

149116

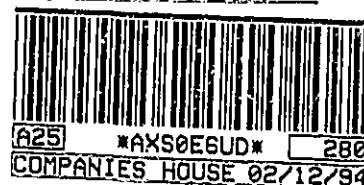


SUNDERLAND

ASSOCIATION FOOTBALL CLUB LIMITED

REPORT and ACCOUNTS

31st May, 1994



The Sunderland Association Football Club Limited

Directors:

J.R. Featherstone F.C.A. (Chairman)

G.S. Wood

G. Davidson F.C.A.

R.S. Murray F.C.C.A.

J.G. Wood

General Manager and Secretary:

G. Davidson F.C.A.

Registered Office:

Roker Park Ground, Sunderland,

Registered in England

No. 49116

Auditors:

Price Waterhouse,

89 Sandyford Road,

Newcastle upon Tyne

NE99 1PL

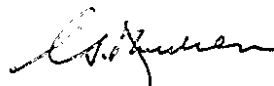
The Sunderland Association Football Club Limited

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Roker Park Ground, Roker, Sunderland on 15th December, 1994, at 11 a.m. for the following purposes:-

1. To receive the accounts for the year ended 31st May, 1994, together with the reports of the directors and auditors thereon.
2. To re-appoint Price Waterhouse as auditors to the Company and to authorise the Board to fix their remuneration.

Roker Park Ground,
SUNDERLAND.
15th November 1994


By Order of the Board
G. DAVIDSON
Secretary

Note

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a member. Forms of proxy must be received by the Secretary not later than forty-eight hours before the time appointed for holding the Annual General Meeting.

Will shareholders please notify the Secretary in writing of any change of address.

The Sunderland Association Football Club Limited

Report of the Directors

For the year ended 31st May, 1994

The Directors present their report and the audited accounts of the Company for the year ended 31st May, 1994.

Principal Activity, Results and Review of the Business

The principal activity of the Company is that of a professional Football League Club.

The Company made a loss for the financial year after taxation of £1,544,510 (1993 — £895,785). No dividend is proposed (1993 - £NIL) and the loss has been withdrawn from reserves.

Match Receipts in the current year were boosted by attractive fixtures in the two main cup competitions, whilst Other Receipts were increased by the success of our retail and commercial activities.

However, these successes were offset by the increase in players' remuneration and the direct costs associated with generating additional revenue.

The Directors have capitalised the playing squad as an intangible asset at their estimate of market value. It is the opinion of the Directors that this change in accounting policy was necessary to give a true and fair view of the Company's financial position.

The comparative figures in the accounts have been restated to reflect the change in accounting policy.

Directors' Interests

The interests of the Directors (including their family interests) in the share capital of the Company at the beginning and the end of the year are shown below.

	£1 Ordinary Shares	
	31st May 1994	31st May 1993
J.R. Featherstone	1,500	1,420
G.S. Wood	586	511
G. Davidson	200	25
R.S. Murray	7,559	7,560
J.G. Wood	1,444	1,410

The Sunderland Association Football Club Limited

Report of the Directors

For the year ended 31st May, 1994 (continued)

Statement of Directors' Responsibility

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit or loss for the financial year.

The Directors confirm that appropriate accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31st May 1994. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Tangible Fixed Assets


The movements in tangible fixed assets during the year are set out in Note 6 to the accounts.

The directors are of the opinion that the fair value of land and buildings owned by the Company is now £1,355,837, and an amount of £1,274,525 has been withdrawn from the revaluation reserve to reduce the carrying value of land and buildings as at 31st May 1994.

Auditors

The auditors, Price Waterhouse, are willing to continue in office and resolutions as to their re-appointment and remuneration will be proposed at the Annual General Meeting.

Roker Park Ground,
SUNDERLAND.
15th November 1994

 By Order of the Board
G. DAVIDSON
Secretary

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 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 affairs of the Company as at 31st May 1994 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Paul M. Carter'.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

