

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

(trading as Caledonian Thistle Football Club)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1998



W D Johnston & Carmichael  
Chartered Accountants  
Nevis House  
Beechwood Park  
Inverness  
IV2 3BW

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

**DIRECTORS**

Ian Gordon  
James A Jarvie  
Ian A MacDonald (appointed 10 December 1997)  
Dugald M McGilvray (Chairman)  
Alistair I MacKenzie  
Craig R Maclean  
Roy G McLennan  
Norman H Miller  
Alan Nelson (co-opted July 1998)  
Douglas Riach  
Kenneth A Thomson

**SECRETARY AND REGISTERED OFFICE**

Innes & Mackay  
19 Union Street  
Inverness  
IV1 1PT

**AUDITORS**

W D Johnston & Carmichael  
Nevis House  
Beechwood Park  
Inverness  
IV2 3BW

**BANKERS**

Bank of Scotland  
P O Box No 9  
9 High Street  
Inverness  
IV1 1JB

**SOLICITORS**

Innes & Mackay  
19 Union Street  
Inverness  
IV1 1PT

Registered in Scotland Number 149117

CHAIRMAN'S REPORT

The Club has just completed its fourth year in the Scottish Football League and its second year trading as a Public Limited Company. During this period of time we have seen many changes within the Company.

Unfortunately trading as a Football Club is not easy and Inverness Thistle and Caledonian Football Club plc is no different from any other Club.

Although turnover went up by 62.0% to £840801, operating expenses went up by 52.2% to £999165, resulting in an operational loss of £158364. If you add to this gain of sale of players the loss on ordinary activities comes to £134864.

Due to the construction of the Stadium and associated infrastructure, the company is still carrying a large overdraft and this resulted in an interest payment of £149794, thus giving a loss for the year of £284658 against £803303 for the fiscal year to 31 May 1997.

Although this shows an improvement in the company's year to year trading, the Directors are looking at all areas to improve the company profitability.

To this end, during the fiscal year to 1998 the company co-opted two new Directors. Mr Ian MacDonald, a Solicitor and Senior Partner in MacArthur & Co, and Mr Alan Nelson, an Accountant and Partner with Scott Oswald.

Both these gentlemen have sporting backgrounds but more importantly they are professional and well respected members of the local community. I was very pleased to welcome them to our Board and look forward to their continued input and hopefully this will assist us to reduce our very substantial legal and accountancy fees which amounted to £54052 in the year of the accounts.

During the year the company issued its remaining unissued ordinary shares thus giving an issued ordinary share capital of £1063978. This money was used to reduce the company's borrowings against the Stadium and infrastructure. A kitchen and Ladies and Gents toilets were installed in the Kingsmills Suite, enabling private functions to be held.

The Directors see the use of the Stadium outwith football as a future major source of income. To this end a new management structure has been set up to run the Stadium and related commercial activities.

At this time I would like to thank my fellow Directors for all the hard work they have carried out over the past four years. I would like to say a special thank you to James Jarvie and Ian Gordon for all the time and effort they have put into the running of the Youth Development Programme and the Second Eleven team respectively. I believe that the future of the Football Club will be heavily dependent on this area in the future. Indeed we are already starting to see young players coming to the First Eleven. This is mainly due to the two gentlemen concerned and the coaches that they have brought to the Club. Thank you lads, and well done.

On the playing side, we also saw some changes, with the departure of Marco DeBarras, Alan Hercher, Vette Anderson, Brian Thompson and Davie Ross and the new signings of Les Fridge, Barry Robson, Mark McCulloch, Duncan Shearer and Paul Sheering. I would like to thank every one of them for the commitment given to the Club.

CHAIRMAN'S REPORT (Continued)

Finally this year we are seeing two men, who have given a lot of their time and energy to Football in Inverness, standing down as Directors of the Company and Football Club.

