

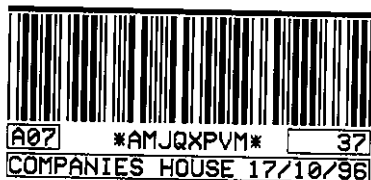
SOUTHAMPTON FOOTBALL CLUB LIMITED

DIRECTORS' REPORT AND

GROUP ACCOUNTS

FOR THE YEAR ENDED

31 MAY 1996



SOUTHAMPTON FOOTBALL CLUB LIMITED

CHAIRMAN'S STATEMENT

1996 FINANCIAL RESULTS

The loss for the year of £1,516,544 (after charging net transfer costs of £3,088,726) compares with a profit in the preceding year of £855,447 (after charging net transfer costs of £481,005).

FOOTBALL REVIEW

Premier League	1995/96	38 points	17th position
	1994/95	54 points	10th position
FA Cup	1995/96	Ko'd	6th round
	1994/95	Ko'd	5th round
Coca Cola Cup	1995/96	Ko'd	4th round
	1994/95	Ko'd	3rd round

The Premier League position last year was disappointing and once again the Club retained its league membership by the narrowest of margins.

The Reserve and Youth Teams continued to give experience to young players enabling them to develop their potential in the game.

PROSPECTS

Graeme Souness has been appointed as the Team Manager, in succession to Dave Merrington. I look forward to the challenge of the coming season where once again the Club will compete with sides with greater financial backing. The Club will be seeking a higher league position than last season and to progress in cup competitions beyond the initial rounds.

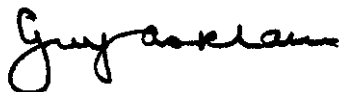
DEVELOPMENTS

The further development at Staplewood is in the course of construction.

The Board are awaiting the outcome of its further discussions with the local authorities on the Stoneham Interchange Site, a final decision by Hampshire Council Members to grant Stadium 2000 Plc a lease will be made on 12 December 1996.

STAFF

As always I would thank all our staff for their hard work and loyalty during a difficult year.



GUY ASKHAM
Chairman

15 August 1996

SOUTHAMPTON FOOTBALL CLUB LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 1996

The directors submit their report and the audited financial statements of the group for the year ended 31 May 1996.

1 STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MAY 1996

	<u>1996</u> £	<u>1995</u> £
INCOME		
The surplus arising on 1st team matches after charging match expenses and shares to visiting clubs, the League and Football Association	3,412,398	3,168,244
Marketing department earnings from sponsorship, group advertising, programmes and donations	406,435	307,714
Other income from catering, television, league and kit sponsorship, interest etc	<u>2,257,341</u>	<u>2,324,263</u>
	<u>6,076,174</u>	<u>5,800,221</u>
EXPENDITURE		
The cost of players' and coaches' wages, insurance, running of junior teams, other expenses relating to direct team costs	3,371,186	3,261,394
Overhead expenses, of salaries, occupancy, safety and upkeep and all other administrative costs	825,222	866,652
Provision for depreciation	<u>119,519</u>	<u>130,300</u>
	<u>4,315,927</u>	<u>4,258,346</u>
PROFIT FROM PLAYING FOOTBALL	<u>1,760,247</u>	<u>1,541,875</u>
TRANSFERS		
Transfer fees receivable	447,500	2,659,737
Transfer and signing on fees payable	<u>3,536,226</u>	<u>3,140,742</u>
	<u>(3,088,726)</u>	<u>(481,005)</u>
(Loss)/profit for the year of the company	<u>(1,328,479)</u>	<u>1,060,870</u>
Loss of subsidiary undertakings	<u>(188,065)</u>	<u>(205,423)</u>
Retained (loss)/profit for the year transferred to reserves	<u>(1,516,544)</u>	<u>855,447</u>

2 PRINCIPAL ACTIVITY

The company is a Football Club, which participates in the FA Premier League, other Leagues and Cup competitions.

