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**Middlesbrough Football & Athletic Company (1986)
Limited**

**Annual report
for the year ended 31 July 1997**

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Middlesbrough Football & Athletic Company (1986) Limited

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Directors and advisers

Executive directors

S Gibson
G L Cook

Registered Auditors

Coopers & Lybrand
Hadrian House
Higham Place
Newcastle upon Tyne
NE1 8BP

Secretary and registered office

A W Bage
Cellnet Riverside Stadium
Middlesbrough
Cleveland
TS3 6RS

Bankers

Barclays Bank plc
Barclays House
Sabatier Close
Teesside Business Park
Thornaby
Stockton on Tees
Cleveland
TS17 6EW

Middlesbrough Football & Athletic Company (1986) Limited

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Directors' report for the year ended 31 July 1997

The directors present their report and the audited financial statements for the year ended 31 July 1997.

Principal activity

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

Review of business

The directors consider the company's trading results for the year ended 31 July 1997 and the year end financial position to be satisfactory having taken into consideration the accounting policy adopted for transfer fees and signing on fees together with the company's ability to raise funds through its principal activity (see Note 1 to the financial statements).

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend and the retained loss has been added to the deficit on reserves.

Post balance sheet events

Subsequent to the year end the company has entered into agreements worth approximately £13,590,000 for the acquisition of and £20,965,000 for the sale of players.

Since 31 July 1997 the company has also incurred further expenditure for the development of its stadium and training facilities amounting to £4,931,000.

Directors

The directors of the company at 31 July 1997, all of whom have been directors for the whole of the year ending on that date, are listed below.

S Gibson (Chairman)
G L Cook
K Lamb (alternate with S Gibson)

K Lamb resigned as an alternate director of the company on 1 August 1997.

Middlesbrough Football & Athletic Company (1986) ³ Limited

Directors' interests in shares of the company and other group companies

None of the directors of the company have a direct holding in the shares of the company.

The interests of the directors in the shares of other group companies at 31 July 1997, were:

| | 1 August 1996 and 31 July 1997 |
|---|--------------------------------------|
| The Gibson O'Neill Company Limited - ordinary shares £1 | |
| S Gibson | <u>18,750</u> |

Other than shown above no director had any interest in the shares of other group companies at 31 July 1997.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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 of the company for that period.

The directors confirm that suitable 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 31 July 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis (see Note 1 to the financial statements).

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

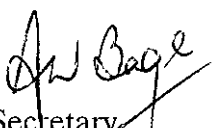
Charitable donations

Donations made by the company during the year for charitable purposes were £11,500 (1996: £5,000) in total.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board


Secretary

Report of the auditors to the members of
Middlesbrough Football & Athletic Company (1986)
Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

As described on page 3 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.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends upon the company's ability to operate within agreed overdraft facilities.

Should the going concern basis not be appropriate adjustments would have to be made to restate the value of the company's assets to their realisable values.

In view of the significance of this fundamental uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Middlesbrough Football & Athletic Company (1986) Limited

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Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1997 and of the loss and cash flows of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

28 May 1998

**Profit and loss account
for the year ended 31 July 1997**

| | Notes | 1997 £'000 | 1996 £'000 |
|---|-------|----------------|-----------------|
| Turnover | 2 | 22,502 | 14,024 |
| Cost of sales | | (17,269) | (9,611) |
| Gross profit | | 5,233 | 4,413 |
| Administrative expenses | | (3,091) | (2,522) |
| Other operating income | 5 | 125 | 121 |
| Operating profit before transfer fees and similar payments | | 2,267 | 2,012 |
| Transfer fees and similar payments (net) | | (8,278) | (13,160) |
| Operating loss after transfer fees and similar payments | | (6,011) | (11,148) |
| Profit on disposal of assets held for resale | 6 | 469 | - |
| Loss on ordinary activities before interest | | (5,542) | (11,148) |
| Interest payable and similar charges | 7 | (1,557) | (1,047) |
| Loss on ordinary activities before taxation | 8 | (7,099) | (12,195) |
| Tax on loss on ordinary activities | 9 | 1,689 | 1,441 |
| Loss for the financial year | 18 | (5,410) | (10,754) |

All of the company's operations are continuing.