Craig MacLean first became an office bearer of Inverness Thistle Football Club, and held the post of Treasurer from 1986 up until amalgamation, he was then appointed as a Director of Caledonian Thistle in 1994 and has carried on servicing Inverness Caledonian Thistle FC to this date. Craig has taken on a new employment position and is finding it hard to give up as much time to the Club as he has in the past.

I wish Craig every success and thank him for all the good work he has done for the Club.

Norman Miller, who first became an office bearer of Caledonian Football Club in 1980, moving on to the position of treasurer and then to Chairman in 1983/84. During his time as Chairman of Caledonian Football Club he masterminded the Club's centenary celebrations in 1986. He was also the force behind the creation of the very successful Centenary Club which today is a major source of income to I.C.T.F.C. In 1994 Norman became Vice Chairman of I.C.T.F.C. and has remained in that post till this day. I am sure had it not been for his serious illness in 1994 he would have been Chairman of the Company.

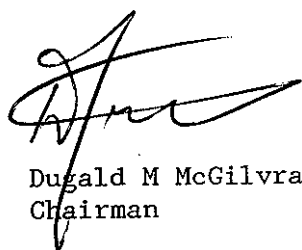
Having played alongside Norman at Football during the late sixties and early seventies, I saw his commitment to Football, a commitment which did not wane when he hung up his boots.

I have to congratulate him for all his achievements in promoting football in Inverness. Although Norman is not standing for re-election as a Director, he has already indicated that he will still be assisting the Club in other ways.

I look forward to seeing Norman and Craig at the Stadium for many years to come.

This just leaves me to say a special thank you to our management committee, all the football staff and match day attendants, without whose services we could not run the Club and of course you, the Company's shareholders for your support.

1 December 1998



Dugald M McGilvray  
Chairman

DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MAY 1998

The directors submit their report and the audited financial statements of the company for the year ended 31 May 1998.

**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 as at the end of the financial year and of the profit or loss for that period.

In preparing the financial statements the directors are required to select suitable accounting policies and apply them consistently, make judgements and estimates that are reasonable and prudent, follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements and 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.

**GOING CONCERN**

The directors consider that the company has adequate resources to continue its operational existence for the foreseeable future. In coming to this conclusion, the directors have paid particular attention to the period of one year from the date of approval of the financial statements.

**REVIEW OF THE BUSINESS**

The company's principal activity during the year was the running and promotion of a professional football club.

A review of the business is included within the Chairman's statement on page 2.

**RESULTS AND DIVIDENDS**

The loss on ordinary activities after taxation for the year was £284,658. The directors recommend that no dividend (1997 - Nil) be paid.

**FUTURE DEVELOPMENTS**

It is the directors' intention to continue the Club's progression within the Scottish Football League.

**FIXED ASSETS**

Full details of the movements in fixed assets are set out in notes 8 & 9 to the accounts.

**FREEHOLD LAND AND BUILDINGS**

In the opinion of the directors the market value of freehold land and buildings was not significantly greater than book value.

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 1998 (Continued)

**DIRECTORS AND THEIR INTERESTS**

The directors of the company during the year ended 31 May 1998 and their interests in the share capital of the company at that date were as follows:

	<u>Ordinary Shares</u>	
	<u>1998</u>	<u>1997</u>
Ian Gordon	4500	4500
James A Jarvie	1500	1500
Ian A MacDonald (appointed 10 December 1997)	1000	250
Dugald M McGilvray (Chairman)	140600	80000
Alister I MacKenzie	500	500
Craig R Maclean	1000	1000
Roy G McLennan	30000	30000
Norman H Miller	500	500
Douglas Riach	4500	4500
Kenneth A Thomson	6000	6000

Included in the above shareholdings of Dugald McGilvray and Roy McLennan are shares owned by companies in which they have a controlling interest.

**YEAR 2000**

The directors have considered the likely effect of the millennium problem and are satisfied that procedures put in place will reasonably safeguard the company against any financial or operational problems associated with being Year 2000 compliant. The cost of such steps is not considered to be significant.

