group financial statements are prepared, copies of which can be obtained from its registered office at Ashton Gate, Bristol, BS3 2EJ.