

2000-01

Bristol City Football Club Limited

Report and Accounts

31 May 1999

 **ERNST & YOUNG**



Bristol City Football Club Limited

Registered No. 3230871

DIRECTORS

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

SECRETARY

R A Barr

MANAGER

A Pulis

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

Bristol City Football Club Limited

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 May 1999.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £2,352,643 (1998 - £312,799). 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.

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 1999 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.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

Bristol City Football Club Limited

DIRECTORS' REPORT

YEAR 2000 (continued)

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

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

23/9/99

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

We have audited the accounts on pages 6 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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.

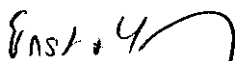
Going concern

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 the directors subscribing for further shares and 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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 May 1999 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 27/9/99

Bristol City Football Club Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 May 1999

	Notes	1999 £	1998 £
TURNOVER	2	3,631,524	2,657,980
Other operating income	3	1,888,564	1,874,611
		<u>5,520,088</u>	<u>4,532,591</u>
Staff costs	4	4,140,109	3,167,822
Depreciation		243,733	244,778
Amortisation of players' contracts		1,253,909	415,123
Other operating charges		2,283,358	1,927,607
		<u>7,921,109</u>	<u>5,755,330</u>
OPERATING LOSS	5	(2,401,021)	(1,222,739)
Profit on disposal of players' contracts		65,000	953,750
		<u>(2,336,021)</u>	<u>(268,989)</u>
Bank interest receivable		33,164	1,650
Interest payable and similar charges	7	(49,786)	(45,460)
		<u>(16,622)</u>	<u>(43,810)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,352,643)	(312,799)
Tax on loss on ordinary activities	8	-	-
		<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR	16	<u>(2,352,643)</u>	<u>(312,799)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 May 1999

There were no recognised gains or losses other than the losses of £2,352,643 in the year ended 31 May 1999 and £312,799 in the year ended 7 June 1998.

Bristol City Football Club Limited

BALANCE SHEET at 31 May 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Intangible assets	9	3,055,482	2,871,814
Tangible assets	10	8,857,302	8,966,343
		<u>11,912,784</u>	<u>11,838,157</u>
CURRENT ASSETS			
Stocks of goods for resale		55,043	157,199
Debtors	11	139,520	578,078
Cash at bank and in hand		12,770	1,117,922
		<u>207,333</u>	<u>1,853,199</u>
CREDITORS: amounts falling due within one year	12	(1,500,128)	(2,584,706)
NET CURRENT LIABILITIES		<u>(1,292,795)</u>	<u>(731,507)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,619,989	11,106,650
CREDITORS: amounts falling due after more than one year	13	(13,285,430)	(11,419,448)
		<u>(2,665,441)</u>	<u>(312,798)</u>
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Profit and loss account	16	(2,665,442)	(312,799)
SHAREHOLDERS' FUNDS		<u>(2,665,441)</u>	<u>(312,798)</u>

Chairman

Date 

23/9/99

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

1. ACCOUNTING POLICIES

Going concern

During the year issues of ordinary shares and loan stock raised £1.95m for the group. Since the end of the year, a number of players have been made available for transfer in order to raise further funds for the group. Finally, the 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, the 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 1999/00 season.

In considering the longer term the directors have assumed that the group will return to profitable trading. 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 committed a substantial proportion of the money raised from the share and loan stock issues during the year 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.

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.

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.

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

1. ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, 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. Deferred taxation is not provided on the revalued freehold buildings because the revaluation does not constitute a timing difference.

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.