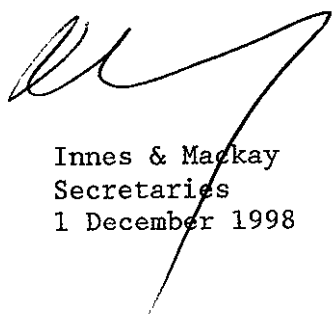
**PAYMENT OF CREDITORS**

It is the company's policy to pay creditors in line with terms and conditions agreed with individual suppliers. At the year end trade creditors outstanding represented 113 creditor days.

**AUDITORS**

A resolution proposing the re-appointment of W D Johnston & Carmichael CA as auditors will be put to the Annual General Meeting.

On behalf of the board of directors



Innes & Mackay  
Secretaries  
1 December 1998

**AUDITORS' REPORT**

**TO THE MEMBERS OF INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC**

We have audited the financial statements on pages 7 to 22 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 13 and 14.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 4, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our 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 the company's affairs as at 31 May 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



W D JOHNSTON & CARMICHAEL CA  
Registered Auditors

Inverness  
1 December 1998

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLCPROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MAY 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
TURNOVER	2	840801	518853
Net operating expenses		( 999165)	( 656492)
		<hr/>	<hr/>
OPERATING LOSS	3	( 158364)	( 137639)
Gain on sale of player's registrations		23500	4634
Exceptional items	6	-	( 563004)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		( 134864)	( 696009)
Interest receivable		-	564
Interest payable	5	( 149794)	( 107858)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		( 284658)	( 803303)
Taxation	7	-	-
		<hr/>	<hr/>
LOSS FOR YEAR TRANSFERRED TO RESERVES	19	( 284658)	( 803303)
		<hr/>	<hr/>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the two financial years highlighted.



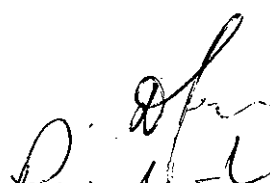
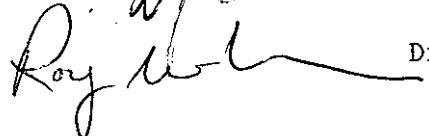
INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLCBALANCE SHEET  
AS AT 31 MAY 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<b>FIXED ASSETS</b>			
Intangible assets	8	44350	36550
Tangible assets	9	4128733	4018525
Investments	10	40000	40000
		<hr/>	<hr/>
		4213083	4095075
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Stocks	11	5130	6000
Debtors	12	196913	768323
Cash at bank and in hand		6	600
		<hr/>	<hr/>
		202049	774923
		<hr/>	<hr/>
<b>CREDITORS: amounts falling due within one year</b>	13	(1553629)	(2165657)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(1351580)	(1390734)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2861503	2704341
		<hr/>	<hr/>
<b>CREDITORS: amounts falling due after more than one year</b>	14	( 146863)	( 139653)
		<hr/>	<hr/>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(1640923)	(1688581)
		<hr/>	<hr/>
<b>NET ASSETS</b>		1073717	876107
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	1963981	1463981
Share premium	19	147016	164748
Profit and loss account	19	(1037280)	( 752622)
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	20	1073717	876107
		<hr/>	<hr/>

The financial statements were approved by the board on 1 December 1998.

