

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

(trading as Inverness Caledonian Thistle F C)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997



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

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

DIRECTORS

Iain Gordon
James A Jarvie
Dugald M McGilvray (Chairman)
Alister I MacKenzie
Craig R Maclean
Roy G McLennan
Norman H Miller
John Price (resigned 31 May 1997)
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 plc
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

This has been an exceptional year for Inverness Thistle and Caledonian Football Club PLC and for Inverness Caledonian Thistle Football Club:

In September 1996 the Company launched a share issue which raised £564,000 before expenses.

In November 1996 Phase 1 of Caledonian Stadium was opened.

In April 1997 we won the Scottish Third Division Championship.

It has been a good year both on and off the field.

Caledonian Stadium has been constructed to meet the criteria required for Third and Second Division Scottish League Football and is the envy of many Scottish Football League Clubs. The aim is for it to meet the criteria of Premier League football.

I would like to thank my fellow Directors and Management Committee for all the hard work they have done during the past three years.

In winning the Scottish Third Division Championship we had a run of 22 games undefeated including 11 straight wins. We believe that this is a record in Scottish League Football.

I would like to congratulate our Manager, Steve Paterson, his players and backroom staff for bringing success to Inverness.

Unfortunately success does not come cheap and to this end the Board have had to make some severe decisions which will affect the future of the club.

The trading account shows that the company made a loss of £803,303 for the year. However this is mainly due to a number of exceptional items.

The largest exceptional cost was the Access road to the Stadium. When the Company received planning permission for the stadium at East Longman one of the conditions was that we would have to construct a distributor road. Once the road was complete it was to become the property of the Highland Council.

The cost of the road was approximately £1.36 million (including professional fees) and due to the fact that it is not the property of the Company, the Board has written the whole cost off immediately, together with the grants received in respect of the road construction. This has resulted in a net charge of £533,684 in the Profit and Loss Account relating to the distributor road.

The Company has also been forced to pay large amounts of interest, mainly due to the late payment of grants. In the year to 31 May 1997 this amounted to £159,071; £54,811 of which has been capitalised as it related to the construction phase of the stadium.

To achieve success on the field we have had to spend in excess of £130,000 in transfer fees to bring players to the club. The majority of this cost has been treated as an expense in the last two years.

Winning the Championship cost the club extra money in Team Bonuses but this was not recovered by the gate receipts or sponsorship monies; indeed league payments have dropped by some 20% mainly due to the National Lottery taking money away from the Pools.

In addition to this we are still paying large professional fees relating to the merger. Hopefully these will now cease.

CHAIRMAN'S REPORT (Continued)

The Board are looking at all expenses and hoping to reduce overhead costs in the future. However taking all the above into account, I believe that off the field we have now formed a good foundation to expand our stadium in the near future.

On the field the manager believes that he has now got the nucleus of a squad to move forward.

I would like to thank everyone for the support given.

Yours in sport

A handwritten signature in black ink, appearing to be 'J. H. ...', written over a horizontal line.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 1997

The directors submit their report and the audited financial statements of the company for the year ended 31 May 1997.

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.

CHANGE OF NAME AND SHARE ISSUE

On 9 September 1996 the company re-registered as Inverness Thistle & Caledonian Football Club Plc. During the period a total of £413595 (net of expenses) was raised from the issue of ordinary shares. Full details of the issue are provided in Note 18 to 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 £803303. The directors recommend that no dividend (1995 - Nil) be paid.

FUTURE DEVELOPMENTS

It is the directors' intention that the players will become full-time in order to continue the Clubs progression in Scottish football.

EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 1997 (Continued)

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 May 1997 and their interests in the share capital of the company at that date were as follows:

	<u>Ordinary Shares</u>	
	<u>1997</u>	<u>1996</u>
Iain Gordon	4500	-
James A Jarvie	1500	-
Dugald M McGilvray (Chairman)	80000	-
Alister I MacKenzie	500	-
Craig R Maclean	1000	-
Roy G McLennan	30000	-
Norman H Miller	500	-
John Price (resigned 31 May 1997)	-	-
Douglas Riach	4500	-
Kenneth A Thomson	6000	-

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

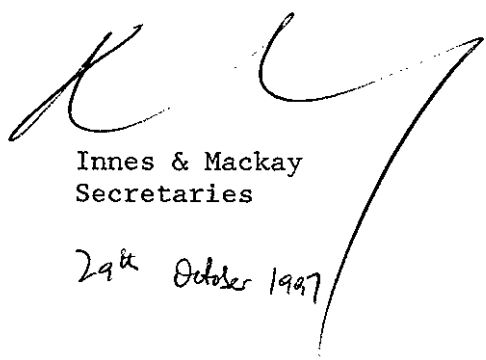
PAYMENT OF CREDITORS

It is the company's policy to pay creditors in line with terms and conditions agreed with individual suppliers.