The company has no recognised gains or losses other than those included in the losses above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

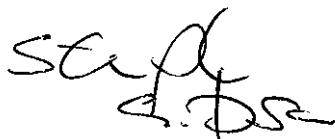
Middlesbrough Football & Athletic Company (1986) Limited

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Balance sheet at 31 July 1997

| | Notes | 1997 £'000 | 1996 £'000 |
|--|-------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 10 | <u>15,496</u> | <u>13,065</u> |
| Current assets | | | |
| Assets held for resale | 6 | - | 453 |
| Stocks | 12 | 245 | 265 |
| Debtors | 13 | 2,990 | 2,249 |
| Cash at bank and in hand | | 9 | 27 |
| | | <u>3,244</u> | <u>2,994</u> |
| Creditors: amounts falling due within one year | 14 | <u>(24,762)</u> | <u>(20,735)</u> |
| Net current liabilities | | <u>(21,518)</u> | <u>(17,741)</u> |
| Total assets less current liabilities | | <u>(6,022)</u> | <u>(4,676)</u> |
| Creditors: amounts falling due after more than one year | 15 | <u>14,075</u> | <u>10,117</u> |
| Accruals and deferred income | 16 | <u>2,504</u> | <u>2,629</u> |
| Capital and reserves | | | |
| Called-up share capital | 17 | 1,056 | 825 |
| Profit and loss account | 18 | (23,657) | (18,247) |
| Equity shareholders' deficit | 19 | <u>(22,601)</u> | <u>(17,422)</u> |
| | | <u>(6,022)</u> | <u>(4,676)</u> |

The financial statements on pages 6 to 20 were approved by the board of directors on 28 May 1998 and were signed on its behalf by:



Director

Middlesbrough Football & Athletic Company (1986) ⁸ Limited

Cash flow statement for the year ended 31 July 1997

| | Notes | 1997 £'000 | 1996 £'000 |
|--|-------|---------------------|-----------------------|
| Net cash flow from continuing operating activities | 20 | <u>1,822</u> | <u>(5,670)</u> |
| Returns on investments and servicing of finance | | | |
| Interest paid | | (1,345) | (923) |
| Interest paid on finance leases | | <u>(15)</u> | <u>(8)</u> |
| | | <u>(1,360)</u> | <u>(931)</u> |
| Taxation | | | |
| Group relief received | | <u>-</u> | <u>2,663</u> |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (3,097) | (2,583) |
| Proceeds from sale of tangible fixed assets | | 12 | - |
| Proceeds from sale of assets held for resale | | <u>922</u> | <u>-</u> |
| | | <u>(2,163)</u> | <u>(2,583)</u> |
| Net cash flow before financing | | <u>(1,701)</u> | <u>(6,521)</u> |
| Financing activities | | | |
| Issue of ordinary share capital | | 231 | - |
| Repayment of principal on finance leases | | (63) | (17) |
| Loans received | | 2,620 | 2,846 |
| Loans repaid | | (1,544) | (175) |
| Grants received | | <u>-</u> | <u>1,687</u> |
| | | <u>1,244</u> | <u>4,341</u> |
| Decrease in cash | 21 | <u><u>(457)</u></u> | <u><u>(2,180)</u></u> |

Notes to the financial statements for the year ended 31 July 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and on a going concern basis.

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The validity of the going concern basis depends upon the company's ability to operate within agreed overdraft facilities. The nature of the company's business is such that a significant number of future cash inflows are dependent upon the football team's success, and as such, the amount of these inflows is uncertain. Despite this uncertainty the directors consider that current financing facilities, taking into account the company's ability to raise additional funds through its principal activity, are sufficient to meet the company's requirements for the foreseeable future.

On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

Changes in presentation of financial information

FRS 8 "Related party disclosures" requires the disclosure of material transactions between the reporting entity and any related parties together with details of the reporting entity's ultimate controlling party. The new standard came into effect for all accounting periods commencing on or after 23 December 1995. Accordingly the new disclosure requirements are dealt with in notes 28 and 29 to the financial statements.