Dugald M McGilvray

Roy G McLennan

 Director  
 Director

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MAY 1998

	<u>1998</u> £	<u>1997</u> £
Loss for the financial year	( 284658)	( 803303)
Share issue expenses	-	( 150275)
Settlement of former clubs' liabilities	( 2824)	( 1945)
Corporation tax due on sale of Kingsmills Park	( 14908)	( 25000)
	<hr/>	<hr/>
Total recognised gains and losses	( 302390)	( 980523)
	<hr/>	<hr/>

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLCCASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MAY 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	1(a)	( 156562)	(1085017)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	1(b)	( 161695)	( 160303)
CAPITAL EXPENDITURE	1(b)	( 539695)	(2300029)
ACQUISITIONS AND DISPOSALS	1(b)	( 2824)	( 40427)
FINANCING	1(b)	1093169	2027449
		<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH		232393	(1558327)
		<hr/>	<hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 1(G))

	<u>1998</u> £	<u>1997</u> £
Increase/(decrease) in cash in the year	232393	(1558327)
Cash outflow from decrease in hire purchase contracts	14680	4565
	<hr/>	<hr/>
Change in net debt resulting from cashflows	247073	(1553762)
New finance leases	( 32595)	( 37054)
	<hr/>	<hr/>
Movement in net debt in year	214478	(1590816)
Net (debt)/funds as at 31 May 1997	(1365185)	225631
	<hr/>	<hr/>
Net debt as at 31 May 1998	(1150707)	(1365185)
	<hr/>	<hr/>

**INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 1998****1 Cash Flow Statement****(a) Reconciliation of operating loss to net cash outflow from operating activities**

	<u>1998</u> £	<u>1997</u> £
Operating loss	( 158364)	( 700643)
Depreciation	61669	18020
Grant release	( 19370)	( 824608)
Amortisation of transfer fees	55450	43950
Decrease/(increase) in stock	870	( 38)
(Increase)/decrease in debtors	( 55262)	227003
(Decrease)/increase in creditors	( 41555)	151299
	<hr/>	<hr/>
Net cash outflow from operating activities	( 156562)	(1085017)
	<hr/>	<hr/>

**(b) Analysis of cashflows for headings netted in the cashflow statement**

	<u>1998</u> £	<u>1997</u> £
<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>		
Interest paid	( 155052)	( 157916)
Interest received	-	564
Interest element of hire purchase payments	( 6643)	( 2951)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	( 161695)	( 160303)
	<hr/>	<hr/>
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire intangible fixed assets	( 63250)	( 10000)
Payments to acquire tangible fixed assets	( 499945)	(2498871)
Receipts from sales of players	23500	4634
Receipts from sales of tangible fixed assets	-	204208
	<hr/>	<hr/>
Net cash outflow for capital expenditure	( 539695)	(2300029)
	<hr/>	<hr/>
<b>ACQUISITIONS &amp; DISPOSALS</b>		
Settlement of former clubs liabilities	( 2824)	( 427)
Purchase of interest in a joint venture	-	( 40000)
	<hr/>	<hr/>
Net cash outflow for acquisitions and disposals	( 2824)	( 40427)
	<hr/>	<hr/>
<b>FINANCING</b>		
New secured loan	50000	-
Repayment of loans	( 53750)	( 45625)
Issue of ordinary share capital	500000	563870
Grants received	611599	1664044
Expenses paid in connection with share issue	-	( 150275)
Capital element of HP rental payments	( 14680)	( 4565)
	<hr/>	<hr/>
Net cash inflow from financing	1093169	2027449
	<hr/>	<hr/>

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

(c) Analysis of net debt

	At 1 June <u>1997</u> £	Cash <u>flows</u> £	Other Non <u>Cash Changes</u> £	At 31 May <u>1998</u> £
Cash in hand, at bank	600	( 594)	-	6
Overdrafts	(1333296)	232987	-	(1100309)
Hire purchase contracts	( 32489)	14680	( 32595)	( 50404)
	<u>(1365185)</u>	<u>247073</u>	<u>( 32595)</u>	<u>(1150707)</u>

(d) Cashflow relating to exceptional items

In 1997 the operating cash outflow includes the following outflows:

- i) £3030 relating to professional fees attributable to the new stadium development.
- ii) £5040 relating to professional fees attributable to former clubs/Scottish League entry.
- iii) £1124593 relating to the construction of the East Access Road; offset against this was £339516 of grant income received in the year.