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

29th October 1997

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 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 1997 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

W D JOHNSTON & CARMICHAEL CA
Registered Auditors

Inverness

29th October 1997

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	2	518853	446094
Net operating expenses		(656492)	(470586)
OPERATING LOSS	3	(137639)	(24492)
Gain on sale of player's registrations		4634	21343
Gain on disposal of fixed assets		-	251087
Exceptional items	6	(563004)	(19104)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(696009)	228834
Interest receivable		564	-
Interest payable	5	(107858)	(21226)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(803303)	207608
Taxation	7	-	-
RETAINED (LOSS)/PROFIT FOR THE YEAR	19	(803303)	207608

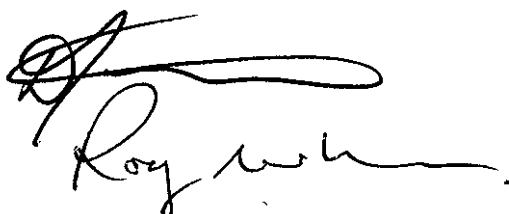
CONTINUING OPERATIONS

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 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS			
Intangible assets	8	36550	70500
Tangible assets	9	4018525	2062832
Investments	10	40000	-
		<hr/>	<hr/>
		4095075	2133332
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	11	6000	5962
Debtors	12	768323	877986
Cash at bank and in hand		600	225631
		<hr/>	<hr/>
		774923	1109579
		<hr/>	<hr/>
CREDITORS: amounts falling due within one year	13	(2165657)	(1269583)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(1390734)	(160004)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2704341	1973328
		<hr/>	<hr/>
CREDITORS: amounts falling due after more than one year	14	(139653)	(150000)
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES	17	(1688581)	(530568)
		<hr/>	<hr/>
NET ASSETS		876107	1292760
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	18	1463981	900111
Share premium	19	164748	341968
Profit and loss account	19	(752622)	50681
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	20	876107	1292760
		<hr/>	<hr/>

The financial statements were approved by the board on 28th October 1997



Director

Director

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MAY 1997

	<u>1997</u> £	<u>1996</u> £
(Loss)/profit for the financial year	(803303)	207608
Share issue expenses	(150275)	-
Excess of assets transferred from former clubs	-	341968
Final settlement of former clubs' liabilities	(1945)	-
Corporation tax due on sale of Kingsmills Park	(25000)	-
	<hr/>	<hr/>
Total recognised gains and losses	(980523)	549576
	<hr/>	<hr/>

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	1(a)	(1085017)	(236829)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	1(b)	(160303)	(39266)
CAPITAL EXPENDITURE	1(b)	(2337083)	510336
ACQUISITIONS AND DISPOSALS	1(b)	(40427)	(136500)
FINANCING	1(b)	2064503	298717
(DECREASE)/INCREASE IN CASH		<u>(1558327)</u>	<u>396458</u>

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

	<u>1997</u> £	<u>1996</u> £
(Decrease)/increase in cash in the year	<u>(1558327)</u>	<u>396458</u>
Movement in net debt in year	(1558327)	396458
Net funds/(debt) at 1 June 1996	<u>225631</u>	<u>(170827)</u>
Net (debt)/funds at 31 May 1997	<u>(1332696)</u>	<u>225631</u>

INVERNESS THISTLE & CALEDONIAN FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MAY 1997**1 Cash Flow Statement****(a) Reconciliation of operating loss to net cash outflow from operating activities**

	<u>1997</u> £	<u>1996</u> £
Operating loss	(700643)	(43596)
Depreciation	18020	1628
Grant release	(824608)	-
Amortisation of transfer fees	43950	37000
Increase in stock	(38)	(3583)
Decrease/(increase) in debtors	227003	(249204)
Increase in creditors	151299	20926
	<hr/>	<hr/>
Net cash outflow from operating activities	(1085017)	(236829)
	<hr/>	<hr/>

