

03301

Southampton Football Club Limited

Report and Accounts

31 May 1997

 ERNST & YOUNG



CONTENTS

Page	
2 - 3	DIRECTORS' REPORT
4	REPORT OF THE AUDITORS
5	PROFIT AND LOSS ACCOUNT
6	BALANCE SHEET
7 - 13	NOTES TO THE ACCOUNTS

Southampton Football Club Limited

Registered No. 53301

PRESIDENT

John Corbett

VICE PRESIDENT

Ted Bates

DIRECTORS

R J G Lowe (Chairman)

B H D Hunt (Vice Chairman)

A E Cowen

I L Gordon

M R Richards, FCA

K St J Wiseman, MA

SECRETARY

B Truscott

TEAM MANAGER

Dave Jones

COMMERCIAL MANAGER

J O'Sullivan

AUDITORS

Ernst & Young

Chartered Accountants

Southampton

BANKERS

Barclays Bank PLC

Southampton City Branch

SOLICITORS

Trethowan Woodford

Southampton

Paris, Smith & Randall

Southampton

REGISTERED OFFICE

The Dell

Milton Road

Southampton

Southampton Football Club Limited

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 May 1997.

PRINCIPAL ACTIVITY

The company is a football club, which participates in the FA Premier League, other leagues and Cup competitions.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 5 and shows a loss for the year of £3,624,031 (1996: £1,328,479).

SHARE TRANSFER

On 13 January 1997 the whole of the issued share capital of the company was acquired by Southampton Leisure Holdings PLC (formerly Secure Retirement PLC).

FIXED ASSETS

The movement in fixed assets is shown on note 9 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

F G L Askham	(resigned 31 May 1997)
A E Cowen	(appointed 13 January 1997)
I L Gordon	
B H D Hunt	
R J G Lowe	(appointed 13 January 1997)
M R Richards	
L McMenemy	(resigned 24 May 1997)
K St J Wiseman	

At the year end the directors' interests in the share capital of the company were as follows:

	<i>Shareholdings at 31 May</i>	
	<i>1997</i>	<i>1996</i>
I L Gordon	-	2,500
B H D Hunt	-	2,500
M R Richards	-	2,500
K St J Wiseman	-	2,500

The directors' interests in the share capital of the parent undertaking, Southampton Leisure Holdings PLC, are disclosed in the directors' report of that company.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

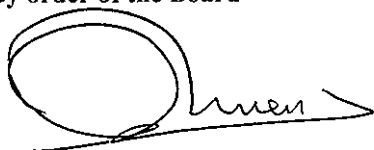
PLAYERS' REGISTRATION

As stated in accounting policy note 1 no underlying value of the registrations of players under contract is reflected in the accounts. Although not necessarily an indicator of current market value, the players are currently insured for a total of £14.15 million.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



B Truscott

Secretary

28 August 1997

REPORT OF THE AUDITORS
to the members of Southampton Football Club Limited

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

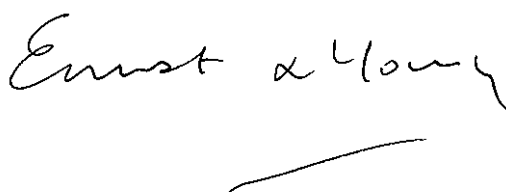
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company 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.

Ernst & Young
Chartered Accountants
Registered Auditor
Southampton
25 November 1997

A handwritten signature in cursive script that reads 'Ernst & Young'. Below the signature is a horizontal line.

Southampton Football Club Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 May 1997

	Notes	1997 £	1996 £
TURNOVER	2	9,238,238	7,476,586
Cost of sales		6,561,731	4,753,142
GROSS PROFIT		2,676,507	2,723,444
Administrative expenses		1,474,072	1,010,203
OPERATING PROFIT	3	1,202,435	1,713,241
Interest (payable)/receivable	6	(40,558)	19,690
OPERATING PROFIT BEFORE TRANSFERS		1,161,877	1,732,931
Net player transfer and signing on fees	7	(4,785,908)	(3,088,726)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,624,031)	(1,355,795)
Taxation on loss on ordinary activities	8	-	27,316
RETAINED LOSS FOR THE YEAR	17	(3,624,031)	(1,328,479)