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 1999

3. OTHER OPERATING INCOME

	1999 £	1998 £
Donation from Youth Foundation	13,545	8,800
Donations from City 2000	25,000	50,000
Rental income	49,844	50,911
Other non-football income	1,800,175	1,764,900
	<u>1,888,564</u>	<u>1,874,611</u>

4. STAFF COSTS

	1999 £	1998 £
Wages and salaries	3,757,658	2,890,879
Social security costs	323,362	260,874
Contributions to employees' personal pension plans	59,089	16,069
	<u>4,140,109</u>	<u>3,167,822</u>

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

	1999 No.	1998 No.
Office, management and ground staff	55	48
Players	40	30
	<u>95</u>	<u>78</u>

5. OPERATING LOSS

This is stated after charging:

	1999 £	1998 £
Operating lease rentals:		
land and buildings	26,850	-
plant and machinery	20,723	9,009
Loss on sale of fixed assets	-	3,181
Auditors' remuneration - audit services	8,000	7,500
- non-audit services	5,000	5,346
Amortisation of players' contracts	1,253,909	415,123
Depreciation - owned assets	228,426	237,339
- assets held under hire purchase contracts	15,307	7,439
	<u></u>	<u></u>

6. DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments	57,913	-
Company contributions paid to personal pension schemes	7,499	-
	<u>65,412</u>	<u>-</u>

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Bank loan and overdraft	27,956	22,481
Debenture loan stock	18,491	20,902
Finance charges payable under hire purchase agreements	3,339	2,077
	<u>49,786</u>	<u>45,460</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

No charge to corporation tax arises on the result for the year. Tax losses of approximately £3.9m are carried forward, subject to agreement by the Inland Revenue.

9. INTANGIBLE FIXED ASSETS

	<i>Players' contracts</i> £
Cost:	
At 8 June 1998	4,300,000
Additions	1,437,577
Disposals	(250,000)
At 31 May 1999	<u>5,487,577</u>
Amortisation:	
At 8 June 1998	1,428,186
Charge for the year	1,253,909
Disposals	(250,000)
At 31 May 1999	<u>2,432,095</u>
Net book value:	
At 31 May 1999	<u>3,055,482</u>
At 8 June 1998	<u>2,871,814</u>

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

10. 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 8 June 1998	9,373,568	25,000	331,358	369,757	10,099,683
Additions	-	-	111,689	23,003	134,692
At 31 May 1999	9,373,568	25,000	443,047	392,760	10,234,375
Depreciation:					
At 8 June 1998	544,047	2,349	237,201	349,743	1,133,340
Provided during the year	181,956	252	53,768	7,757	243,733
At 31 May 1999	726,003	2,601	290,969	357,500	1,377,073
Net book value:					
At 31 May 1999	8,647,565	22,399	152,078	35,260	8,857,302
At 8 June 1998	8,829,521	22,651	94,157	20,014	8,966,343

The net book value of plant and machinery above includes amounts of £14,410 (1998 - £19,398) in respect of gym equipment, £47,029 (1998 - £Nil) in respect of a scoreboard and £33,968 (1998 - £Nil) in respect of a motor vehicle held under hire purchase contracts. The net book value of fixtures and fittings above includes an amount of £5,309 (1998 - £7,760) in respect of assets held under hire purchase contracts.

Included in freehold land and buildings is land with a cost of £275,550 (1998 - £275,550) which is not depreciated.

11. DEBTORS

	<i>1999 £</i>	<i>1998 £</i>
Called up share capital not paid (note 15)	1	1
Amounts receivable in respect of transfer fees	-	110,000
Corporation tax	-	3,300
VAT recoverable	-	256,320
Trade debtors	62,435	153,077
Other debtors	77,084	55,380
	<u>139,520</u>	<u>578,078</u>

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

12. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Bank loan	38,565	117,828
Football Trust loan	19,998	39,996
Football League Youth Loan	-	69,444
Base Rate Secured Debenture Loan Stock 1999-2001	96,667	-
Obligations under hire purchase contracts (note 14)	23,027	12,144
Amounts payable in respect of transfer fees	582,500	1,203,750
Contractual liabilities under players' contracts	13,525	64,081
Trade creditors and accruals	331,213	435,274
Taxes and social security costs	168,541	145,531
Deferred income	226,092	496,658
	<u>1,500,128</u>	<u>2,584,706</u>

The bank loan is secured by a fixed charge over the Carling Atyeo stand and a floating charge over the assets of the company. The bank loan is repayable in full by monthly instalments by August 1999.

