

**The Sunderland Association Football Club
Limited**

**Annual report and accounts
for the 14 months ended 31 July 2000**

Registered Number 49116



The Sunderland Association Football Club Limited

Annual report and accounts for the 14 months ended 31 July 2000

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The Sunderland Association Football Club Limited

Directors' report for the 14 months ended 31 July 2000

The directors present their report and the audited accounts of the company for the 14 months ended 31 July 2000, having extended the accounting period by two months to 31 July 2000.

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 period after taxation of £136,000 (1999 - £1,120,000). The directors recommend a dividend of £40 per share, totalling £1,220,000 (1999 -Nil) leaving a retained loss of £1,081,000.

Directors' interests

The directors during the year are shown below:

R S Murray	(Chairman)
J M Fickling	(Chief Executive)
G McDonnell	(Commercial Director)
K J Slater	(Marketing Director - appointed 6 June 2000)

David Stonehouse resigned as a director on 24 March 2000. None of the directors had any interest in the share capital of the company at any time during the period.

The interests of Mr J M Fickling and Mr R S Murray in the ordinary share capital of Sunderland PLC, the company's ultimate parent undertaking, are shown in the accounts of Sunderland PLC. The interests of Mr G McDonnell in the ordinary share capital of Sunderland PLC are set out below:

	31 July 2000	31 May 1999
Shares held	17,600	30,000
Shares options held	47,863	47,863

The exercise price of the share options is 585 pence per share and the options were granted on 9 December 1996.

The interests of Mr K J Slater in the ordinary share capital of Sunderland PLC are set out below:

	31 July 2000	31 May 1999
Shares held	100	-
Share options held	12,500	12,500

The exercise price of the share options is 575 pence per share and the options were granted on 18 March 1999.

The Sunderland Association Football Club Limited

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 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.

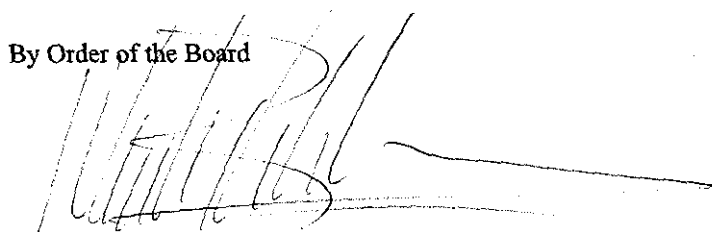
Tangible fixed assets

The movements in tangible fixed assets during the period are set out in Note 8 to the accounts.

Auditors

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

By Order of the Board



MA Blackburne

Secretary

18 October 2000

The Sunderland Association Football Club Limited

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

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

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 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
18 October 2000

The Sunderland Association Football Club Limited

Profit and loss account for the 14 months ended 31 July 2000

	Note	14 months to 31 July 2000 £'000	12 months to 31 May 1999 £'000
Turnover		37,309	24,078
Cost of sales		(31,997)	(17,369)
Gross profit		5,312	6,709
Administration expenses		(12,274)	(5,683)
Operating (loss)/profit		(6,962)	1,026
Profit on disposal of players	2	6,414	-
(Loss)/profit on ordinary activities before interest		(548)	1,026
Interest payable and similar charges	1	(97)	(76)
Short term deposit interest receivable		781	170
Profit on ordinary activities before taxation	1	136	1,120
Taxation on profit on ordinary activities	5	-	-
Profit for the period		136	1,120
Equity dividends	7	(1,220)	-
Retained (loss)/profit for the period	15	(1,084)	1,120

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.

The Sunderland Association Football Club Limited

Historical cost profits and losses

	14 months to 31 July 2000 £'000	12 months to 31 May 1999 £'000
Reported profit on ordinary activities before taxation	136	1,120
Difference between historical cost depreciation and actual charge on revalued amount	3	-
Realisation of property revaluation gain of previous year	-	24
Historical cost profit on ordinary activities before taxation	139	1,144
Dividends	(1,220)	-
Retained historical cost (loss)/profit for the period	(1,081)	1,144

