

Bristol City Football Club Limited

Report and Financial Statements

31 May 2003



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Bristol City Football Club Limited

Registered No: 3230871

Directors

S P Lansdown (Chairman)

J S Laycock

K W Dawe

A W C Gooch

Chief executive

C Sexstone

Secretary

R A Barr

Manager

D Wilson

Auditors

Ernst & Young LLP

One Bridewell Street

Bristol

BS1 2AA

Bankers

Barclays Bank PLC

Bristol & North Somerset Group

P O Box 207

Bristol

BS99 7AJ

Solicitors

Burges Salmon

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 2003.

Results and dividends

The loss for the year, after taxation, was £1,918,954 (2002 - £3,033,721). 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 financial statements of the parent undertaking, Bristol City Holdings Limited.

Directors and their interests

The present membership of the Board is stated on page 1. There were no changes during the year.

None of the directors held any interest in the share capital of the company during the year or at the year-end.

All directors at the year end were also directors of the parent undertaking, Bristol City Holdings Limited and their interests in the share capital of that company are disclosed in the financial statements of Bristol City Holdings Limited, copies of which can be obtained from its registered office.

Auditors

A resolution to re-appoint Ernst & Young LLP as the auditors will be put to the forthcoming Annual General Meeting.

By order of the Board



R A Barr
Secretary

16 October 2003

Statement of directors' responsibilities in respect of the financial statements

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 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, subject to any material departures disclosed and explained in the financial statements; 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 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.

Independent auditors' report

to the members of Bristol City Football Club Limited

We have audited the company's financial statements for the year ended 31 May 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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.

Fundamental uncertainty - going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning their preparation on a going concern basis.

The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments which would result from a failure to obtain funding. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. In view of the significance of this fundamental uncertainty we consider that it should be brought to your attention, but our opinion is not qualified in this respect.

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 of the state of affairs of the company as at 31 May 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Bristol
16 October 2003

Profit and loss account

for the year ended 31 May 2003

	<i>Notes</i>	<i>2003</i> £	<i>2002</i> £
Turnover	2	3,851,833	3,711,650
Other operating income		2,005,330	1,749,776
		<u>5,857,163</u>	<u>5,461,426</u>
Staff costs	3	4,380,273	4,760,443
Amortisation of players' contracts	7	335,511	900,235
Depreciation	8	213,478	237,929
Other operating charges		2,681,286	2,503,277
		<u>7,610,548</u>	<u>8,401,884</u>
Operating loss	4	(1,753,385)	(2,940,458)
Loss on disposal of players' contracts		(72,745)	(62,568)
Loss on ordinary activities before interest and taxation		<u>(1,826,130)</u>	<u>(3,003,026)</u>
Bank interest receivable		-	3,834
Interest payable and similar charges	5	(92,824)	(34,529)
Loss on ordinary activities before taxation		<u>(1,918,954)</u>	<u>(3,033,721)</u>
Tax on loss on ordinary activities	6	-	-
Loss for the financial year transferred to reserves	15	<u>(1,918,954)</u>	<u>(3,033,721)</u>

Statement of total recognised gains and losses

for the year ended 31 May 2003

There were no recognised gains or losses other than the loss of £1,918,954 in the year ended 31 May 2003 and loss of £3,033,721 in the year ended 31 May 2002

Balance sheet

at 31 March 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	7	269,321	592,577
Tangible assets	8	8,055,166	8,262,691
		<u>8,324,487</u>	<u>8,855,268</u>
Current assets			
Stocks of goods for resale		62,573	74,921
Debtors	9	152,841	83,588
Cash at bank and in hand		2,740	4,350
		<u>218,154</u>	<u>162,859</u>
Creditors: amounts falling due within one year	10	(3,376,769)	(2,533,301)
Net current liabilities		<u>(3,158,615)</u>	<u>(2,370,442)</u>
Total assets less current liabilities		<u>5,165,872</u>	<u>6,484,826</u>
Creditors: amounts falling due after more than one year	11	(15,643,889)	(15,043,889)
		<u>(10,478,017)</u>	<u>(8,559,063)</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	(10,478,018)	(8,559,064)
Equity shareholder's funds		<u>(10,478,017)</u>	<u>(8,559,063)</u>

S P Lansdown



- Chairman

16 October 2003

Notes to the financial statements

at 31 May 2003

1. Accounting policies

Going concern

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 through obtaining continuing financial support from its parent undertaking. As explained in Note 11, the directors of the parent undertaking have resolved not to call for repayment of the amounts due to the parent undertaking within the next twelve months. The ability of the parent undertaking to provide continuing financial support is in turn dependent on further funds being made available to the group. Since the end of the year the directors have agreed to subscribe for additional shares and/or loan stock in the coming year should the need arise in order to raise further funds for the group.