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

	1999 £	1998 £
Football Trust loan	-	16,665
Bank loan (note 12)	-	22,815
Obligations under hire purchase contracts (note 14)	55,938	3,809
Base Rate Secured Debenture Loan Stock 1999-2001	193,333	290,000
Secured Debenture Loan Stock 2002	1,100,000	-
Amounts due to parent undertaking	11,936,159	11,086,159
	<u>13,285,430</u>	<u>11,419,448</u>

All loans detailed above are fully repayable within five years.

The Debenture Loan Stock 1999-2001 and the Debenture Loan Stock 2002 are 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.

The Debenture Loan Stock 1999-2001 accrues interest at a rate which is equivalent to the base rate as published by National Westminster Bank PLC.

The Debenture Loan Stock 2002 accrues interest at a rate which is equivalent to 3% over the base rate as published by National Westminster Bank PLC. It was created under a Trust Deed dated 21 May 1999.

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

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

The Debenture Loan Stock 1999-2001 and 2002 is repayable as follows:

	1999 £	1998 £
Within one year	96,667	-
Between one and two years	96,666	96,666
Between two and five years	1,196,667	193,334
	<u>1,390,000</u>	<u>290,000</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.

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1999 £	1998 £
Amounts payable:		
Within one year	27,790	14,144
In two to five years	63,321	5,059
	<u>91,111</u>	<u>19,203</u>
Less: finance charges allocated to future periods	(12,146)	(3,250)
	<u>78,965</u>	<u>15,953</u>
Hire purchase contracts are analysed as follows:		
Current obligations (note 12)	23,027	12,144
Non-current obligations (note 13)	55,938	3,809
	<u>78,965</u>	<u>15,953</u>

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

	1999 £	1998 £
At 8 June	15,953	-
New agreements	77,590	-
Transferred from parent undertaking	-	27,316
Capital element of rental payments	(14,578)	(11,363)
At 31 May	<u>78,965</u>	<u>15,953</u>

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

15. CALLED UP SHARE CAPITAL

	1999 No.	Authorised 1998 No.	Allotted and called up 1999 £	1998 £
Ordinary shares of £1 each	500,000	500,000	1	1

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 June 1997	1	-	1
Loss for the year	-	(312,799)	(312,799)
At 8 June 1998	1	(312,799)	(312,798)
Loss for the year	-	(2,352,643)	(2,352,643)
At 31 May 1999	1	(2,665,442)	(2,665,441)

17. OTHER FINANCIAL COMMITMENTS

At 31 May 1999 the company has annual commitments under non cancellable operating leases as follows:

	1999 £	Land and buildings 1998 £	1999 £	Other 1998 £
Operating leases which expire:				
Within one year	14,608	-	-	-
In two to five years	-	-	17,296	17,296
	14,608	-	17,296	17,296

18. CONTINGENT LIABILITIES

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

	1999 £	1998 £
Transfer fees	555,000	545,000
Contractual liabilities under players' contracts	736,375	781,375
	1,291,375	1,326,375

Bristol City Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1999

19. RELATED PARTY TRANSACTIONS

During the year the company received sponsorship amounting to £50,000 and other income totalling £14,309 from Sanderson Computer Recruitment Limited. K W Dawe, a director of Bristol City Football Club Limited, has a material interest in this company. At 31 May 1999 £363 was due from this company.

The company also took out insurance policies to the value of £71,894 in the year through Hargreaves Lansdown Insurance Brokers Limited. S P Lansdown, a director of Bristol City Football Club Limited, has a material interest in this company. There were no sums outstanding at the balance sheet date.

The company also received other income from Brandon Hire plc totalling £10,810 in the year. J S Laycock, a director of Bristol City Football Club Limited, has a material interest in this company.

There were no sums outstanding at the balance sheet date.

The Debenture Loan Stock 1999-2001 and 2002 (note 13) is held by the following directors either personally or by parties connected to them:

	<i>Capital sum loaned £</i>
R K G Neale	40,000
K W Dawe	100,000
J L Clapp	100,000
S P Lansdown	600,000
S Davidson	300,000
J Laycock	250,000
	<hr/>
	1,390,000
	<hr/>

20. 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.