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

	<u>1997</u> £	<u>1996</u> £
RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
Interest paid	(160867)	(39266)
Interest received	564	-
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(160303)	(39266)
	<hr/>	<hr/>
CAPITAL EXPENDITURE		
Payments to acquire intangible fixed assets	(10000)	(107500)
Payments to acquire tangible fixed assets	(2535925)	(640581)
Receipts from sales of players	4634	21343
Receipts from sales of tangible fixed assets	204208	1237074
	<hr/>	<hr/>
Net cash (outflow)/inflow for capital expenditure	(2337083)	510336
	<hr/>	<hr/>
ACQUISITIONS & DISPOSALS		
Net overdraft acquired with former clubs	-	(136500)
Settlement of former clubs overdraft	(427)	-
Purchase of interest in a joint venture	(40000)	-
	<hr/>	<hr/>
Net cash outflow for acquisitions and disposals	(40427)	(136500)
	<hr/>	<hr/>
FINANCING		
New unsecured loan	-	200000
Repayment of loans	(45625)	(10000)
Issue of ordinary share capital	563870	100
Grants received	1664044	108617
Expenses paid in connection with share issue	(150275)	-
New HP agreements entered into	37054	-
Capital element of HP rental payments	(4565)	-
	<hr/>	<hr/>
Net cash inflow from financing	2064503	298717
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997

(c) Analysis of net debt

	At 1 June <u>1996</u> £	Cash <u>flows</u> £	At 31 May <u>1997</u> £
Cash in hand, at bank	225631	(225031)	600
Overdrafts	-	(1333296)	(1333296)
	<hr/>	<hr/>	<hr/>
	225631	(1558327)	(1332696)
	<hr/>	<hr/>	<hr/>

(d) Cashflow relating to exceptional items

In 1996 the operating cash outflow includes an outflow of £19104 which relates to professional fees incurred in the construction of the new stadium. Returns on investments and servicing of finance includes £10000 of interest incurred in connection with the stadium development.

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 includes £73915 of interest and similar charges incurred in connection with the stadium development.

(e) Major non-cash transactions

During 1996, as part of the merger agreement which resulted in the club's formation, Caledonian FC and Inverness Thistle FC transferred assets of £776569 and £465399 respectively in return for 600000 and 300000 ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997

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 bank overdrafts from the Bank of Scotland plc. The directors have ensured sufficient arrangements are in place to ensure all third party liabilities are met as they fall due. On this basis, 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	-	10-25% 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 future obligations are included as liabilities in the balance sheet.

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 1997

Accounting 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>	<u>1997</u>	<u>1996</u>
		£	£
	This is stated after charging/(crediting):		
	Auditors' remuneration - audit services	9800	6000
	- non-audit services	8178	1435
	Depreciation of owned assets	10229	1628
	Depreciation of assets held under finance leases and hire purchase contracts	7791	-
	Amortisation of intangible assets	43950	37000
	Operating lease rentals - land and buildings	12987	8333
		<hr/>	<hr/>
4	<u>Staff costs</u>	<u>1997</u>	<u>1996</u>
		£	£
	Wages and salaries	311063	260008
	Social security costs	25112	16037
		<hr/>	<hr/>
		336175	276045
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997**4** Staff costs (Continued)

The average weekly number of employees during the year was 32 (1996 - 32) made up as follows:

	<u>1997</u> No	<u>1996</u> No
Playing staff	21	22
Office and management	11	10
	<hr/>	<hr/>
	32	32
	<hr/>	<hr/>

5 Interest payable

	<u>1997</u> £	<u>1996</u> £
Bank loans and overdraft	159071	39266
Hire purchase	2951	-
Other loans	647	-
	<hr/>	<hr/>
	162669	39266
Interest capitalised	(54811)	(18040)
	<hr/>	<hr/>
	107858	21226
	<hr/>	<hr/>

Included in bank loan and overdraft interest is £99969 (1996 - £10000) of an exceptional item relating to the finance costs of the new stadium incurred outwith the period of construction.

