

The Sunderland Association Football Club
Limited

Annual report and accounts
for the year ended 31 July 2001

Registered Number 49116



The Sunderland Association Football Club Limited

Annual report and accounts for the year ended 31 July 2001

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The Sunderland Association Football Club Limited

Directors' report for the year ended 31 July 2001

The directors present their report and the audited accounts of the Company for the year ended 31 July 2001.

Principal activity, results and review of the business

The principal activity of the Company is that of a professional football club.

The Company made a profit for the financial year after taxation of £2,845,000 (2000 - £136,000). The directors recommend a dividend of £80 per share, totalling £2,440,000 (2000 - £1,220,000) leaving a retained profit of £405,000.

Directors and their interests

The directors during the year are shown below:

M A Blackbourne	(Director of Football Operations – appointed 1 August 2001)
L A Callaghan	(Communications Director – appointed 1 August 2001)
R S Murray	(Chairman)
J M Fickling	(Vice Chairman)
G McDonnell	(Commercial Director – resigned 31 July 2001)
H Roberts	(Chief Executive – appointed 29 January 2001)
K J Slater	(Marketing Director)
P I Walker	(Finance Director – appointed 1 August 2001)

None of the directors had any interest in the share capital of the Company at any time during the year.

The interests of Mr J M Fickling, Mr R S Murray and Mr H Roberts in the ordinary share capital of Sunderland PLC, the Company's ultimate parent undertaking, and their entitlement to purchase ordinary shares of 1p each in Sunderland PLC under share option schemes are shown in the accounts of Sunderland PLC.

At 1 August 2000 or date of appointment and at 31 July 2001 or date of resignation Mr G McDonnell and Mr K J Slater held shares in Sunderland PLC, the company's parent undertaking, as set out below:

	1p ordinary shares 31 July 2001	1p ordinary shares 31 July 2000
G McDonnell	14,700	17,600
K J Slater	100	100

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Mrs L A Callaghan, Mr G McDonnell, Mr K J Slater and Mr P I Walker have entitlement to purchase ordinary shares of 1p each under the Sunderland PLC Executive Share Option Schemes as set out below:

	Number at 1 August 2000 or date of appointment	Granted	Surrendered	Number at 31 July 2001 or date of resignation	Exercise price	Period of exercise
G McDonnell	47,863	-	-	47,863	585p	09/12/99- 09/12/03
K J Slater	12,500	-	(12,500)	-	575.0p	18/03/02- 18/03/09
K J Slater	-	60,000	-	60,000	307.5p	26/10/03- 25/10/10

Statement of directors' responsibilities

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 at the end of the financial year and of the profit or loss for the year to that date. 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;
- prepare the financial statements in accordance with applicable accounting standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

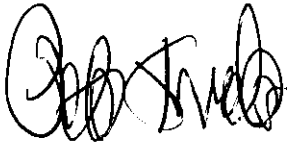
The Sunderland Association Football Club Limited

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 steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'P I Walker', is written over the printed name and title.

P I Walker
Secretary

9 October 2001

The Sunderland Association Football Club Limited

Independent auditors' report to the members of The Sunderland Association Football Club Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of historical cost profits and losses, the reconciliation of movements in equity shareholders' funds and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
9 October 2001

The Sunderland Association Football Club Limited

Profit and loss account for the year ended 31 July 2001

	Note	Year to 31 July 2001 £'000	14 months to 31 July 2000 £'000
Turnover		46,021	37,309
Cost of sales		(32,782)	(31,997)
Gross profit		13,239	5,312
Administration expenses		(11,837)	(12,274)
Operating profit/(loss)		1,402	(6,962)
Profit on disposal of players	2	1,182	6,414
Profit/(loss) on ordinary activities before interest		2,584	(548)
Interest payable and similar charges	1	(87)	(97)
Short term deposit interest receivable		348	781
Profit on ordinary activities before taxation	1	2,845	136
Taxation on profit on ordinary activities	5	-	-
Profit for the year		2,845	136
Equity dividends	6	(2,440)	(1,220)
Retained profit/(loss) for the year	15	405	(1,084)

A statement of total recognised gains and losses has not been presented because there were no recognised gains or losses other than the profit above.