3 FUTURE DEVELOPMENTS

The group has been successful in obtaining outline planning consent to build a new stadium on the Stoneham site, and negotiations for the acquisition are continuing. Accordingly, the expenditure to date has been capitalised and shown as assets under development in fixed assets.

SOUTHAMPTON FOOTBALL CLUB LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 1996

		SHAREHOLDINGS AT 31 MAY	
		1996	1995
4 DIRECTORS			
(a)	F G L Askham	3,350	3,350
	I L Gordon	2,500	2,500
	B H D Hunt	2,500	2,500
	K St J Wiseman	2,500	2,500
	M R Richards	2,500	2,500
	L McMenemy	100	100

- (b) The directors retiring by rotation are M R Richards and L McMenemy who being eligible offer themselves for re-election.

5 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 group and of the profit or loss of the group 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;
- 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.

6 THE STATE OF THE COMPANY'S AFFAIRS is considered satisfactory

7 PLAYER'S REGISTRATION

As stated in accounting policy note 1 no underlying value of the registrations of players under contract is reflected in the financial statements. Although not necessarily an indicator of current market value, the players are currently insured for a total of £13.77million.

8 AUDITORS

A resolution to reappoint Messrs Ernst & Young as auditors will be put to the members at the annual general meeting.

BY ORDER OF THE BOARD

The Dell
Milton Road
Southampton


Secretary

B Truscott

15 August 1996

REPORT OF THE AUDITORS TO THE MEMBERS OF

SOUTHAMPTON FOOTBALL CLUB LIMITED

We have audited the financial statements on pages 7 to 18 which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings and on the basis of the accounting policies set out on page 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on the audit on those financial statements and to report our opinion to you.

BASIS OF OPINION

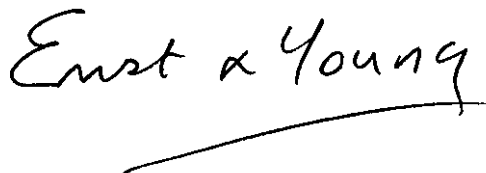
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 and of the group as at 31 May 1996 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG
Chartered Accountants
Registered Auditor

A handwritten signature in cursive script that reads "Ernst & Young". The signature is written in dark ink and is positioned above a horizontal line that serves as a separator.

SOUTHAMPTON

15 August 1996

SOUTHAMPTON FOOTBALL CLUB LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY

	<u>NOTE</u>	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
TURNOVER	1 & 2	8,095,793	10,057,122
Cost of sales		<u>4,999,632</u>	<u>4,821,886</u>
GROSS PROFIT		3,096,161	5,235,236
Administrative expenses		<u>4,560,845</u>	<u>4,280,033</u>
		(1,464,684)	955,203
Other operating income	2	<u>49,085</u>	<u>18,070</u>
OPERATING (LOSS)/PROFIT	2	(1,415,599)	973,273
Interest payable	3	<u>103,329</u>	<u>95,598</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,518,928)	877,675
TAXATION	5	(<u>2,384</u>)	<u>22,228</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR		(<u>1,516,544</u>)	<u>855,447</u>
ATTRIBUTABLE TO			
Holding company		(1,328,479)	1,060,870
Subsidiary undertakings		(<u>188,065</u>)	(<u>205,423</u>)

The group has no recognised gains and losses for the year other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

NOTE OF HISTORICAL COST PROFIT AND LOSSES

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Reported (loss)/profit on ordinary activities before taxation	(1,518,928)	877,675
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>70,832</u>	<u>70,832</u>
Historical cost (loss)/profit on ordinary activities before taxation	(<u>1,448,096</u>)	<u>948,507</u>
Historical cost (loss)/profit for the year after taxation	(<u>1,445,712</u>)	<u>926,279</u>

All of the group's activities are classed as continuing.

A statement showing the movement in reserves is given in note 12 to the financial statements.