FRS 1 "Cash flow statements" was revised in 1996 to change the format for reporting cash flows. The revised standard came into effect for accounting periods ending on or after 23 March 1997. Accordingly, the cash flow statement has been presented under the new format.

Consolidated financial statements

The financial statements contain information about Middlesbrough Football & Athletic Company (1986) Limited as an individual company and do not contain financial information about the company as the parent of a group.

The accounts of MFC Promotions Limited, a subsidiary, have not been consolidated with those of the company in accordance with Section 229(2) of the Companies Act 1985, as the directors consider that the amounts concerned are not material.

Middlesbrough Football & Athletic Company (1986) Limited

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Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. The cost of leasehold property includes interest paid on funds specifically taken out to finance assets in the course of construction.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values on a straight line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % |
|---|----------|
| Freehold buildings | 2 |
| Leasehold land and buildings | 2 - 7.5 |
| Motor vehicles | 25 |
| Fixtures, fittings, plant and machinery | 7.5 - 20 |

Freehold land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Bank loans and overdraft

Bank loans and overdraft are stated after adjusting for uncleared banking items.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Foreign currencies

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction except where the rate of exchange is fixed by a relevant matching forward exchange contract. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Transfer fees and signing on fees

Transfer fees and similar payments are charged or credited to the profit and loss account in the period in which the transaction takes place. No amount is included in the balance sheet in respect of the value of players in the employment of the club at the year end. Signing on fees are charged to the profit and loss account in the period in which they are payable. Amounts are shown separately in the profit and loss account as the directors consider there is no other appropriate format heading.

Promotional rights

Promotional rights are charged to the profit and loss account in the period in which they are payable.

Sponsorship income

Sponsorship income is recognised in the profit and loss account of the period in respect of which it is received. If it does not relate to a specific period it is recognised in the profit and loss account of the period in which it is receivable.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

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3 Directors' emoluments

| | 1997 £ | 1996 £ |
|----------------------|---------------|---------------|
| Aggregate emoluments | <u>92,918</u> | <u>85,020</u> |

4 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

| | 1997 Number | 1996 Number |
|--------------------------------------|----------------|----------------|
| Playing staff | 40 | 38 |
| Other staff | 120 | 100 |
| | <u>160</u> | <u>138</u> |
| | <u>1997</u> | <u>1996</u> |
| | £'000 | £'000 |
| Staff costs (for the above persons): | | |
| Wages and salaries | 10,333 | 5,971 |
| Social security costs | 999 | 517 |
| | <u>11,332</u> | <u>6,488</u> |

5 Other operating income

| | 1997 £'000 | 1996 £'000 |
|----------------------------------|---------------|---------------|
| Release of deferred grant income | <u>125</u> | <u>121</u> |

6 Exceptional item

The profit on disposal of assets held for resale arises from the sale of Ayresome Park.

Middlesbrough Football & Athletic Company (1986) 13

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7 Interest payable and similar charges

| | 1997 £'000 | 1996 £'000 |
|-----------------------------|---------------|---------------|
| On bank loans and overdraft | 1,110 | 1,034 |
| On other loans | 29 | 5 |
| On finance leases | 15 | 8 |
| Other interest | 403 | - |
| | <u>1,557</u> | <u>1,047</u> |

8 Loss on ordinary activities before taxation

| | 1997 £'000 | 1996 £'000 |
|---|-------------------|-------------------|
| Loss on ordinary activities before taxation is stated after charging: | | |
| Depreciation charge for the year: | | |
| Tangible owned fixed assets | 460 | 543 |
| Tangible fixed assets held under finance leases | 194 | 49 |
| Auditors remuneration for: | | |
| Audit services | 13 | 12 |
| Other services to the company | 70 | 16 |
| | <u> </u> | <u> </u> |
| and after crediting: | | |
| Exchange gains | 27 | - |
| Amortisation of deferred grant | 125 | 121 |
| | <u> </u> | <u> </u> |

9 Tax on loss on ordinary activities

| | 1997 £'000 | 1996 £'000 |
|--|----------------|----------------|
| United Kingdom corporation tax at 31% (1996: 33%): | | |
| Current | (1,560) | (1,441) |
| Over provision in respect of prior years | (129) | - |
| | <u>(1,689)</u> | <u>(1,441)</u> |

The credit for the year arises from the surrender of tax losses to other group companies.