All results relate to continuing operations.

The Sunderland Association Football Club Limited

Historical cost profits and losses

	Year to 31 July 2001 £'000	14 months to 31 July 2000 £'000
Reported profit on ordinary activities before taxation	2,845	136
Difference between historical cost depreciation and actual charge on revalued amount	3	3
Historical cost profit on ordinary activities before taxation	2,848	139
Dividends	(2,440)	(1,220)
Retained historical cost profit/(loss) for the year	408	(1,081)

Reconciliation of movements in equity shareholders' funds

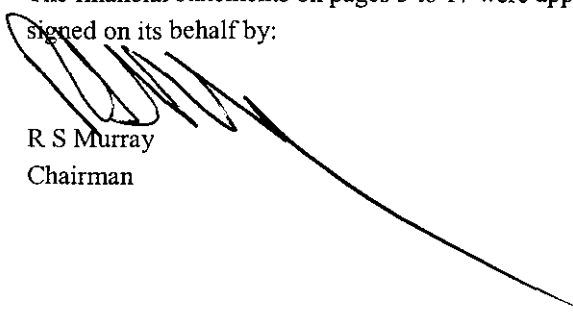
	Year to 31 July 2001 £'000	14 months to 31 July 2000 £'000
Profit for the financial year	2,845	136
Dividends payable	(2,440)	(1,220)
Net movement in equity shareholders' funds	405	(1,084)
Opening shareholders' funds	5,072	6,156
Closing equity shareholders' funds	5,477	5,072

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Balance sheet as at 31 July 2001

	Note	31 July 2001 £'000	31 July 2001 £'000	31 July 2000 £'000	31 July 2000 £'000
Fixed Assets					
Intangible assets	7	20,989		16,721	
Tangible assets	8	7,904		4,987	
Investments	9	-		-	
			28,893		21,708
Current assets					
Stocks	10	191		172	
Debtors	11	9,112		12,123	
Short term deposits		1,405		8,103	
Cash at bank and in hand		975		3,353	
		11,683		23,751	
Creditors: amounts falling due within one year	12	(34,273)		(39,327)	
Net current liabilities			(22,590)		(15,576)
Total assets less current liabilities			6,303		6,132
Creditors : amounts falling due after more than one year	13		(826)		(1,060)
			5,477		5,072
Capital and reserves					
Called up share capital	14		30		30
Share premium account	15		4,700		4,700
Revaluation reserve	15		246		249
Profit and loss account	15		501		93
Equity shareholders' funds			5,477		5,072

The financial statements on pages 5 to 17 were approved by the board of directors on 9 October 2001 and were signed on its behalf by:


R S Murray
Chairman

The Sunderland Association Football Club Limited

Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Depreciation

Depreciation has been calculated to write down the cost or valuation of tangible fixed assets over their expected useful lives at the following rates:

Freehold property	50 years in equal annual instalments to an estimated residual value
Furniture, fixtures and equipment	3-10 years in equal annual instalments
Tractors	8 years in equal annual instalments
Motor vehicles	4 years in equal annual instalments

Freehold land is not depreciated.

Costs of ongoing capital projects are held as capital works in progress in the balance sheet and are transferred to the appropriate fixed asset categories upon completion.

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are amortised from the month of purchase fully over the contract period. Permanent diminutions in value below the amortised value, such as through injury or loss of form, are provided for when management become aware that the diminution is permanent.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Expenditure under the Safety of Sports Grounds Act 1975

Expenditure under the Safety of Sports Grounds Act 1975 and as recommended by Lord Justice Taylor's final report on the Hillsborough Stadium disaster, is charged to the profit and loss account. Grants from the Football Trust (1990) Limited, based on this expenditure, are also dealt with in the profit and loss account.