SOUTHAMPTON FOOTBALL CLUB LIMITED


CONSOLIDATED BALANCE SHEET AS AT 31 MAY

	<u>NOTE</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible assets	6(a)	4,511,557	4,645,961
Investments	7(a)	<u>2,385</u>	<u>10,409</u>
		<u>4,513,942</u>	<u>4,656,370</u>
CURRENT ASSETS			
Stock		4,105	3,819
Debtors	8	401,952	559,205
Cash and bank balances		<u>9,327</u>	<u>909,311</u>
		<u>415,384</u>	<u>1,472,335</u>
CREDITORS: amounts falling due within one year	9	<u>2,867,542</u>	<u>2,587,994</u>
NET CURRENT LIABILITIES		<u>(2,452,158)</u>	<u>(1,115,659)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,061,784</u>	<u>3,540,711</u>
CREDITORS: amounts due after one year	9	1,238,695	1,219,078
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>1,118,000</u>	<u>1,100,000</u>
		<u>2,356,695</u>	<u>2,319,078</u>
		<u>(294,911)</u>	<u>1,221,633</u>
CAPITAL AND RESERVES			
Called up share capital	11	52,570	52,570
Revaluation reserve	12	354,403	425,235
Profit and loss account	12	<u>(701,884)</u>	<u>743,828</u>
Shareholders' funds - equity interests	13	<u>(294,911)</u>	<u>1,221,633</u>

The financial statements on pages 7 to 18 were approved by the board of directors on 15 August 1996 and were signed on its behalf by:



.....
F G L ASKHAM - Director



.....
M R RICHARDS - Director

SOUTHAMPTON FOOTBALL CLUB LIMITED

BALANCE SHEET AS AT 31 MAY

	NOTE	1996 £	1995 £
FIXED ASSETS			
Tangible assets	6(b)	698,292	690,264
Investments	7(b)	<u>751,000</u>	<u>751,000</u>
		<u>1,449,292</u>	<u>1,441,264</u>
CURRENT ASSETS			
Debtors	8	972,920	1,024,234
Cash and bank balances		<u>3,021</u>	<u>868,856</u>
		<u>975,941</u>	<u>1,893,090</u>
CREDITORS: amounts falling due within one year	9	<u>2,741,477</u>	<u>2,443,245</u>
NET CURRENT LIABILITIES		<u>(1,765,536)</u>	<u>(550,155)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(316,244)</u>	<u>891,109</u>
CREDITORS: amounts due after one year	9	664,745	543,619
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>177,249</u>	<u>177,249</u>
		<u>841,994</u>	<u>720,868</u>
		<u>(1,158,238)</u>	<u>170,241</u>
CAPITAL AND RESERVES			
Called up share capital	11	52,570	52,570
Profit and loss account	12	<u>(1,210,808)</u>	<u>117,671</u>
Shareholders' funds - equity interests	13	<u>(1,158,238)</u>	<u>170,241</u>

The financial statements on pages 7 to 18
were approved by the board of directors
on 15 August 1996 and were signed on
its behalf by



.....
F G L ASKHAM - Director



.....
M R RICHARDS - Director

SOUTHAMPTON FOOTBALL CLUB LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY

	NOTE	£	1996 £	1995 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	14		(1,648,685)	1,654,442
RETURN ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		46,870		10,848
Interest paid		(90,441)		(100,092)
Dividends received		<u>1,000</u>		<u>1,672</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(42,571)	(87,572)
TAXATION				
Taxation on franked investment income		(200)		(359)
Taxation paid		<u>(24,167)</u>		<u>-</u>
TAXATION (PAID)			(24,367)	(359)
INVESTING ACTIVITIES				
Purchase of fixed assets		(351,015)		(1,329,426)
Sale of fixed assets		50,764		29,950
Loans repaid		-		10,000
Sale of investments		<u>7,475</u>		<u>5,858</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(292,776)	(1,283,618)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			<u>(2,008,399)</u>	<u>282,893</u>
FINANCING				
Grants received			(18,000)	(670,233)
Loans advanced			-	(1,130,000)
Repayment of amounts borrowed			191,193	312,262
Repayment of finance leases			<u>21,206</u>	<u>24,394</u>
NET CASH OUTFLOW/(INFLOW) FROM FINANCING	16		194,399	(1,463,577)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	15		<u>(2,202,798)</u>	<u>1,746,470</u>
			<u>(2,008,399)</u>	<u>282,893</u>

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings. The financial statements are prepared in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements include the company and all its subsidiary undertakings. No profit and loss account has been prepared for the holding company as permitted by S230 Companies Act 1985.