6 Exceptional items

	<u>1997</u> £	<u>1996</u> £
Professional fees attributable to stadium development	3030	19104
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	19104
	<hr/>	<hr/>

7 Taxation

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997

8 Intangible assets

	Transfer fees £
COST	
At 31 May 1996	107500
Additions	10000
	<hr/>
At 31 May 1997	117500
	<hr/>
AMOUNTS WRITTEN OFF	
At 31 May 1996	(37000)
Charge for the year	(43950)
	<hr/>
At 31 May 1997	(80950)
	<hr/>
NET BOOK VALUE	
At 31 May 1997	36550
	<hr/>

9 Tangible assets

	<u>Heritable property</u> £	<u>Long Leasehold property</u> £	<u>Plant & equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
COST					
At 31 May 1996	185000	1855591	24340	-	2064931
Additions	-	1908555	57558	7600	1973713
	<hr/>				
At 31 May 1997	185000	3764146	81898	7600	4038644
	<hr/>				
DEPRECIATION					
At 31 May 1996	-	-	2099	-	2099
Charge for the year	3700	-	12420	1900	18020
	<hr/>				
At 31 May 1997	3700	-	14519	1900	20119
	<hr/>				
NET BOOK VALUE					
At 31 May 1997	181300	3764146	67379	5700	4018525
	<hr/>				

In the current year no depreciation has been provided on the stadium development, as in the directors opinion none is necessary, as until 30 September 1997 the development is covered by a warranty granted by the developers. Based on the directors proposed depreciation policy gross depreciation of £43915 accrued for the year. £19700 of deferred grant release would however have been available resulting in a net effect of £24215.

The net book value of motor vehicles and plant and equipment includes £5700 and £23563 respectively (1996 - £Nil) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997

10 Fixed asset investments

Investment
in joint
venture
£

COST

Acquisitions

40000

At 31 May 1997

40000

The investment in joint venture represents 100% of the "A" ordinary shares in Caledonian Thistle Properties Limited, a company incorporated in Scotland.

11 Stocks

1997
£

1996
£

Souvenir stock

6000

3500

Other sundry stock

-

2462

6000

5962

12 Debtors

1997
£

1996
£

Trade debtors

64274

82121

Amounts due from joint venture

6482

-

Other debtors

693400

764698

Prepayments and accrued income

4167

31167

768323

877986

13 Creditors: amounts falling due within one year

1997
£

1996
£

Bank overdraft

(1333296)

-

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

(6586)

-

Current instalments due on loans (note 16)

(47500)

(58750)

Trade creditors

(127901)

(12383)

Other taxation and social security

(77399)

(46066)

Other creditors

(504688)

(1142216)

Accruals and deferred income

(43287)

(10168)

Corporation tax

(25000)

-

(2165657)

(1269583)

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 1997

14 Creditors: amounts falling due after more than one year

	<u>1997</u>	<u>1996</u>
	£	£
Obligations under finance leases and hire purchase contracts (note 15)	(25903)	-
Loans (note 16)	(113750)	(150000)
	<hr/>	<hr/>
	(139653)	(150000)
	<hr/>	<hr/>

15 Obligations under finance leases and hire purchase contracts

	<u>1997</u>	<u>1996</u>
	£	£
Current obligations (Note 13)	6586	-
Non-current obligations (Note 14)	25903	-
	<hr/>	<hr/>
	32489	-
	<hr/>	<hr/>

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

	<u>1997</u>	<u>1996</u>
	£	£
At 31 May 1996	-	-
Inception of finance lease and hire purchase contracts	37054	-
Capital element of finance lease and hire purchase payments	(4565)	-
	<hr/>	<hr/>
At 31 May 1997	32489	-
	<hr/>	<hr/>

16 Loans

	<u>1997</u>	<u>1996</u>
	£	£
Wholly repayable within five years:		
Football Trust loan	(150000)	(190000)
Scottish Brewers loan	(11250)	(18750)
	<hr/>	<hr/>
	(161250)	(208750)
	<hr/>	<hr/>

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 1997**16 Loans (Continued)**

The loan from Scottish Brewers is secured over part of the company's heritable property, is repayable in monthly instalments of £625 and carries interest at 6% per annum (or such rate as may be fixed from time to time).

	<u>1997</u> £	<u>1996</u> £
Amounts repayable:		
Within five years	(161250)	(208750)
Included in current liabilities (Note 13)	47500	58750
	<hr/>	<hr/>
Included in non-current liabilities (Note 14)	(113750)	(150000)
	<hr/>	<hr/>

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

	<u>1997</u> £	<u>1996</u> £
At 31 May 1996	(208750)	-
New unsecured loan	-	(200000)
New secured loan	-	(18750)
Repayment of loans	47500	10000
	<hr/>	<hr/>
At 31 May 1997	(161250)	(208750)
	<hr/>	<hr/>

The new secured loan in 1996 represents the assignation of amounts due under a loan to one of the former clubs involved in the merger; as part of the merger the new club took over the liability.