The directors are confident that taking into account their commitment to subscribe for further shares and/or loan stock should the need arise, the group will have sufficient working capital until the end of the 2003/2004 season.

In considering the longer term the directors believe that the company will return to profitable trading or that additional funding will be made available. Profitability is dependent on a number of factors both within and out of the company'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 acquisition and development of new players. 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.

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.

Notes to the financial statements

at 31 May 2003

1. Accounting policies (continued)

Contractual liabilities under players' contracts

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

Deferred income

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

Depreciation

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 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.

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

Donations are credited to income in the year in which they are received. Any other operating income is credited to the profit and loss account in the year in which it falls due.

Notes to the financial statements

at 31 May 2003

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

	2003 £	2002 £
Wages and salaries	3,939,932	4,266,181
Social security costs	359,806	431,847
Contributions to employees' personal pension plans	80,535	62,415
	<u>4,380,273</u>	<u>4,760,443</u>

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

	2003 No.	2002 No.
Office, management and ground staff	45	50
Players	32	41
	<u>77</u>	<u>91</u>

4. Operating loss

This is stated after charging/(crediting):

	2003 £	2002 £
Directors' emoluments	-	-
Operating lease rentals:		
plant and machinery	28,154	14,466
Auditors' remuneration:		
audit services	8,750	8,500
non-audit services	2,200	1,700
Amortisation of players' contracts	335,511	900,235
Depreciation:		
owned assets	213,478	223,304
assets held under finance leases and hire purchase contracts	-	14,625
Loss/(profit) on disposal of tangible fixed assets	9,380	(10,529)

5. Interest payable and similar charges

	2003 £	2002 £
Bank loan and overdraft	58,085	18,799
Debenture loan stock	34,324	10,155
Finance charges payable under finance leases and hire purchase agreements	415	5,575
	<u>92,824</u>	<u>34,529</u>

Notes to the financial statements

at 31 May 2003

6. Tax on loss on ordinary activities

No charge to taxation arises in the current or preceding year 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 30% (2002 - 30%). The differences are explained below:

	2003 £	2002 £
Loss on ordinary activities before tax	(1,918,954)	(3,033,721)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK	(575,686)	(910,116)
Effect of:		
Expenses not deductible for tax purposes	59,333	10,033
Capital allowances in advance of depreciation	(3,220)	62,066
Other timing differences	(93)	4,374
Losses carried forward	519,666	833,643
Current tax charge for the year	-	-

No provision has been made for deferred tax on gains recognised on the freehold property which was revalued prior to being transferred from the parent undertaking during the year ended 7 June 1998. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £1,485,000 (2002 - £1,565,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The company has tax losses at 31 May 2003 of approximately £10,856,000 (2002 - £9,100,000) 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.

7. Intangible fixed assets

	<i>Players' contracts</i> £
Cost:	
At 1 June 2002	3,165,000
Additions	85,000
Disposals	(850,000)
At 31 May 2003	2,400,000
Amortisation:	
At 1 June 2002	2,572,423
Charge for the year	335,511
Disposals	(777,255)
At 31 May 2003	2,130,679
Net book value:	
At 31 May 2003	269,321
At 1 June 2002	592,577