Turnover

Turnover is the total amount receivable in the ordinary course of business excluding Value Added Tax.

Depreciation

Depreciation has been provided where considered necessary at rates calculated to write down the assets to their estimated residual value over their anticipated useful lives as follows:

The Dell	8 years
Freehold property	50 years
Equipment	10 years
Motor vehicles	5 years

Transfer and Signing on Fees

Fees payable to and receivable from other football clubs on the transfer of players' registrations together with associated costs are dealt with through the profit and loss account in the year in which the transfer takes place. Signing on fees are charged in the period in which the contract commences. No underlying value of the registrations of players currently under contract is therefore reflected in the assets of the group.

Pension costs

The group makes contributions to the Football League Pension Scheme on behalf of its employees who are members of that scheme. The charge in the financial statements represents the premiums paid during the year.

Investments

Investments which are held for the long term are included in the Balance Sheet as fixed assets at cost. Provision is made where in the opinion of the directors a permanent diminution in value has occurred.

Stocks

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

Deferred taxation

Provision is made for taxation which is deferred as a result of all timing differences between depreciation and other charges made in the financial statements and the corresponding allowances for taxation purposes, to the extent that they are likely to crystallise. Due allowance has been made for all trading losses that are likely to be relieved in the future.

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

1 ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts 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 paid under operating leases are charged to income on a straight line basis over the term of the lease.

Football Trust Grants

Grants received from The Football Trust in respect of ground improvements are treated as deferred income as these may become repayable in whole or in part if The Dell is sold.

2 TURNOVER AND OPERATING (LOSS)/PROFIT

	<u>TURNOVER</u>		<u>OPERATING (LOSS)/PROFIT</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
Trading activities	7,648,293	7,397,385	1,673,127	1,454,278
Transfer fees	<u>447,500</u>	<u>2,659,737</u>	<u>(3,088,726)</u>	<u>(481,005)</u>
	<u>8,095,793</u>	<u>10,057,122</u>	<u>(1,415,599)</u>	<u>973,273</u>

Operating (loss)/profit on ordinary activities before taxation and interest payable is stated after charging:

	£	£
Depreciation	405,211	390,069
(Profit)/loss on sale of assets	(18,165)	1,690
Auditors remuneration	11,550	11,500
Operating lease rentals - plant	<u>83,322</u>	<u>60,629</u>
and crediting:		
Income from listed investments	1,000	1,672
Interest from bank deposits	46,174	11,030
Rents received	2,460	2,424
(Loss)/profit on sale of investments	<u>(549)</u>	<u>2,944</u>
	<u>49,085</u>	<u>18,070</u>

3 INTEREST PAYABLE

	<u>1996</u>	<u>1995</u>
	£	£
Bank loan and overdraft repayable within five years	15,265	8,754
Bank loan repayable in more than five years	76,845	76,935
Finance charges in respect of hire purchase and finance leases	<u>11,219</u>	<u>9,909</u>
	<u>103,329</u>	<u>95,598</u>

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

4 DIRECTORS AND EMPLOYEES

In accordance with Article 11 of the Company's Articles of Association, the Directors received no remuneration during the year. However, the Directors have an interest in the supply of services to the group by their respective professional practices and companies in which they hold shares.