Reconciliation of movements in shareholders' funds

	14 months to 31 July 2000 £'000	12 months to 31 May 1999 £'000
Profit for the financial year	136	1,120
Dividends payable	(1,220)	-
Net movement in shareholders' funds	(1,084)	1,120
Opening shareholders' funds	6,156	5,036
Closing shareholders' funds	5,072	6,156

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Balance sheet as at 31 July 2000

	Note	As at 31 July 2000 £'000	As at 31 July 2000 £'000	As at 31 May 1999 £'000	As at 31 May 1999 £'000
Fixed Assets					
Intangible assets	7	16,721		7,636	
Tangible assets	8	4,987		2,419	
Investments	9	-		-	
			21,708		10,055
Current assets					
Stocks	10	172		134	
Debtors	11	12,123		9,703	
Short term deposits		8,103		2,618	
Cash at bank and in hand		3,353		4,653	
		23,751		17,108	
Creditors: amounts falling due within one year	12	(39,327)		(19,980)	
Net current liabilities			(15,576)		(2,872)
Total assets less current liabilities			6,132		7,183
Creditors : amounts falling due after more than one year	13		(1,060)		(1,027)
			5,072		6,156
Capital and reserves					
Called up share capital	14		30		30
Share premium account	15		4,700		4,700
Revaluation reserve	15		249		252
Profit and loss account	15		93		1,174
Equity shareholders' funds			5,072		6,156

Approved by the board on

18 October 2000

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 valuation 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	Nil
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

The company has adopted FRS 15, "Tangible Fixed Assets" and has followed the transitional rules to retain the book value of land and buildings, certain of which were revalued in 1996.

In previous years the Company has stated that the useful economic lives of its freehold properties are so long and residual values so high that any depreciation charge was immaterial. The Company agrees with the theory of "consumption" and has charged depreciation against the book value of its properties in the fourteen month period amounting to £14,000.

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 cost 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 values 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 period of the lease. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

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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 period. 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.

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 14 months ended 31 July 2000

1. Profit on ordinary activities before taxation

	14 months to 31 July 2000 £'000	12 months to 31 May 1999 £'000
Staff costs:		
Wages and salaries	19,625	8,949
Social security costs	2,195	900
Other pension costs	230	87
Accounting for players' transfer fees (see Note 2)	664	2,715
Auditors' remuneration	16	16
Depreciation	884	532
Profit on sale of fixed assets	(2)	(2)
Interest payable on bank and other borrowings repayable within five years	1	9
Interest payable on bank and other borrowings repayable after more than five years	96	67
Operating lease rentals - hire of plant and machinery	220	95
Grants received	(857)	(805)

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2. Accounting for players' transfer fees

	14 months to 31 July 2000 £'000	12 months to 31 May 1999 £'000
Amortisation of transfer fees	4,661	2,411
Provision for permanent diminution in the value of players' contracts	2,417	679
Profit on disposal of players' contracts	(6,414)	(375)
	664	2,715

The prior period comparatives have been restated to disclose profit on disposal of player's contracts after operating profit.

In previous accounting periods player contract purchase costs were amortised over the life of the contracts with no amortisation charged in the first year of purchase. From 1 June 1999 all players contracts have been amortised over the life of the contract, starting from the month of purchase. This change in method has resulted in an additional £2 million of amortisation in the proforma twelve months to 31 May 2000 and an additional £2.5 million in the fourteen months to 31 July 2000.

3. Employees

The average number of persons employed by the company during the period were as follows:

	14 months to 31 July 2000	12 months to 31 May 1999
Administration	171	143
Football	59	54
Match day staff	331	340
	561	537

4. Directors' emoluments

Directors' emoluments for the period (excluding pension contributions) totalled £521,904 (1999 - £379,447). The emoluments of the highest paid director amounted to £117,770 (1999 - £117,994). In addition the company made payments of £12,354 (1999 - £14,000) on behalf of the director's personal pension scheme. Contributions totalling £37,724 (1999 - £21,000) were paid to money purchase pension schemes on behalf of three directors.

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5. Taxation

No liability to corporation tax arises on the results of the period and losses of approximately £4.9 million (1999 - £6.8 million) are available to be carried forward against future trading profits.