15th November 1994

The Sunderland Association Football Club Limited

Profit and Loss Account for the year ended 31st May, 1994

	Notes	1994	1993 As Restated
Turnover	1(g)		
Match receipts		2,592,298	2,174,837
Other receipts		<u>2,312,236</u>	<u>1,631,030</u>
		4,904,534	3,805,867
Cost of Sales			
Match expenses	2,766,282	2,114,279	
Ground and other direct expenses	<u>1,660,104</u>	<u>1,207,233</u>	
		(4,426,386)	(3,321,512)
Gross Profit		478,148	484,355
Administration expenses		(1,452,243)	(919,543)
Loss on Intangible Assets	1(c)	<u>(525,000)</u>	<u>(556,250)</u>
Operating Loss		(1,499,095)	(991,438)
Bank Interest Payable		(52,141)	
Short term deposit interest receivable		<u>6,726</u>	<u>95,653</u>
Loss on Ordinary Activities before taxation	2	(1,544,510)	(895,785)
Taxation on loss on Ordinary Activities	4	<u>—</u>	<u>—</u>
Loss for the Financial Year	12	<u>£(1,544,510)</u>	<u>£(895,785)</u>

Statement of Total Recognised Gains and Losses - Year ended 31st May, 1994

	1994	1993 As Restated
Loss for the financial year	(1,544,510)	(895,785)
Surplus on revaluation of Players	1,718,699	
Deficit on revaluation of Land & Buildings	<u>(1,274,525)</u>	
Total Recognised Losses	<u>£(1,100,336)</u>	<u>£(895,785)</u>

The 1993 results have been restated to take account of a prior year adjustment which is detailed in Note 18.

The 1993 and 1994 results arise wholly from continuing activities.

The Sunderland Association Football Club Limited

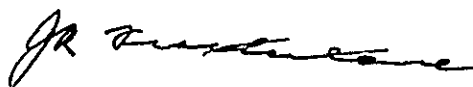
Balance Sheet as at 31st May, 1994

	Notes	1994	1993 As Restated
Fixed Assets			
Tangible assets	6	1,587,389	2,836,861
Investments	7	5	5
Intangible assets	5	<u>7,033,750</u>	<u>4,307,051</u>
		8,621,144	7,143,917
Current Assets			
Stocks	8	195,643	97,256
Debtors	9	497,925	332,888
Cash at bank and in hand		<u>3,262</u>	<u>612,904</u>
		696,830	1,043,048
Creditors			
Amounts falling due within one year	10	<u>(3,353,939)</u>	<u>(1,122,594)</u>
Net Current Liabilities		<u>(2,657,109)</u>	<u>(79,546)</u>
Total Assets			
Less Current Liabilities		<u>£5,964,035</u>	<u>£7,064,371</u>
Capital and Reserves			
Called up share capital	11	12,620	12,620
Share premium account	12	1,898,510	1,898,510
Revaluation reserve	12	709,409	1,983,934
Players valuation reserve	12	3,214,949	1,496,250
Profit and loss account	12	<u>128,547</u>	<u>1,673,057</u>
		<u>£5,964,035</u>	<u>£7,064,371</u>

The financial statements were approved by the Board on 15th November, 1994

J.R. FEATHERSTONE F.C.A.

CHAIRMAN



The Sunderland Association Football Club Limited

Cash Flow Statement for the year ended 31st May, 1994

	1994	1993 As Restated
Net cash inflow/(outflow) from operating activities (Note 15)	138,313	(968,049)
Returns on investments and servicing of finance		
Interest and finance charges paid	(52,141)	—
Interest received	<u>6,726</u>	<u>95,653</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance	(45,415)	95,653
Investing activities		
Purchase of tangible fixed assets	(103,495)	(50,675)
Purchase of intangible fixed assets	(2,268,000)	(1,181,301)
Sale of tangible fixed assets	9,225	—
Sale of intangible fixed assets	<u>735,000</u>	<u>718,750</u>
Net cash outflow from investing activities	<u>(1,627,270)</u>	<u>(513,226)</u>
Net cash outflow before financing	(1,534,372)	(1,385,622)
Net cash inflow from financing	<u>—</u>	<u>—</u>
Decrease in cash and cash equivalents (Note 17)	<u><u>(1,534,372)</u></u>	<u><u>(1,385,622)</u></u>

The Sunderland Association Football Club Limited

Notes to the Accounts — 31st May, 1994

1. Accounting Policies

(a) Basis of Preparation

The accounts have been prepared in accordance with applicable accounting standards.

(b) 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 on the reducing balance method
Motor vehicles	4 years in equal annual instalments

It is the Company's policy to maintain its properties in good repair, the costs of maintenance being charged to the profit and loss account. Consequently, the directors consider the lives of the freehold properties to be so long that there is no significant annual depreciation.