<u>DIRECTOR</u>	<u>RELATED UNDERTAKING</u>	<u>CHARGE FOR THE YEAR £</u>
I L Gordon	Paris Smith & Randall	10,506
B H D Hunt	Brian Hunt	8,325
M R Richards	Burnett Swayne	12,960
L McMenemy	Lawrie McMenemy Ltd	<u>128,830</u>

STAFF COSTS

	<u>1996 £</u>	<u>1995 £</u>
Wages and salaries	3,711,324	3,668,434
Social security costs	327,334	323,342
Pension contributions	<u>85,021</u>	<u>76,492</u>
	<u>4,123,679</u>	<u>4,068,268</u>

The average weekly number of employees employed by the group during the year is analysed in the following categories:

Direct	59	59
Selling	21	17
Administration	<u>23</u>	<u>20</u>
	<u>103</u>	<u>96</u>

5 TAXATION

	<u>1996 £</u>	<u>1995 £</u>
The taxation charge for the year is made up as follows:		
UK corporation tax on the results @ 24.83% (1995: 25%)	(2,584)	21,869
Taxation attributable to franked investment income	<u>200</u>	<u>359</u>
	<u>(2,384)</u>	<u>22,228</u>

Subject to agreement with H M Inspector of Taxes, the Company has tax losses to be carried forward of approximately £1,368,000.

In addition there are short term timing differences of £569,000 in excess of accelerated capital allowances. Therefore, no liability to deferred taxation arises.

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

6(a) TANGIBLE FIXED ASSETS - THE GROUP

	LAND AND BUILDINGS				
	FREEHOLD	ASSETS UNDER	EQUIPMENT	MOTOR	TOTAL
	£	DEVELOPMENT	£	VEHICLES	£
		£		£	
COST OR VALUATION					
At 1 June 1995	3,966,119	384,384	962,743	156,708	5,469,954
Additions	37,943	86,354	39,545	139,564	303,406
Disposals	-	-	(5,464)	(103,879)	(109,343)
At 31 May 1996	<u>4,004,062</u>	<u>470,738</u>	<u>996,824</u>	<u>192,393</u>	<u>5,664,017</u>
DEPRECIATION					
At 1 June 1995	401,460	-	343,162	79,371	823,993
Charge for year	265,355	-	101,575	38,281	405,211
Disposals	-	-	(5,464)	(71,280)	(76,744)
At 31 May 1996	<u>666,815</u>	<u>-</u>	<u>439,273</u>	<u>46,372</u>	<u>1,152,460</u>
NET BOOK VALUE					
At 31 May 1996	<u>3,337,247</u>	<u>470,738</u>	<u>557,551</u>	<u>146,021</u>	<u>4,511,557</u>
NET BOOK VALUE					
At 31 May 1995	<u>3,564,659</u>	<u>384,384</u>	<u>619,581</u>	<u>77,337</u>	<u>4,645,961</u>

6(b) TANGIBLE FIXED ASSETS - THE COMPANY

	EQUIPMENT	MOTOR	TOTAL
	£	VEHICLES	£
		£	
COST			
At 1 June 1995	872,619	156,708	1,029,327
Additions	38,747	139,564	178,311
Disposals	(5,464)	(103,879)	(109,343)
At 31 May 1996	<u>905,902</u>	<u>192,393</u>	<u>1,098,295</u>
DEPRECIATION			
At 1 June 1995	259,692	79,371	339,063
Charge for year	99,403	38,281	137,684
Disposals	(5,464)	(71,280)	(76,744)
At 31 May 1996	<u>353,631</u>	<u>46,372</u>	<u>400,003</u>
NET BOOK VALUE			
At 31 May 1996	<u>552,271</u>	<u>146,021</u>	<u>698,292</u>
NET BOOK VALUE			
At 31 May 1995	<u>612,927</u>	<u>77,337</u>	<u>690,264</u>

Freehold property includes investment properties of £82,100.

The group has been successful in obtaining outline planning permission to build a new stadium on the Stoneham site and negotiations for the acquisition are continuing. Accordingly, related expenditure has been capitalised and shown as assets under development in fixed assets.

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

6(b) TANGIBLE FIXED ASSETS - THE COMPANY (Continued)

The group's land and buildings were revalued in 1983 by a professional firm of surveyors and valuers on the basis of open market value for existing use. The historical cost of the freehold land and buildings is £3,430,943 with accumulated depreciation of £454,319 (1995: £259,796). No provision for taxation on the revaluation surplus is considered necessary.