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

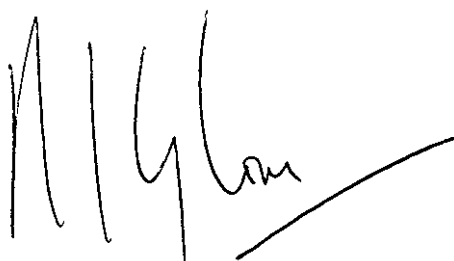
Southampton Football Club Limited

BALANCE SHEET

at 31 May 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	696,627	698,292
Investments	10	1,000	751,000
		<u>697,627</u>	<u>1,449,292</u>
CURRENT ASSETS			
Debtors	11	2,631,649	972,920
Cash and bank balances		3,562	3,021
		<u>2,635,211</u>	<u>975,941</u>
CREDITORS: amounts falling due within one year	12	7,057,288	2,741,477
		<u>(4,422,077)</u>	<u>(1,765,536)</u>
NET CURRENT LIABILITIES			
		<u>(3,724,450)</u>	<u>(316,244)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	13	880,570	664,745
PROVISION FOR LIABILITIES AND CHARGES	15	177,249	177,249
		<u>1,057,819</u>	<u>841,994</u>
		<u>(4,782,269)</u>	<u>(1,158,238)</u>
CAPITAL AND RESERVES			
Called up share capital	16	52,570	52,570
Profit and loss account	17	(4,834,839)	(1,210,808)
		<u>(4,782,269)</u>	<u>(1,158,238)</u>
SHAREHOLDERS' FUNDS - equity interests	17	<u>(4,782,269)</u>	<u>(1,158,238)</u>

R J G Lowe
Chairman



M R Richards
Director



28 August 1997

Southampton Football Club Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention. The accounts are prepared in accordance with applicable accounting standards.

Consolidated accounts

The company is a wholly owned subsidiary undertaking of Southampton Leisure Holdings PLC. As a wholly owned subsidiary of a company registered in England and Wales this company is exempt from producing group accounts under Section 228 of the Companies Act 1985.

Cash flow statement

The company has utilised the exemptions provided under Financing Reporting Standard No.1 as a wholly owned subsidiary undertaking of a parent undertaking within the European Community and has not presented a cash flow statement.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Equipment	-	over 10 years
Motor vehicles	-	over 5 years

Stocks

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

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Transfer and signing on fees

Fees payable to and receivable from other football clubs on the transfer of players' registrations together with associated costs are dealt with through the profit and loss account in the year in which the transfer takes place. Signing on fees are charged in the period in which contract commences. Contingent fees payable and receivable, dependent upon the number of first team appearances and international debuts made, are taken to the profit and loss account in the period when the conditions of the contract are satisfied. No underlying value of the registrations of players currently under contract is therefore reflected in the assets of the group.

Investments

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

Southampton Football Club Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

1. ACCOUNTING POLICIES (continued)

Football Trust grants

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

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

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

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one continuing activity, the operation of a professional football club.

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1997 £	1996 £
Auditors' remuneration	9,265	9,000
Depreciation	153,913	137,684
Loss/(profit) on sale of assets	22,726	(18,165)
Merger costs	224,431	-
	<u> </u>	<u> </u>

4. DIRECTORS' REMUNERATION

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

Director	Related undertaking	Charge for the year £
I L Gordon	Paris Smith & Randall	31,055
M R Richards	Burnett Swayne	35,500
L McMenemy	Lawrie McMenemy Limited	166,319
		<u> </u>

Southampton Football Club Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

5. STAFF COSTS

	1997 £	1996 £
Wages and salaries	4,281,023	2,800,945
Social security costs	420,496	265,101
Pension contributions	75,019	85,021
	<u>4,776,538</u>	<u>3,151,067</u>

The above amounts exclude signing on fees payable and compensation paid, which are included in note 7, net player transfer and signing on fees.

The average weekly number of employees employed by the group during the year is as follows:

	1997 No.	1996 No.
Direct	64	59
Selling	15	17
Administration	16	20
	<u>95</u>	<u>96</u>

6. INTEREST (PAYABLE)/RECEIVABLE

	1997 £	1996 £
Bank overdraft	(53,431)	(15,265)
Finance charges payable under finance leases and hire purchase contracts	(6,322)	(11,219)
Bank deposit interest	19,195	46,174
	<u>(40,558)</u>	<u>19,690</u>

7. NET PLAYER TRANSFER AND SIGNING ON FEES

	1997 £	1996 £
Transfer fees receivable	3,897,500	367,500
Transfer fees payable	(6,059,916)	(2,236,199)
Signing on fees payable	(1,984,992)	(1,208,527)
Compensation received	-	80,000
Compensation paid	(638,500)	(91,500)
	<u>(4,785,908)</u>	<u>(3,088,726)</u>

Southampton Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1997

8. TAXATION ON LOSS ON ORDINARY ACTIVITIES

The taxation (credit)/charge is made up as follows:

	1997 £	1996 £
Based on the loss for the year:		
UK corporation tax at 33% (1996: 24.83%)	-	(2,584)
Group relief	-	(24,732)
	<u>-</u>	<u>(27,316)</u>

The company has tax losses to be carried forward of approximately £4,600,000.