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10 Tangible fixed assets

| | Freehold land and buildings | Leasehold land and buildings | Motor vehicles | Fixtures, fittings, plant and machinery | Total |
|------------------------|-----------------------------------|------------------------------------|-------------------|--|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| At 1 August 1996 | 213 | 12,914 | 94 | 505 | 13,726 |
| Additions | 2,052 | 782 | 8 | 255 | 3,097 |
| Disposals | - | - | (36) | - | (36) |
| At 31 July 1997 | 2,265 | 13,696 | 66 | 760 | 16,787 |
| Depreciation | | | | | |
| At 1 August 1996 | - | 506 | 40 | 115 | 661 |
| Charge for the year | 2 | 540 | 3 | 109 | 654 |
| Disposals | - | - | (24) | - | (24) |
| At 31 July 1997 | 2 | 1,046 | 19 | 224 | 1,291 |
| Net book value | | | | | |
| At 31 July 1997 | 2,263 | 12,650 | 47 | 536 | 15,496 |
| Net book value | | | | | |
| At 31 July 1996 | 213 | 12,408 | 54 | 390 | 13,065 |

Additions include £Nil (1996: £147,000) in respect of interest capitalised. Accumulated interest capitalised included in the total cost above amounts to £290,000 (1996: £290,000).

The net book value of tangible fixed assets includes an amount of £2,971,000 (1996: £296,000) in respect of assets held under finance leases.

During the year, assets with a net book value of £2,930,000 previously financed by a medium term loan were refinanced through conversion of the loan into a finance lease arrangement.

11 Investments

Interests in subsidiary undertakings

| Name | Country of incorporation | Description of shares held | Proportion of nominal value of shares held |
|---------------------------|-----------------------------|-------------------------------|--|
| MFC Promotions Limited | Isle of Man | Ordinary £1 shares | 100% |

The principal activity of MFC Promotions Limited is the acquisition and utilisation of the promotional rights of professional footballers.

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12 Stocks

| | 1997 £'000 | 1996 £'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | <u>245</u> | <u>265</u> |

13 Debtors

| | 1997 £'000 | 1996 £'000 |
|-------------------------------------|---------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 505 | 412 |
| Transfer fees receivable | 604 | - |
| Other debtors | 1,445 | 218 |
| Prepayments and accrued income | <u>436</u> | <u>1,619</u> |
| | <u>2,990</u> | <u>2,249</u> |

14 Creditors: amounts falling due within one year

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Bank loans and overdraft | 5,555 | 6,220 |
| Other loans | 210 | 243 |
| Obligations under finance leases | 374 | 64 |
| Trade creditors | 2,066 | 1,050 |
| Transfer fees payable | 5,443 | 1,344 |
| Other taxation and social security payable | 2,919 | 2,319 |
| Other creditors | 430 | 898 |
| Deferred income | 6,034 | 7,210 |
| Accruals | <u>1,731</u> | <u>1,387</u> |
| | <u>24,762</u> | <u>20,735</u> |

15 Creditors: amounts falling due after more than one year

| | 1997 £'000 | 1996 £'000 |
|---|---------------|---------------|
| Bank loans | 4,240 | 7,422 |
| Other loans | 1,180 | 739 |
| Amounts due to parent undertaking (see note 29) | 2,000 | - |
| Obligations under finance leases | 2,805 | 248 |
| Transfer fees payable | 3,850 | - |
| Deferred income | - | <u>1,708</u> |
| | <u>14,075</u> | <u>10,117</u> |

- (a) Included in bank loans and overdraft is an overdraft of £5,120,000 (1996: £4,692,000) which is secured by fixed and floating charges over the assets of the company and by guarantees given by Mr S Gibson and The Gibson O'Neill Company Limited.