17 Provisions for liabilities and charges

	Grant income <u>deferred</u> £
As at 31 May 1996	530568
Received in year	1982621
Written off to profit and loss account	(824608)
	<hr/>
As at 31 May 1997	1688581
	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 199718 Share capital

	<u>1997</u>	<u>1996</u>
	£	£
Authorised:		
900108 ordinary shares of £1 each	900108	1000
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/>
	3900111	3001003
	<hr/>	<hr/>
Issued and fully paid:		
563978 ordinary shares of £1 each	563978	108
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/>
	1463981	900111
	<hr/>	<hr/>

On 16 September 1996 900000 ordinary shares of £1 each were offered in a share issue at £1 each. £413595 was raised as a result of this offer being 563870 ordinary shares at £1 each less expenses of issue.

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 each have 10000 votes. However post year end a resolution has been passed altering the voting rights so that the Members Club will always hold 49% of the votes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997

19 Reserves

	<u>Share premium account</u> £	<u>Profit & loss account</u> £
At 31 May 1996	341968	50681
Retained loss for the year	-	(803303)
Final settlement of former clubs' liabilities	(1945)	-
Expenses of share issue	(150275)	-
Corporation tax due on sale of Kingsmills Park	(25000)	-
	<hr/>	<hr/>
At 31 May 1997	<u>164748</u>	<u>(752622)</u>

20 Reconciliation of movements in shareholders' funds

	<u>1997</u> £	<u>1996</u> £
(Loss)/profit for the financial year	(803303)	207608
Other recognised gains and losses relating to the year (net)	(177220)	341968
	<hr/>	<hr/>
Net (reduction in)/addition to shareholders' funds	(980523)	549576
Opening shareholders' funds	1292760	(156916)
New share capital subscribed	563870	900100
	<hr/>	<hr/>
Closing shareholders' funds	<u>876107</u>	<u>1292760</u>

21 Capital commitments

	<u>1997</u> £	<u>1996</u> £
Contracted but not provided for	-	1660000
	<hr/>	<hr/>

22 Other financial commitments

At 31 May 1997 the company had annual commitments under non-cancellable operating leases as follows:

	<u>1997</u> <u>Land & buildings</u> £	<u>1996</u> <u>Land & buildings</u> £
Operating leases which expire:		
In over 5 years	<u>12500</u>	<u>12500</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997

23 Related party transactions

- (a) During the year the company entered into transactions, on normal commercial terms, with companies in which certain directors have a controlling interest.
- (b) Share underwriting costs of £46400 were paid to companies in which the clubs directors have an interest. This money was immediately reinvested in the company's share capital.
- (c) During the year the company paid £44682 to Caledonian Thistle Properties Limited to purchase ground at Grant Street, in order to ensure Highland League football remained in Inverness.

24 Ultimate controlling party

The company's ultimate controlling party is Caledonian Thistle Members Club.

25 Contingent liabilities

- (a) An action is currently being brought by some of the former clubs membership and if this is successful the costs incurred by the club are estimated at £20000.
- (b) The club is currently, as are all other Scottish League Clubs, subject to a PAYE investigation with regard to expenses paid to employees. The financial impact of this cannot be ascertained and therefore no provision has been included in the accounts.
- (c) A bank guarantee of £40000 has been granted to MacGregor Construction in order to cover the retention due with regard to the construction of the new stadium.
- (d) 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.
- (e) Included within the accounts is a £25000 provision with regard to the capital gains tax liability arising on the disposal of Kingsmills Park. This liability has not yet been agreed and is dependant on the District Valuer agreeing the valuation used; the surveyor providing the valuation is reasonably confident that the value will be accepted. However, if this is not the case, then the final liability is likely to be higher although no exact figure can be ascertained at this point in time.

26 Post balance sheet event

After the year end the company handed over the East Access Road to Highland Council for no consideration. The financial effect of this transaction is given in note 6.

Post year end the company has issued a further 208200 ordinary £1 shares for consideration of £208200 and an additional issue of 297800 ordinary £1 shares is currently being negotiated with interested parties.