Lease rentals

Assets acquired under finance leases are capitalised and depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the term of the lease. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Turnover

Turnover comprises gate receipts, retail, sponsorship and invoiced sales, exclusive of value added tax. Turnover in respect of the sale of various commercial rights to BSKyB is recognised in equal monthly instalments over the life of the contract.

Signing on fees

Contractual amounts of fees payable to players are recognised as prepayments and amortised over the contract term. The net balance of signing on fees relating to players sold is included within the calculation of the profit or loss on disposal of players' contracts.

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Pensions

Pension costs relate to defined benefit and personal money purchase pension schemes and are charged to the profit and loss account in the period for which the contributions are payable.

Deferred taxation

Provision is made, using the liability method, for all tax deferred by timing differences to the extent that there is reasonable probability that the tax deferred will crystallise in the foreseeable future.

Grants receivable

Grants received as a contribution towards specific expenditure on fixed assets are held in a deferred income account and recognised in the profit and loss account over the expected useful lives of the related assets. Other grants received are held in a deferred income account and recognised in the profit and loss account so as to match them with the expenditure to which they are intended to contribute.

The Sunderland Association Football Club Limited

Notes to the financial statements for the year ended 31 July 2001

1 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Year to 31 July 2001 £'000	14 months to 31 July 2000 £'000
Staff costs:		
Wages and salaries	20,759	19,625
Social security costs	2,253	2,195
Other pension costs	123	230
Accounting for players' transfer fees (see Note 2)	5,447	664
Auditors' remuneration	16	16
Depreciation	784	884
Profit on sale of fixed assets	-	(2)
Interest payable on bank and other borrowings repayable within five years	1	1
Interest payable on bank and other borrowings repayable after more than five years	86	96
Operating lease rentals - hire of plant and machinery	255	220
Grants received	(716)	(857)

2 Accounting for players' transfer fees

	Year to 31 July 2001 £'000	14 months to 31 July 2000 £'000
Amortisation of transfer fees	5,905	4,661
Provision for permanent diminution in the value of players' contracts	724	2,417
Profit on disposal of players' contracts	(1,182)	(6,414)
	5,447	664

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3 Employees

The average number of persons employed by the Company during the year were as follows:

	Year to 31 July 2001	14 months to 31 July 2000
Administration	190	171
Football	64	59
Match day staff	348	331
	602	561

4 Directors' emoluments

Directors' emoluments for the year (excluding pension contributions) totalled £441,284 (2000 - £521,904). The emoluments of the highest paid director amounted to £101,414 (2000 - £117,770). In addition the Company made payments of £8,895 (2000 - £12,354) on behalf of the director's personal pension scheme. Contributions totalling £30,678 (2000 - £37,724) were paid to money purchase pension schemes on behalf of three directors.

5 Taxation

No liability to corporation tax arises on the results of the year and losses of approximately £5 million (2000 - £4.9 million) are available to be carried forward against future trading profits.

6 Equity dividends

	Year to 31 July 2001 £'000	14 months to 31 July 2000 £'000
Ordinary shares		
Proposed final dividend of £80 per share (2000: £40)	2,440	1,220

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7 Intangible fixed assets

Transfer fees paid for players' contracts

	£'000
Cost	
At 1 August 2000	25,464
Additions	12,419
Disposals	(5,910)
At 31 July 2001	31,973
Accumulated depreciation	
At 1 August 2000	8,743
Amortised in the year	5,905
Permanent diminution in value	724
Released on disposal	(4,388)
At 31 July 2001	10,984
Net book amount	
At 31 July 2001	20,989
At 31 July 2000	16,721

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8 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings, equipment and vehicles	Capital work in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2000	2,448	-	4,419	285	7,152
Additions	1	228	656	2,895	3,780
Disposals	-	-	(82)	-	(82)
Transfer between categories	28	-	-	(28)	-
At 31 July 2001	2,477	228	4,993	3,152	10,850
Comprising:					
Cost	2,152	228	4,993	3,152	10,525
Valuation 1996	325	-	-	-	325
	2,477	228	4,993	3,152	10,850
Accumulated depreciation					
At 1 August 2000	14	-	2,151	-	2,165
Amount provided	12	11	761	-	784
Disposals	-	-	(3)	-	(3)
At 31 July 2001	26	11	2,909	-	2,946
Net book amount					
At 31 July 2001	2,451	217	2,084	3,152	7,904
At 31 July 2000	2,434	-	2,268	285	4,987

The Company's freehold properties were valued by G L Hearn & Partners, Chartered Surveyors, as at 31 August 1996 on an existing use basis.