Included in the amounts for equipment are the following amounts relating to assets acquired under hire purchase contracts and finance leases.

	GROUP & COMPANY £
Net book value at 31 May 1996	<u>91,833</u>
Depreciation charge for the year	<u>12,371</u>

7(a) INVESTMENTS - THE GROUP

	£
Listed Investments	
Cost	
At 1 June 1995	10,409
Disposals	(8,024)
At 31 May 1996	<u>2,385</u>

The market value of the listed investments at 31 May 1996 amounted to £29,050 (1995: £30,450).

7(b) INVESTMENTS - THE COMPANY

	1996 £	1995 £
Company		
Shares at cost	<u>751,000</u>	<u>751,000</u>

<u>Subsidiary Undertakings</u>	<u>Holding</u>	<u>Proportion held</u>	<u>Nature of the Business</u>
Southampton Leisure Holdings Ltd	Ordinary shares	100%	Property
Saints Supporters Club Ltd	Ordinary shares	100%	A supporters club
Stadium 2000 Plc	Ordinary shares	100%	Development of sports stadia

All the companies are registered in England and Wales. The shares in Stadium 2000 Plc are held by Southampton Leisure Holdings Limited.

8 DEBTORS

DEBTORS	1996		1995	
	GROUP	COMPANY	GROUP	COMPANY
	£	£	£	£
Due within one year:				
Trade debtors	381,808	381,808	555,636	555,636
Prepayments	6,176	3,881	3,569	1,270
Other debtors	706	-	-	-
Amounts due from subsidiary undertakings	-	549,237	-	467,328
Corporation tax	13,262	13,262	-	-
Group relief	-	24,732	-	-
Loans	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	401,952	972,920	559,205	1,024,234

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

9	CREDITORS:	1996		1995	
		GROUP	COMPANY	GROUP	COMPANY
	Due within one year:	£	£	£	£
	Bank overdraft (secured)	1,302,814	1,264,671	-	-
	Trade creditors	933,158	928,465	1,723,247	1,718,823
	Corporation tax	8,379	8,379	21,869	2,584
	Other taxation and social security	206,182	205,379	322,936	321,999
	Accruals and deferred income	188,312	149,184	305,159	233,557
	Hire purchase and finance lease creditor	26,102	26,102	22,504	22,504
	Bank loan	102,595	-	92,279	-
	Football Trust Loan	100,000	100,000	100,000	100,000
	Amounts due to subsidiary undertakings	-	59,297	-	43,778
		<u>2,867,542</u>	<u>2,741,477</u>	<u>2,587,994</u>	<u>2,443,245</u>
	CREDITORS:				
	Due after more than one year				
	Trade creditors	580,387	580,387	334,457	334,457
	Bank loan due 2 - 5 years	532,875	-	480,153	-
	due in more than 5 years	41,075	-	195,306	-
	Hire purchase and finance lease creditor	34,358	34,358	59,162	59,162
	Football Trust Loan due 2 - 5 years	<u>50,000</u>	<u>50,000</u>	<u>150,000</u>	<u>150,000</u>
		<u>1,238,695</u>	<u>664,745</u>	<u>1,219,078</u>	<u>543,619</u>

The bank borrowings of the group are secured upon the freehold properties.

The bank loan is repayable in equal annual instalments within seven years from August 1994 with an early repayment option included. Interest is charged at a fixed rate of 10.3% for the first five years.

The Football Trust advanced the company £300,000 during 1995. The loan which is interest free is repayable over 3 years in quarterly instalments of £25,000.