Middlesbrough Football & Athletic Company (1986) Limited 16

- (b) Included in bank loans and overdraft is a loan of £4,664,000 (1996: £8,000,000). On 22 May 1997 the Teesside Development Corporation transferred the leasehold rights of the Cellnet Riverside Stadium land to the company. Thereafter this loan was secured by a first fixed and floating charge over the Cellnet Riverside Stadium and, previously repayable on demand, was converted to a medium term loan and hence is disclosed as such in the financial statements.
- (c) Included in bank loans and overdraft are loans of £790,000 (1996: £175,000) which are secured by first fixed and floating charges over certain freehold land and buildings.
- (d) The amount due to parent company has no fixed repayment date although the parent company has expressed its intention not to require repayment prior to 31 July 1998.

Bank loans and overdrafts and other loans

| | 1997 £'000 | 1996 £'000 |
|----------------------------|---------------|---------------|
| Repayable as follows: | | |
| In one year or less | 5,765 | 6,463 |
| Between one and two years | 451 | 933 |
| Between two and five years | 1,356 | 2,252 |
| Over five years | 3,613 | 4,976 |
| | <u>11,185</u> | <u>14,624</u> |

Creditors repayable in five years or more

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| 2.375% above LIBOR, secured loan repayable by half yearly instalments of £212,000 | 4,664 | 8,000 |
| 1% above standard building society variable rate, secured loans repayable by monthly instalments | 790 | 175 |
| Unsecured brewery loan repayable by barrelage discount | 417 | 441 |
| | <u>5,871</u> | <u>8,616</u> |

Middlesbrough Football & Athletic Company (1986) ¹⁷ Limited

Finance leases

The net finance lease obligations to which the company is committed are:

| | 1997 £'000 | 1996 £'000 |
|----------------------------|---------------|---------------|
| In one year or less | 374 | 64 |
| Between one and five years | 1,430 | 248 |
| In more than five years | 1,375 | - |
| | <u>3,179</u> | <u>312</u> |

16 Accruals and deferred income

Football Trust Grant

| | |
|-------------------|--------------|
| | £'000 |
| At 1 August 1996 | 2,629 |
| Amortised in year | (125) |
| At 31 July 1997 | <u>2,504</u> |

17 Called-up share capital

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 2,000,000 ordinary shares of £1 each | <u>2,000</u> | <u>2,000</u> |
| Allotted, called-up and fully paid | | |
| 1,056,000 (1996: 825,000) ordinary shares of £1 each | <u>1,056</u> | <u>825</u> |

On 22 November 1996 the company issued 231,000 ordinary £1 shares at par value for cash consideration.

18 Profit and loss account

| | |
|-----------------------------|-----------------|
| | £'000 |
| At 1 August 1996 | (18,247) |
| Loss for the financial year | (5,410) |
| At 31 July 1997 | <u>(23,657)</u> |

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19 Reconciliation of movements in shareholders' deficit

| | 1997 £'000 | 1996 £'000 |
|--------------------------------------|-----------------|-----------------|
| Opening equity shareholders' deficit | (17,422) | (6,668) |
| Shares issued during year | 231 | - |
| Loss for the financial year | (5,410) | (10,754) |
| Closing equity shareholders' deficit | <u>(22,601)</u> | <u>(17,422)</u> |

20 Reconciliation of loss on ordinary activities before interest to net cash flow from operating activities

| | 1997 £'000 | 1996 £'000 |
|--|---------------|----------------|
| Loss on ordinary activities before interest | (5,542) | (11,148) |
| Depreciation of tangible fixed assets | 654 | 592 |
| Profit on disposal of assets held for resale | (469) | - |
| Decrease/(increase) in stocks | 20 | (186) |
| Decrease/(increase) in debtors | 357 | (867) |
| Increase in creditors | 6,951 | 6,069 |
| Amortisation of grant | (125) | (121) |
| Non-cash brewery loan repayment | (24) | (9) |
| Net cash flow from operating activities | <u>1,822</u> | <u>(5,670)</u> |