(c) Intangible Assets

The directors consider that the Balance Sheet should include the transfer value of those players whose registration is held by the Club. Accordingly the directors have valued the playing squad at 31st May, 1994, and the value of £7,033,750 has been included in the balance sheet at that date. Any increase in valuation is dealt with in the transfer to Revaluation Reserve.

Any permanent diminution in value is dealt with in the profit and loss account as a loss on transfer fees.

All transfer fees payable in the year have been shown as additions to Intangible Assets and any resultant profit or loss on sale is reflected in the profit and loss account.

Comparative figures have been restated to reflect this change in accounting policy, resulting in an increase in brought forward reserves of £4,307,051.

(d) Stocks

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

(e) 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.

(f) 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.

(g) Turnover

Turnover comprises net gate and ticket receipts, sports contracts and sponsorship revenue, ground catering and shops income.

The Sunderland Association Football Club Limited

Notes to the Accounts — 31st May, 1994 (continued)

2. Loss on Ordinary Activities before Tax

This is stated after charging/(crediting):

	1994	1993
	£	£
Staff costs:-		
Wages and salaries	2,968,365	2,234,320
Social security costs	227,027	190,423
Other pension costs	18,503	24,471
Directors' remuneration	48,170	46,013
Auditors' remuneration	10,000	10,000
Depreciation	71,492	58,738
Operating lease rentals — hire of plant and machinery	14,058	13,436
Rent receivable	(25,481)	(25,625)

3. Employees

The average number of persons employed by the Company during the year was 188 (1993-162).

4. Taxation

No liability to corporation tax arises on the results of the year and losses of approximately £7.25 million are available to be carried forward against future trading profits.

5. Intangible Fixed Assets

	£
Players at Valuation 1st June, 1993	4,307,051
Additions at Cost	2,268,000
Disposals at Valuation	(1,260,000)
	5,315,051
Surplus on revaluation	1,718,699
Balance at 31st May, 1994	7,033,750
Comprising:	
Cost	3,818,801
Valuation	3,214,949
	7,033,750

The Sunderland Association Football Club Limited

Notes to the Accounts — 31st May, 1994 (continued)

6. Tangible Fixed Assets	Freehold land and buildings	Fixtures, fittings, equipment & vehicles	Total
Notes			
Cost or valuation			
Balance at 1st June, 1993	2,630,362	630,670	3,261,032
Additions	—	103,495	103,495
Disposals	—	(15,800)	(15,800)
Transfer from Revaluation Reserve .. 12	(1,274,525)	—	(1,274,525)
Balance at 31st May, 1994	<u>1,355,837</u>	<u>718,365</u>	<u>2,074,202</u>
Comprising:			
Cost	105,362	718,365	823,727
Directors' Valuation, 1994	<u>1,250,475</u>	<u>—</u>	<u>1,250,475</u>
	<u>1,355,837</u>	<u>718,365</u>	<u>2,074,202</u>
Accumulated depreciation			
Balance at 1st June, 1993	—	424,171	424,171
Amount provided	—	71,942	71,942
Disposals	—	(9,300)	(9,300)
Balance at 31st May, 1994	—	<u>486,813</u>	<u>486,813</u>
Net book amount			
At 31st May, 1994	<u>£1,355,837</u>	<u>£231,552</u>	<u>£1,587,389</u>
At 31st May, 1993	<u>£2,630,362</u>	<u>£206,499</u>	<u>£2,836,861</u>

The directors have carried out a review of the carrying value of land and buildings as at 31st May, 1994.

In their opinion the fair value of land and buildings is £1,355,837 and the appropriate transfer from the revaluation reserve has been made to reflect this valuation.

On an historical cost basis, freehold land and buildings would have been included at a cost of £653,930 and accumulated depreciation of £7,502.

7. Fixed Asset Investments	Shares in subsidiary	Other Investment	Total
Cost and net book amounts at 31st May, 1994 and 31st May, 1993	<u>£4</u>	<u>£1</u>	<u>£5</u>

The Company has a wholly-owned dormant subsidiary, Roker Park Estates Limited, which is registered in England. No group accounts have been prepared because in the opinion of the directors the investment is not material.

8. Stocks

Stocks at 31st May, 1994 and at 31st May, 1993 comprise goods for resale.