In addition returns on investments and servicing of finance included £73915 of interest and similar charges incurred in connection with the stadium development.

(e) Major non-cash transactions

During the year the club entered into hire purchase agreements in respect of assets with a total capital value at inception of £36270.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

**2 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered to be material to the financial statements in both the current and preceding year.

**FUNDAMENTAL ACCOUNTING CONCEPT**

The company meets its day to day working capital requirements through a bank overdraft from the Bank of Scotland plc. The directors have ensured sufficient funding arrangements are in place to ensure all third party liabilities are met as they fall due. Accordingly, the directors consider it appropriate to prepare the financial statements on the going concern basis.

**BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention. They have been prepared in accordance with applicable accounting standards.

**DEPRECIATION**

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold and freehold buildings	-	2% straight line
Plant and equipment	-	20-33% straight line
Motor vehicles	-	25% straight line

**STOCKS**

Stocks are stated at the lower of cost and net realisable value with proper provision being made for obsolete and slow moving stock. Cost comprises the invoiced price of goods and materials purchased on a first in first out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**DEFERRED TAXATION**

Deferred taxation is provided under the liability method at current rates of taxation for all short term timing differences. Provision is also made for long term timing differences except those which are not expected to reverse in the foreseeable future.

**LEASING AND HIRE PURCHASE COMMITMENTS**

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their expected useful lives, or the leased term whichever is shorter. The capital element of the obligation is included in the balance sheet as a creditor net of future finance charges.

The interest element of the rental obligation 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 lease term.

**GRANTS RECEIVABLE**

Grants receivable in respect of tangible fixed assets, including the stadium development, are treated as deferred credits and are released to the profit and loss account over the estimated useful life of the assets concerned.

Revenue grants are credited to the profit and loss account in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998Accounting policies (Contd)**TRANSFER FEES AND SIGNING ON FEES**

Fees payable to other Football Clubs on the transfer of players' registrations are capitalised and amortised over the period of the respective players' initial contracts.

Fees receivable from other Football Clubs on the transfer of players' registrations are dealt with through the profit and loss account in the accounting period in which the transfer takes place.

Signing on fees are charged to the profit and loss account in the accounting period in which they are payable.

**CAPITALISATION OF INTEREST**

Interest costs incurred in the construction of the new stadium have been capitalised during the period of construction.

**INVESTMENTS**

Investments are stated at cost less provision for permanent diminutions in value. Cost is purchase price including acquisition expenses but excluding any payment for accrued interest or fixed dividend entitlement.

**TURNOVER**

Turnover consists of the revenue from footballing activities and associated commercial activities excluding the transfer of players' registrations, stated net of VAT. Turnover is attributable to one continuing activity and no geographical analysis is considered necessary.

3 <u>Operating loss</u>	1998 £	1997 £
This is stated after charging/(crediting):		
Auditors' remuneration - audit services	6500	9800
- non-audit services	12582	8178
Depreciation of owned assets	44048	10229
Depreciation of assets held under finance	17621	7791
leases and hire purchase contracts		
Amortisation of intangible assets	55450	43950
Operating lease rentals - land and buildings	13400	12987
Deferred income release (note 17)	( 19370)	-
	<hr/>	<hr/>
4 <u>Staff costs</u>	1998 £	1997 £
Wages and salaries	480455	311063
Social security costs	35396	25112
	<hr/>	<hr/>
	515851	336175
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

**4 Staff costs (Continued)**

The average weekly number of employees during the year was 41 (1997 - 42) made up as follows:

	<u>1998</u> No	<u>1997</u> No
Playing staff	28	29
Office and management	4	3
Directors	9	10
	<hr/>	<hr/>
	41	42
	<hr/>	<hr/>

**5 Interest payable**

	<u>1998</u> £	<u>1997</u> £
Bank loans and overdraft	138409	159071
Hire purchase	6643	2951
Other loans	1704	647
Late payment of income tax	3038	-
	<hr/>	<hr/>
	149794	162669
Interest capitalised	-	( 54811)
	<hr/>	<hr/>
	149794	107858
	<hr/>	<hr/>

Included in bank loan and overdraft interest is fNIL (1997 - £99969) of an exceptional item relating to the finance costs of the new stadium incurred outwith the period of construction.