21 Reconciliation of net cash flow to movement in net debt

| | 1997 £'000 | 1996 £'000 |
|--|-----------------|-----------------|
| Decrease in cash | (457) | (2,180) |
| Cash inflow from movement in debt and lease financing | (1,013) | (2,654) |
| Change in debt resulting from cash flows | <u>(1,470)</u> | <u>(4,834)</u> |
| Non-cash brewery loan repayment | 24 | 9 |
| New finance leases (see note 10) | (2,930) | (305) |
| Conversion of medium term loan to finance leases (see note 10) | 2,930 | - |
| Movement in net debt in the period | <u>(1,446)</u> | <u>(5,130)</u> |
| Net debt at beginning of year | (14,909) | (9,779) |
| Net debt at end of year | <u>(16,355)</u> | <u>(14,909)</u> |

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22 Analysis of net debt

| | At 1 August 1996 £'000 | Cash flow £'000 | Other non- cash changes £'000 | At 31 July 1997 £'000 |
|----------------------------------|------------------------------|--------------------|-------------------------------------|-----------------------------|
| Net cash: | | | | |
| Cash at bank and in hand | 27 | (18) | - | 9 |
| Bank overdraft | (4,692) | (439) | - | (5,131) |
| | <u>(4,665)</u> | <u>(457)</u> | <u>-</u> | <u>(5,122)</u> |
| Debt due within one year | (1,771) | 1,544 | (407) | (634) |
| Debt due in more than one year | (8,161) | (2,620) | 3,361 | (7,420) |
| Finance leases | (312) | 63 | (2,930) | (3,179) |
| | <u>(14,909)</u> | <u>(1,470)</u> | <u>24</u> | <u>(16,355)</u> |
| Analysed in balance sheet | | | | |
| Cash at bank and in hand | 27 | | | 9 |
| Bank loans and overdrafts: | | | | |
| Due within one year | (6,220) | | | (5,555) |
| Due in more than one year | (7,422) | | | (4,240) |
| Other loans: | | | | |
| Due within one year | (243) | | | (210) |
| Due in more than one year | (739) | | | (3,180) |
| Finance leases: | | | | |
| Due within one year | (64) | | | (374) |
| Due in more than one year | (248) | | | (2,805) |
| | <u>(14,909)</u> | | | <u>(16,355)</u> |

23 Major non-cash transactions

During the year a medium term loan was partially converted into finance leases with a capital value at inception of £2,930,000 (see note 10).

24 Post balance sheet events

Details of post balance sheet events are given in the directors report.

25 Capital commitments

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | - | 150 |

26 Contingent liabilities

In the course of normal business the company enters into contracts that include clauses contingent upon future events. The directors have assessed such contracts and consider that all liabilities in relation to those contracts have been specifically provided for in these financial statements.

27 Immediate and ultimate parent company

The directors regard The Gibson O'Neill Company Limited, a company registered in England and Wales, as the immediate and ultimate parent company due to its 75% holding of the equity share capital of the company. Copies of the parent company's consolidated financial statements may be obtained from the Company Secretary, Brignell Road, Riverside Park Industrial Estate, Middlesbrough, Cleveland, TS2 1PS.

28 Ultimate controlling party

The directors regard Mr S Gibson, Chairman of the company as the ultimate controlling party by virtue of his 75% holding in the shares of The Gibson O'Neill Company Limited, the ultimate parent company.

29 Related party transactions

During the year amounts totalling £2,000,000 which had previously been prepaid to the company by Bulkhaul Limited, a fellow subsidiary, were repaid and replaced with an interest free loan of £2,000,000 to the company from The Gibson O'Neill Company Limited.

The directors of The Gibson O'Neill Company Limited have formally expressed their intention to convert this loan into an equity investment in the company. Accordingly the loan has been included within "Amounts owed to parent undertaking" falling due after more than one year in note 15.

Included within "Other debtors" disclosed in note 13 is an amount due from other group companies of £1,097,000 (1996: creditor of £591,000) in respect of group relief.

The company's profit and loss account includes an amount of £635,000 incurred in respect of transactions with MFC Promotions Limited.