

3230871

Bristol City Football Club Limited

Report and Financial Statements

31 May 2004

 ERNST & YOUNG



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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

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

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Directors' report

The directors present their report and the financial statements for the year ended 31 May 2004.

Results and dividends

The loss for the year, after taxation, was £1,166,341 (2003 - £1,918,954). 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



Secretary

12 October 2004

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 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Bristol
12 October 2004

Profit and loss account

for the year ended 31 May 2004

	Notes	2004 £	2003 £
Turnover	2	3,852,845	3,851,833
Other operating income		2,315,075	2,005,330
		<u>6,167,920</u>	<u>5,857,163</u>
Staff costs	3	4,229,479	4,380,273
Amortisation of players' contracts	7	416,738	335,511
Depreciation	8	227,530	213,478
Other operating charges		2,664,035	2,681,286
		<u>7,537,782</u>	<u>7,610,548</u>
Operating loss	4	(1,369,862)	(1,753,385)
Profit/(loss) on disposal of players' contracts		274,801	(72,745)
		<u>(1,095,061)</u>	<u>(1,826,130)</u>
Loss on ordinary activities before interest and taxation			
Bank interest receivable		924	-
Interest payable and similar charges	5	(72,204)	(92,824)
		<u>(1,166,341)</u>	<u>(1,918,954)</u>
Loss on ordinary activities before taxation			
Tax on loss on ordinary activities	6	-	-
		<u>(1,166,341)</u>	<u>(1,918,954)</u>
Loss for the financial year transferred to reserves	13	(1,166,341)	(1,918,954)

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Statement of total recognised gains and losses

for the year ended 31 May 2004

There were no recognised gains or losses other than the loss of £1,166,341 in the year ended 31 May 2004 and loss of £1,918,954 in the year ended 31 May 2003.

Balance sheet

at 31 May 2004

	Notes	2004 £	2003 £
Fixed assets			
Intangible assets	7	434,884	269,321
Tangible assets	8	7,845,702	8,055,166
		<u>8,280,586</u>	<u>8,324,487</u>
Current assets			
Stocks of goods for resale		62,056	62,573
Debtors	9	227,456	152,841
Cash at bank and in hand		423,720	2,740
		<u>713,232</u>	<u>218,154</u>
Creditors: amounts falling due within one year	10	(3,868,476)	(3,376,769)
Net current liabilities		<u>(3,155,244)</u>	<u>(3,158,615)</u>
Total assets less current liabilities		<u>5,125,342</u>	<u>5,165,872</u>
Creditors: amounts falling due after more than one year	11	(16,769,700)	(15,643,889)
		<u>(11,644,358)</u>	<u>(10,478,017)</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	(11,644,359)	(10,478,018)
Equity shareholder's funds		<u>(11,644,358)</u>	<u>(10,478,017)</u>



- Chairman

12 October 2004

Notes to the financial statements

at 31 May 2004

1. Accounting policies

Going concern

The company is currently loss making and has net 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 in Bristol City Holdings Limited should the need arise, the group will have sufficient working capital until at least the end of the 2004/2005 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 for 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 2004

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 2004

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

	2004	2003
	£	£
Wages and salaries	3,782,762	3,939,932
Social security costs	381,884	359,806
Contributions to employees' personal pension plans	64,833	80,535
	<u>4,229,479</u>	<u>4,380,273</u>

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

	2004	2003
	No.	No.
Office, management and ground staff	47	45
Players	29	32
	<u>76</u>	<u>77</u>

4. Operating loss

This is stated after charging/(crediting):

	2004	2003
	£	£
Operating lease rentals:		
plant and machinery	30,413	28,154
Auditors' remuneration:		
audit services	9,000	8,750
non-audit services	2,650	2,200
Amortisation of players' contracts	416,738	335,511
Depreciation:		
owned assets	227,530	213,478
assets held under finance leases and hire purchase contracts	-	-
(Profit)/loss on disposal of tangible fixed assets	(1,500)	9,380
	<u></u>	<u></u>