6. Equity dividends

	14 months to 31 July 2000 £'000	12 months to 31 May 1999 £'000
Ordinary shares		
Proposed final dividend of £40 per share (1999: nil)	1,220	-

7. Intangible fixed assets

Transfer fees paid for players' contracts

	£'000
Cost	
At 1 June 1999	13,095
Additions	17,905
Disposals	(5,536)
At 31 July 2000	25,464
Accumulated depreciation	
At 1 June 1999	5,459
Amortised in the period	4,661
Permanent diminution in value	2,417
Released on disposal	(3,794)
At 31 July 2000	8,743
Net book amount	
At 31 July 2000	16,721
At 31 May 1999	7,636

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8. Tangible fixed assets

	Freehold land and buildings	Fixtures, fittings, equipment and vehicles	Capital works in progress	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 June 1999	325	3,554	-	3,879
Additions	2,123	1,043	285	3,451
Disposals	-	(178)	-	(178)
Transfer between categories				
At 31 July 2000	2,448	4,419	285	7,152
Comprising:				
Cost	2,123	4,419	285	6,827
Valuation 1996	325	-	-	325
	2,448	4,419	285	7,152
Accumulated depreciation				
At 1 June 1999	-	1,460	-	1,460
Amount provided	14	869	-	883
Disposals	-	(178)	-	(178)
At 31 July 2000	14	2,151	-	2,165
Net book amount				
At 31 July 2000	2,434	2,268	285	4,987
At 31 May 1999	325	2,094	-	2,419

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 £2,195,000 (1999 - £73,000).

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9. Fixed asset investments

	Share in subsidiary	Other investment	Total
	£	£	£
Cost and net book amounts at 31 July 2000 and 31 May 1999	5	-	5

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

10. Stocks

Stocks at 31 July 2000 and 31 May 1999 comprise goods for resale.

11. Debtors

	2000 £'000	1999 £'000
Trade debtors	1,209	2,095
Amounts owed by parent company	3,159	4,303
Other debtors	709	22
Prepayments and accrued income	7,046	3,283
	12,123	9,703

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12. Creditors: amounts falling due within one year

	2000	1999
	£'000	£'000
Bank loan (Note 13)	181	140
Football Trust loan (Note 13)	100	100
Trade creditors	8,262	1,879
Other creditors	34	9
Taxation and social security	1,251	1,571
Accruals and deferred income	29,499	16,281
Payments in advance	-	-
	39,327	19,980

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

	2000 £'000	1999 £'000
Bank loan	1,010	860
Football Trust loan	50	167
	1,060	1,027
Bank loan repayments fall due as follows:		
Within one year	181	140
Between one and two years	184	140
Between two and five years	576	420
After more than five years	250	300
	1,191	1,000
Football Trust loan repayments fall due as follows:		
Within one year	100	100
Between one and two years	50	100
Between two and five years	-	67
	150	267

The Football Trust loan is interest free and is unsecured.

Bank loans are all denominated in sterling and are fixed at a rate of 8.29% and secured over the Sunderland Stadium of Light.

14. Called up share capital

	2000 £'000	1999 £'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

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15. Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 1999	4,700	252	1,174
Retained loss for the period	-	-	(1,084)
Reserve transfer on depreciation of revalued properties	-	(3)	3
At 31 July 2000	4,700	249	93

16. Lease commitments

Operating leases on plant and machinery

Annual commitments on operating leases which expire in:

	2000 £'000
Under one year	21
Two to five years inclusive	418
Over more than five years	71
	510

17. Pension commitments

Certain of the employees of the company participate in the Football League Pension and Life Assurance Scheme and the Football League Players' Benefit Scheme. Both schemes are defined benefit schemes co-sponsored by the FA Premier League and the Football League. Contributions are made to the schemes in accordance with the recommendations of the actuaries to the schemes and expressed to the profit and loss account when they become payable. The Football League Pension and Life Assurance Scheme was suspended by the Trustees as of 31 August 1999. The final deficit has been quantified at £12,500,000 which, under the Pensions Act 1995, participating employers will be required to make good. The provisional allocation notified to Sunderland Association Football Club is £117,000 and full provision for this amount has been made in the accounts, in addition to normal pension costs for the period of £113,000.

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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 2000 the Company purchased the registration of Emmerson Thome from Chelsea Football Club for £4,500,000.

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.