The Sunderland Association Football Club Limited

Notes to the Accounts — 31st May, 1994 (continued)

9. Debtors

	1994	1993
Trade debtors	214,115	168,607
Other debtors	265,873	138,279
Prepayments and accrued income	17,937	26,002
	<u>£497,925</u>	<u>£332,888</u>

10. Creditors

	1994	1993
Amounts falling due within one year		
Bank overdraft	1,000,918	76,188
Trade creditors	426,601	195,877
Other creditors	13,317	78,187
Taxation and social security	214,926	55,929
Accruals and deferred income	1,036,252	716,413
Payments in advance	661,925	—
	<u>£3,353,939</u>	<u>£1,122,594</u>

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

11. Called Up Share Capital

	1994	1993
Authorised		
Ordinary Shares of £1 each	<u>£15,000</u>	<u>£15,000</u>
Allotted, issued and fully paid		
Ordinary Shares of £1 each	<u>£12,620</u>	<u>£12,620</u>

12. Reserves

	Players Valuation reserve	Revaluation reserve	Share Premium account	Profit and loss account
Notes				
As previously reported	—	1,983,934	1,898,510	(1,137,744)
Capitalisation of players 18	1,496,250	—	—	2,810,801
Restated Balances at				
1st June, 1993	1,496,250	1,983,934	1,898,510	1,673,057
Loss for year	—	—	—	(1,544,510)
Revaluation of Land &				
Buildings	—	(1,274,525)	—	—
Surplus on revaluation 5	1,718,699	—	—	—
At 31st May, 1994	<u>£3,214,949</u>	<u>£709,409</u>	<u>£1,898,510</u>	<u>£128,547</u>

The Sunderland Association Football Club Limited

Notes to the Accounts — 31st May, 1994 (continued)

13. Lease Commitments

Operating leases on plant and machinery
Annual commitments which expire in:

	1994	1993
Under one year	4,536	12,964
Two to five years inclusive	6,946	4,887
	<u>£11,482</u>	<u>£17,851</u>

14. Pension Commitments

The Company operates a pension scheme covering its full-time senior employees. This scheme is financed through a separate trustee administered fund with The Football League Limited. Contributions to this fund which are charged to the profit and loss account are notified to the Club by The Football League Limited.

15. Reconciliation of Operating Loss to Net Cash Inflow/(Outflow) from Operating Activities

	1994	1993 As Restated
Operating loss	(1,499,095)	(991,438)
Loss on Intangible Assets	525,000	556,250
Depreciation Charge	71,942	58,738
Profit on disposal of fixed assets	(2,725)	—
(Increase)/Decrease in stocks	(98,387)	39,656
(Increase)/Decrease in debtors	(165,037)	30,139
Increase/(Decrease) in creditors	1,306,615	(935,394)
Net cash Inflow/(Outflow) from Operating Activities	<u>£138,313</u>	<u>(£968,049)</u>

16. Analysis of changes in cash and cash equivalents during the year

	1994	1993
Balance at 1st June 1993	536,716	1,922,338
Net cash outflow	(1,534,372)	(1,385,622)
Balance at 31st May 1994	<u>(£997,656)</u>	<u>£536,716</u>

17. (Decrease)/Increase in cash and cash equivalents as shown in the balance sheet

	1994	1993	Change	1992	Change
Cash	3,262	612,904	(609,642)	1,922,338	(1,309,434)
Bank overdraft	(1,000,918)	(76,188)	(924,730)	—	(76,188)
	<u>(£997,656)</u>	<u>£536,716</u>	<u>(£1,534,372)</u>	<u>£1,922,338</u>	<u>(£1,385,622)</u>

The Sunderland Association Football Club Limited

Notes to the Accounts — 31st May, 1994 (continued)

18. Prior Year Adjustment

The directors have changed the accounting policy regarding transfer fees (see note 1(c)) and have included the value of the playing squad in the balance sheet as at 31st May, 1994 and 1993. This change was considered necessary in order to give a true and fair view of the Company at the balance sheet date.

Comparative figures have been restated to reflect this treatment, and brought forward reserves have been increased by £4,307,051.

19. Historical Cost Profits and Losses

There is no difference between the reported losses for the year and the loss as calculated on an historical cost basis.

20. Reconciliation of Movements in shareholders' funds

	Notes	£
As previously reported		2,757,320
Capitalisation of players	18	<u>4,307,051</u>
Restated Balances at 1st June 1993		7,064,371
Loss for year		(1,544,510)
Revaluation of Land & Buildings	6	<u>(1,274,525)</u>
Surplus on revaluation	5	<u>1,718,699</u>
At 31st May, 1994		<u><u>5,964,035</u></u>