**6 Exceptional items**

	<u>1998</u> £	<u>1997</u> £
Professional fees attributable to stadium development	-	3030
Cost of East Access Road handed over to Highland Council (net of grants)	-	533684
Rent payable due to late development of stadium	-	20000
Professional fees attributable to former clubs/ Scottish League entry	-	6290
	<hr/>	<hr/>
	-	563004
	<hr/>	<hr/>

**7 Taxation**

No provision has been made for corporation tax due to the availability of trading losses.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

8	<u>Intangible assets</u>	<u>Transfer fees</u> £
	<b>COST</b>	
	At 31 May 1997	117500
	Additions	63250
	Disposals	( 54700)
		<hr/>
	At 31 May 1998	126050
		<hr/>
	<b>AMOUNTS WRITTEN OFF</b>	
	At 31 May 1997	( 80950)
	Charge for the year	( 55450)
	Disposals	54700
		<hr/>
	At 31 May 1998	( 81700)
		<hr/>
	<b>NET BOOK VALUE</b>	
	At 31 May 1998	44350
		<hr/>

9	<u>Tangible assets</u>	<u>Heritable property</u> £	<u>Long Leasehold property</u> £	<u>Plant &amp; equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
	<b>COST</b>					
	At 31 May 1997	185000	3764146	81898	7600	4038644
	Additions	57324	45785	47768	21000	171877
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 May 1998	242324	3809931	129666	28600	4210521
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>DEPRECIATION</b>					
	At 31 May 1997	3700	-	14519	1900	20119
	Charge for the year	4846	24500	25173	7150	61669
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 May 1998	8546	24500	39692	9050	81788
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>NET BOOK VALUE</b>					
	At 31 May 1998	233778	3785431	89974	19550	4128733
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of motor vehicles and plant and equipment includes £19550 and £24542 respectively (1997 - £5700 and £23563 respectively) in respect of assets held under finance leases and hire purchase contracts.

Land with a value of £1.710 million has not been depreciated.

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

10 Fixed asset investments

Investment  
in joint  
venture  
£

**COST**

At 31 May 1997 and 31 May 1998

40000

The investment in joint venture represents 50% of the £1 ordinary shares in Caledonian Thistle Properties Limited, a company incorporated in Scotland. Based on the company's first set of accounts for the period ended 31 December 1997, Inverness Thistle & Caledonian Football Club plc's share of net assets amounts to £29446, and share of the net loss amounts to £10554.

11 Stocks

1998  
£

1997  
£

Souvenir stock

5130

6000

12 Debtors

1998  
£

1997  
£

Trade debtors

64511

64274

Amounts due from joint venture

16058

6482

Other debtors

101608

693400

Prepayments and accrued income

14736

4167

196913

768323

13 Creditors: amounts falling due within one year

1998  
£

1997  
£

Bank overdraft

(1100309)

(1333296)

Obligations under finance leases and hire  
purchase contracts (note 15)

( 16041)

( 6586)

Current instalments due on loans (note 16)

( 45000)

( 47500)

Trade creditors

( 98345)

( 127901)

Other taxation and social security

( 72637)

( 77399)

Other creditors

( 136420)

( 504688)

Accruals and deferred income

( 44969)

( 43287)

Corporation tax

( 39908)

( 25000)

(1553629)

(2165657)

The bank overdraft is secured by a fixed charge over the company's properties and a floating charge over the company's assets.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