5. Interest payable and similar charges

	2004	2003
	£	£
Bank loan and overdraft	72,204	58,085
Debenture loan stock	-	34,324
Finance charges payable under finance leases and hire purchase agreements	-	415
	<u>72,204</u>	<u>92,824</u>

Notes to the financial statements

at 31 May 2004

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% (2003 - 30%). The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before tax	(1,166,341)	(1,918,954)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK	(349,902)	(575,686)
Effect of:		
Expenses not deductible for tax purposes	67,030	59,333
Decelerated/(accelerated) capital allowances	10,707	(3,220)
Other timing differences	-	(93)
Losses carried forward	272,165	519,666
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 £1,405,000 (2003 - £1,485,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The company has tax losses at 31 May 2004 of approximately £11,769,830 (2003 - £10,856,000) 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 2003	2,400,000
Additions	595,000
Disposals	(1,260,000)
At 31 May 2004	1,735,000
Amortisation:	
At 1 June 2003	2,130,679
Charge for the year	416,738
Disposals	(1,247,301)
At 31 May 2004	1,300,116
Net book value:	
At 31 May 2004	434,884
At 1 June 2003	269,321

Notes to the financial statements

at 31 May 2004

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 2003	9,378,529	25,000	454,177	476,630	10,334,336
Additions	-	-	15,332	2,734	18,066
Disposals	-	-	(6,959)	-	(6,959)
At 31 May 2004	9,378,529	25,000	462,550	479,364	10,345,443
Depreciation:					
At 1 June 2003	1,454,169	3,609	388,641	432,751	2,279,170
Provided during the year	182,064	252	26,540	18,674	227,530
Disposals	-	-	(6,959)	-	(6,959)
At 31 May 2004	1,636,233	3,861	408,222	451,425	2,499,741
Net book value:					
At 31 May 2004	7,742,296	21,139	54,328	27,939	7,845,702
At 1 June 2003	7,924,360	21,391	65,536	43,879	8,055,166

Included in freehold land and buildings is land with a cost of £275,550 (2003 - £275,550) which is not depreciated.

9. Debtors

	<i>2004 £</i>	<i>2003 £</i>
Trade debtors	79,806	38,576
Other debtors	108,200	114,264
Called up share capital not paid (note 12)	1	1
Amount receivable in respect of transfer fees	39,449	-
	<u>227,456</u>	<u>152,841</u>

10. Creditors: amounts falling due within one year

	<i>2004 £</i>	<i>2003 £</i>
Bank overdraft	-	1,088,202
Amounts payable in respect of transfer fees	193,437	-
Contractual liabilities under players' contracts	153,658	98,900
Trade creditors	583,968	448,863
Other taxes and social security costs	450,846	348,279
Accruals and deferred income	2,486,567	1,392,525
	<u>3,868,476</u>	<u>3,376,769</u>

Notes to the financial statements

at 31 May 2004

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

	2004	2003
	£	£
Amounts due to parent undertaking	16,769,700	15,643,889

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.

The amount is not secured. There is no fixed repayment date. There is no interest payable in respect of the balance.

12. Called up share capital

	Authorised 2004 and 2003	Allotted and called up 2004 and 2003
	£	£
Ordinary shares of £1 each	500,000	1

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

	Share capital	Profit and loss account	Total
	£	£	£
At 1 June 2002	1	(8,559,064)	(8,559,063)
Loss for the year	-	(1,918,954)	(1,918,954)
At 31 May 2003	1	(10,478,018)	(10,478,017)
Loss for the year	-	(1,166,341)	(1,166,341)
At 31 May 2004	1	(11,644,359)	(11,644,358)

14. Other financial commitments

At 31 May 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Other 2004	Other 2003
	£	£
Operating leases which expire:		
Within one year	7,448	1,683
In two to five years	12,712	22,348
	20,160	24,031

Notes to the financial statements

at 31 May 2004

15. Contingent liabilities

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

	2004	2003
	£	£
Transfer fees	135,000	-
Contractual liabilities under players' contracts	120,333	141,236
	<u>255,333</u>	<u>141,236</u>

16. 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.

17. 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.