10	PROVISION FOR LIABILITIES AND CHARGES	GROUP	COMPANY
		£	£
	Grants from The Football Trust towards ground improvements		
	Balance at 1 June 1995	1,100,000	177,249
	Received in the year	<u>18,000</u>	<u>-</u>
	Balance at 31 May 1996	<u>1,118,000</u>	<u>177,249</u>
11	SHARE CAPITAL	1996	1995
		£	£
	Authorised		
	Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>
	Allotted, called up and fully paid		
	Ordinary shares of £1 each	<u>52,570</u>	<u>52,570</u>

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

12 RESERVES		REVALUATION RESERVE	PROFIT & LOSS A/C
		£	£
The Group			
At 1 June 1995		425,235	743,828
Retained loss for the year		-	(1,516,544)
Transfer		(70,832)	70,832
At 31 May 1996		<u>354,403</u>	<u>(701,884)</u>
The Company			
At 1 June 1995			117,671
Retained loss for the year			(1,328,479)
At 31 May 1996			<u>(1,210,808)</u>
13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS			
	GROUP 1996	COMPANY 1996	GROUP 1995
	£	£	£
(Loss)/profit for the financial year	(1,516,544)	(1,328,479)	855,447
Opening shareholders' funds	<u>1,221,633</u>	<u>170,241</u>	<u>366,186</u>
Closing shareholders' funds	<u>(294,911)</u>	<u>(1,158,238)</u>	<u>1,221,633</u>
			<u>170,241</u>
14 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		1996	1995
		£	£
Operating (loss)/profit before other income		(1,464,684)	955,203
Depreciation		405,211	390,069
(Profit)/loss on sale of assets		(18,165)	1,690
Rent received		2,460	2,424
(Increase) in stock		(286)	(784)
Decrease/(increase) in debtors		169,819	(216,259)
(Decrease)/increase in creditors		(743,040)	522,099
Net cash (outflow)/inflow from operating activities		<u>(1,648,685)</u>	<u>1,654,442</u>
15 ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		1996	1995
	£	£	CHANGE IN THE YEAR £
Cash at bank and in hand	9,327	909,311	(899,984)
Bank overdrafts	<u>(1,302,814)</u>	<u>-</u>	<u>(1,302,814)</u>
	<u>(1,293,487)</u>	<u>909,311</u>	<u>(2,202,798)</u>
	1995	1994	CHANGE IN THE YEAR £
	£	£	£
Cash at bank and in hand	909,311	21,661	887,650
Bank overdrafts	<u>-</u>	<u>(858,820)</u>	<u>858,820</u>
	<u>909,311</u>	<u>(837,159)</u>	<u>1,746,470</u>

SOUTHAMPTON FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1996

16 ANALYSIS OF FINANCING DURING THE YEAR

	<u>GRANTS</u>	<u>LOANS</u>	<u>FINANCE LEASE OBLIGATIONS</u>	<u>TOTAL</u>
	£	£	£	£
Balance as at 1 June 1995	1,100,000	1,017,738	81,666	2,199,404
Grants received	18,000	-	-	18,000
Repayment in the year	-	(191,193)	(21,206)	(212,399)
Balance as at 31 May 1996	<u>1,118,000</u>	<u>826,545</u>	<u>60,460</u>	<u>2,005,005</u>
Balance as at 1 June 1994	462,309	200,000	53,651	715,960
Inception of finance lease contracts	-	-	52,409	52,409
Grants received	670,233	-	-	670,233
Grants received in respect of previous year	(32,542)	-	-	(32,542)
Loans advanced	-	1,130,000	-	1,130,000
Repayment in the year	-	(312,262)	(24,394)	(336,656)
Balance as at 31 May 1995	<u>1,100,000</u>	<u>1,017,738</u>	<u>81,666</u>	<u>2,199,404</u>

17 CONTINGENT LIABILITIES

- i There is a liability to pay up to £849,200 (1995: £1,037,800) to other clubs in respect of players under contract, dependent upon the number of first team appearances and international debuts made.
- ii There are unlimited cross guarantees between Southampton Football Club Limited and Southampton Leisure Holdings Limited, given to Barclays Bank Plc, to secure the bank borrowing of the group.

18 CAPITAL COMMITMENTS

	<u>GROUP</u>	<u>1996</u> <u>COMPANY</u>	<u>GROUP</u>	<u>1995</u> <u>COMPANY</u>
	£	£	£	£
Amounts contracted for but not provided for	<u>152,758</u>	<u>152,758</u>	<u>Nil</u>	<u>Nil</u>