**14 Creditors: amounts falling due after more than one year**

	<u>1998</u> £	<u>1997</u> £
Obligations under finance leases and hire purchase contracts (note 15)	( 34363)	( 25903)
Loans (note 16)	( 112500)	( 113750)
	<u>( 146863)</u>	<u>( 139653)</u>

**15 Obligations under finance leases and hire purchase contracts**

	<u>1998</u> £	<u>1997</u> £
Current obligations (Note 13)	16041	6586
Non-current obligations (Note 14)	34363	25903
	<u>50404</u>	<u>32489</u>

Analysis of changes in finance leases and hire purchase contracts during the current and prior year:

	<u>1998</u> £	<u>1997</u> £
At 31 May 1997	32489	-
Inception of finance lease and hire purchase contracts	32595	37054
Capital element of finance lease and hire purchase payments	( 14680)	( 4565)
	<u>50404</u>	<u>32489</u>

**16 Loans**

	<u>1998</u> £	<u>1997</u> £
Wholly repayable within five years:		
Football Trust loan	( 110000)	( 150000)
Scottish Brewers loan	-	( 11250)
	<u>( 110000)</u>	<u>( 161250)</u>
Not wholly repayable within five years:		
Scottish Brewers loan	( 47500)	-
	<u>( 157500)</u>	<u>( 161250)</u>

The loan from the Football Trust is interest free and repayable in quarterly instalments of £10000.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

**16 Loans (Continued)**

The loan from Scottish Brewers is secured over part of the company's heritable property, is repayable in monthly instalments of £416.67 and carries interest at 6% per annum (or such rate as may be fixed from time to time).

	<u>1998</u> £	<u>1997</u> £
Amounts repayable:		
Within five years	( 135000)	( 161250)
After five years	( 22500)	-
	<hr/>	<hr/>
	( 157500)	( 161250)
Included in current liabilities (Note 13)	45000	47500
	<hr/>	<hr/>
Included in non-current liabilities (Note 14)	( 112500)	( 113750)
	<hr/>	<hr/>

Analysis of changes in loan financing during the current and prior year:

	<u>1998</u> £	<u>1997</u> £
At 31 May 1997	( 161250)	( 208750)
New secured loan	( 50000)	-
Repayment of loans	53750	47500
	<hr/>	<hr/>
At 31 May 1998	( 157500)	( 161250)
	<hr/>	<hr/>

**17 Provisions for liabilities and charges**

	Grant income <u>deferred</u> £
As at 31 May 1997	1688581
Amortised in year	( 19370)
Reversal of grant debtor	( 28288)
	<hr/>
As at 31 May 1998	1640923
	<hr/>

No deferred taxation provision is necessary due to the availability of losses.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

18 Share capital

	<u>1998</u>	<u>1997</u>
	£	£
Authorised:		
1063978 ordinary shares of £1 each	1063978	900108
2000000 "A" ordinary shares of £1 each	2000000	2000000
1000000 "B" ordinary shares of £1 each	1000000	1000000
3 "C" ordinary shares of £1 each	3	3
	<hr/>	<hr/>
	4063981	3900111
	<hr/>	<hr/>
Issued and fully paid:		
1063978 ordinary shares of £1 each	1063978	563978
600000 "A" ordinary shares of £1 each	600000	600000
300000 "B" ordinary shares of £1 each	300000	300000
3 "C" ordinary shares of £1 each	3	3
	<hr/>	<hr/>
	1963981	1463981
	<hr/>	<hr/>

During the current year an additional 500,000 ordinary shares of £1 each were issued for a consideration of £500,000, in order to provide working capital.

The "A", "B" and "C" ordinary shares rank pari passu in all respects with the ordinary shares, with the exception of voting rights as follows:

- (a) the holders of the "A" shares are entitled, as a class, to appoint five directors until 30 June 1998.
- (b) the holders of the "B" shares are entitled, as a class, to appoint three directors until 30 June 1998.
- (c) the holders of the "C" shares are entitled, as a class, to appoint three directors until 30 June 2002.
- (d) the holders of the "A", "B" and "C" shares have the right to receive notice of, attend and speak at shareholder meetings but do not have the right to vote at such meetings, save in relation to the appointment of representative directors.