Notes to the financial statements

at 31 May 2003

8. Tangible fixed assets

	<i>Freehold land and buildings £</i>	<i>Long leasehold property £</i>	<i>Plant and machinery £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
Cost:					
At 1 June 2002	9,378,529	25,000	484,844	476,630	10,365,003
Additions	-	-	27,833	-	27,833
Disposals	-	-	(58,500)	-	(58,500)
At 31 May 2003	9,378,529	25,000	454,177	476,630	10,334,336
Depreciation:					
At 1 June 2002	1,272,105	3,357	410,203	416,647	2,102,312
Provided during the year	182,064	252	15,058	16,104	213,478
Disposals	-	-	(36,620)	-	(36,620)
At 31 May 2003	1,454,169	3,609	388,641	432,751	2,279,170
Net book value:					
At 31 May 2003	7,924,360	21,391	65,536	43,879	8,055,166
At 1 June 2002	8,106,424	21,643	74,641	59,983	8,262,691

The net book value of plant and machinery above includes an amounts of £Nil (2002 - £29,354) in respect of motor vehicles held under finance leases and hire purchase contracts.

Included in freehold land and buildings is land with a cost of £275,550 (2002 - £275,550) which is not depreciated.

9. Debtors

	2003 £	2002 £
Trade debtors	38,576	40,510
Other debtors	114,264	43,077
Called up share capital not paid (note 14)	1	1
	152,841	83,588

10. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	1,088,202	413,911
Short term loans (note 12)	-	200,000
Obligations under finance leases and hire purchase contracts (note 13)	-	4,458
Amounts payable in respect of transfer fees	-	50,000
Contractual liabilities under players' contracts	98,900	9,686
Trade creditors and accruals	687,493	506,256
Other taxes and social security costs	348,279	261,659
Accruals and deferred income	1,153,895	1,087,331
	3,376,769	2,533,301

Notes to the financial statements

at 31 May 2003

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

	2003	2002
	£	£
Amounts due to parent undertaking	15,643,889	15,043,889

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.

12. Loans

	2003	2002
	£	£
Wholly repayable within five years:		
Short term loans	-	200,000
	-	200,000
Less: included in creditors: amounts falling due within one year	-	(200,000)
	-	-
Creditors: amounts falling due after more than one year	-	-
	-	-
The loans are repayable as follows:		
	2003	2002
	£	£
Within one year	-	200,000

The short term loans accrued interest at a rate which is equivalent to 3% over the base rate as published by Barclays Bank PLC. The short term loans were rolled over into debenture loan stock in the parent undertaking.

13. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2003	2002
	£	£
Amounts payable:		
Within one year	-	4,873
Less: finance charges allocated to future periods	-	(415)
	-	4,458
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 10)	-	4,458

Notes to the financial statements

at 31 May 2003

13. Obligations under finance leases and hire purchase contracts (continued)

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

	2003 £	2002 £
At 1 June	4,458	68,659
Capital element of rental payments	(4,458)	(42,074)
Lease surrendered	-	(22,127)
	<hr/>	<hr/>
At 31 May	-	4,458
	<hr/>	<hr/>

14. Called up share capital

	2003 and 2002 No.	Authorised 2003 and 2002 £	Allotted and called up 2003 and 2002 No.	2003 and 2002 £
Ordinary shares of £1 each	500,000	500,000	1	1
	<hr/>	<hr/>	<hr/>	<hr/>

15. Reconciliation of shareholder's funds and movements on reserves

	Share capital £	Profit and loss account £	Total £
At 1 June 2001	1	(5,525,343)	(5,525,342)
Loss for the year	-	(3,033,721)	(3,033,721)
	<hr/>	<hr/>	<hr/>
At 31 May 2002	1	(8,559,064)	(8,559,063)
Loss for the year	-	(1,918,954)	(1,918,954)
	<hr/>	<hr/>	<hr/>
At 31 May 2003	1	(10,478,018)	(10,478,017)
	<hr/>	<hr/>	<hr/>

16. Other financial commitments

At 31 May 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	Other 2002 £
Operating leases which expire:		
Within one year	1,683	1,396
In two to five years	22,348	15,032
	<hr/>	<hr/>
	24,031	16,428
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Notes to the financial statements

at 31 May 2003

17. Contingent liabilities

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

	2003 £	2002 £
Transfer fees	-	135,000
Contractual liabilities under players' contracts	141,236	386,442
	<u>141,236</u>	<u>521,442</u>

18. 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.

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.

It has included the company in its group financial statements, copies of which can be obtained from its registered office.