On an historical cost basis, freehold land and buildings would have been included at a net book amount of £2,223,000 (2000 - £2,195,000).

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9 Fixed asset investments

	Share in subsidiary	Other investment	Total
	£	£	£
Cost and net book amounts at 31 July 2001 and 31 July 2000	5	-	5

The Company has a wholly dormant subsidiary, Roker Park Estates Limited, which is registered in England.

10 Stocks

Stocks at 31 July 2001 and 31 July 2000 comprise goods for resale.

11 Debtors

	2001 £'000	2000 £'000
Trade debtors	2,928	1,209
Amounts owed by parent company	-	3,159
Other debtors	45	709
Prepayments and accrued income	6,139	7,046
	9,112	12,123

12 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Bank loan (Note 13)	185	181
Football Trust loan (Note 13)	50	100
Trade creditors	3,631	8,262
Amounts due to parent company	3,564	-
Other creditors	40	34
Taxation and social security	1,292	1,251
Accruals and deferred income	25,511	29,499
	34,273	39,327

The bank overdraft is secured by a charge over certain assets of the Company.

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13 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Bank loan	826	1,010
Football Trust loan	-	50
	826	1,060
Bank loan repayments fall due as follows:		
Within one year	185	181
Between one and two years	188	184
Between two and five years	608	576
After more than five years	30	250
	1,011	1,191
Football Trust loan repayments fall due as follows:		
Within one year	50	100
Between one and two years	-	50
Between two and five years	-	-
	50	150

The Football Trust loan is interest free and is unsecured.

Bank loans are all denominated in sterling and represented by facilities of £1 million bearing interest at 1.75% over LIBOR and £350,000 bearing interest at 1.65% over LIBOR, both secured by a charge over certain assets of the group.

14 Called up equity share capital

	2001 £'000	2000 £'000
Authorised		
30,500 Ordinary shares of £1 each	30	30
Allotted, issued and fully paid		
30,500 Ordinary shares of £1 each	30	30

The Sunderland Association Football Club Limited

15 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 August 2000	4,700	249	93
Retained profit for the year	-	-	405
Reserve transfer on depreciation of revalued properties	-	(3)	3
At 31 July 2001	4,700	246	501

16 Lease commitments

Operating leases on plant and machinery

Annual commitments on operating leases which expire in:

	2001 £'000
Under one year	19
Two to five years inclusive	438
Over more than five years	66
	523

17 Pension commitments

Certain staff of the Group are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Pension and Life Assurance Scheme, a defined benefit scheme. As the Group is one of a number of participating employers in the Football League Limited Pension and Life Assurance Scheme, it is not possible to allocate any actuarial surplus or deficit and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the Schemes are held separately from those of the Group, being invested with insurance companies.

Contributions are also paid into individuals' private pension schemes. Total contributions charged during the period amounted to £104,000.

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18 Contingent liabilities

The Company is involved in contractual disputes with a professional footballer which is being vigorously contested. Provision has been made in the accounts for the directors' estimate of the maximum potential loss.

19 Post balance sheet events

Subsequent to 31 July 2001 the Company purchased the registration of Bernt Haas, from the Swiss team Grasshoppers Zurich for £700,000, and transferred the registration of Don Hutchison to West Ham for £5 million and Alex Rae to Wolverhampton Wanderers for £1 million.

20 Ultimate holding company

The entire issued share capital of the Company is held by Sunderland PLC, a company registered in England. Copies of the Group Accounts can be obtained from Sunderland PLC, Stadium of Light, Sunderland, SR5 1SU.