With regard to voting rights the 108 ordinary shares held by the Caledonian Thistle Members Club have enhanced rights in that so long as they are held by the Members Club they shall hold 25% of the votes available; this was amended from 49% on 16 April 1998. However, prior to 12 June 1997 each of the ordinary shares held by the Members Club had 10000 votes.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

19 Reserves

	<u>Share premium account</u> £	<u>Profit &amp; loss account</u> £
At 31 May 1997	164748	( 752622)
Loss for the year	-	( 284658)
Final settlement of former clubs' liabilities	( 2824)	-
Additional corporation tax due on sale of Kingsmills Park	( 14908)	-
	<hr/>	<hr/>
At 31 May 1998	<u>147016</u>	<u>(1037280)</u>

20 Reconciliation of movements in shareholders' funds

	<u>1998</u> £	<u>1997</u> £
Loss for the financial year	( 284658)	( 803303)
Other recognised gains and losses relating to the year (net)	( 17732)	( 177220)
	<hr/>	<hr/>
Net reduction in shareholders' funds	( 302390)	( 980523)
Opening shareholders' funds	876107	(1292760)
New share capital subscribed	500000	563870
	<hr/>	<hr/>
Closing shareholders' funds	<u>1073717</u>	<u>876107</u>

21 Capital commitments

	<u>1998</u> £	<u>1997</u> £
Authorised and contracted for	60133	-
	<hr/>	<hr/>

22 Other financial commitments

At 31 May 1998 the company had annual commitments under non-cancellable operating leases as follows:

	<u>1998</u> <u>Land &amp; buildings</u> £	<u>1998</u> <u>Other</u> £	<u>1997</u> <u>Land &amp; buildings</u> £
Operating leases which expire:			
Within 2 - 5 years	-	3070	-
In over 5 years	12500	-	12500
	<hr/>	<hr/>	<hr/>
	<u>12500</u>	<u>3070</u>	<u>12500</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 1998

**23 Related party transactions**

- (a) During the year the company entered into transactions, on normal commercial terms, with companies in which certain directors have an interest:-

<u>Director</u>	<u>Company</u>
Dugald McGilvray	Weldex (International) Offshore Limited
Roy McLennan	Highland Office Equipment Limited
Kenneth Thomson	Ness Leasing Limited
	Kentay Catering Sales Limited

- (b) As disclosed in note 12 £16058 (1997 - £6482) was due from Caledonian Thistle Properties Limited, a company jointly controlled by the football club, in connection with expenses paid on its behalf.

**24 Ultimate controlling party**

The company has no ultimate controlling party.

**25 Contingent liabilities**

- (a) An action is currently being brought by some of the former clubs membership and the costs expected to be incurred by the company in defending this action are estimated at £15000. However, should the action be successful the costs incurred by the company are likely to be greater although at this stage the exact amount cannot be quantified.
- (b) A bank guarantee of £40,000 has been granted to MacGregor Construction in order to cover the retention due with regard to the construction of the new stadium.
- (c) Grants received from the Football Trust, the European Regional Development Fund and the Highland Council totalling £1,964,889, are repayable in whole or part in the event of the company being in default of the terms of the agreements with the respective authorities.
- (d) The company is currently in negotiations with the Inland Revenue with regard to the capital gains tax liability arising on the disposal of the Telford Street ground. This liability has not yet been agreed and the District Valuer is currently contesting the valuation used; the surveyor providing the valuation is confident that the value is correct and will eventually be accepted. If the valuation proposed by the surveyor is accepted no liability will arise. No provision has been incorporated into the financial statements as at this point in time, no exact liability can be ascertained.