9. TANGIBLE FIXED ASSETS

	Equipment £	Motor vehicles £	Total £
Cost:			
At 1 June 1996	905,902	192,393	1,098,295
Additions	94,772	104,852	199,624
Disposals	-	(65,052)	(65,052)
At 31 May 1997	<u>1,000,674</u>	<u>232,193</u>	<u>1,232,867</u>
Depreciation:			
At 1 June 1996	353,631	46,372	400,003
Provided during the year	108,277	45,636	153,913
Disposals	-	(17,676)	(17,676)
At 31 May 1997	<u>461,908</u>	<u>74,332</u>	<u>536,240</u>
Net book value:			
At 31 May 1997	<u>538,766</u>	<u>157,861</u>	<u>696,627</u>
At 31 May 1996	<u>552,271</u>	<u>146,021</u>	<u>698,292</u>

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

	£
Net book value at 31 May 1997	<u>79,463</u>
Depreciation charge for the year	<u>12,371</u>

Southampton Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1997

10. INVESTMENTS

	1997 £
Share at cost:	
At 1 June 1996	751,000
Transfer of Dell Estates Limited at cost	(750,000)
	<hr/>
At 31 May 1997	1,000
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Details of the investments in which the group or company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Saints Supporters Club Limited	Ordinary shares	100%	Supporters club

The above company is registered in England and Wales.

The subsidiary undertaking, Dell Estates Limited, was transferred to the ultimate parent undertaking, Southampton Leisure Holdings PLC, at cost, on 31 May 1997.

11. DEBTORS

	1997 £	1996 £
Due within one year:		
Amount due from group undertakings	819,627	549,237
Trade debtors	1,799,752	381,808
Corporation tax	480	13,262
Group relief	-	24,732
Prepayments	11,790	3,881
	<hr/>	<hr/>
	2,631,649	972,920
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12. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Football Trust loan	50,000	100,000
Bank overdraft (secured)	308,623	1,264,671
Amounts due to group undertakings	2,997,760	59,297
Obligations under finance leases and hire purchase contracts	18,205	26,102
Trade creditors	2,720,259	928,465
Corporation tax	-	8,379
Other taxes and social security costs	400,826	205,379
Accruals and deferred income	561,615	149,184
	<hr/>	<hr/>
	7,057,288	2,741,477
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Southampton Football Club Limited

NOTES TO THE ACCOUNTS at 31 May 1997

13. CREDITORS: amounts falling due after more than one year

	1997 £	1996 £
Football Trust loan	-	50,000
Obligations under finance leases and hire purchase contracts	16,152	34,358
Trade creditors	864,418	580,387
	<u>880,570</u>	<u>664,745</u>

The bank borrowings are secured upon group freehold properties.

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

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1997 £	1996 £
Amounts payable:		
within one year	21,401	32,424
in two to five years	18,304	39,706
	<u>39,705</u>	<u>72,130</u>
Less: finance charges allocated to future periods	(5,348)	(11,670)
	<u>34,357</u>	<u>60,460</u>

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

	1997 £	1996 £
At 1 June	60,460	81,666
Capital element of finance lease rental payments	(26,103)	(21,206)
	<u>34,357</u>	<u>60,460</u>

15. PROVISION FOR LIABILITIES AND CHARGES

	1997 £	1996 £
Grants from The Football Trust towards ground improvements	<u>177,249</u>	<u>177,249</u>

Southampton Football Club Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

16. SHARE CAPITAL

	1997 £	1996 £
<i>Authorised:</i>		
Ordinary shares of £1 each	60,000	60,000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	52,570	52,570

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 June 1995	52,570	117,671	170,241
Loss for the financial year	-	(1,328,479)	(1,328,479)
At 1 June 1996	52,570	(1,210,808)	(1,158,238)
Loss for the financial year	-	(3,624,031)	(3,624,031)
At 31 May 1997	52,570	(4,834,839)	(4,782,269)

18. CONTINGENT LIABILITIES

There is a liability to pay to £1,152,200 (1996: £849,200) to other clubs in respect of players under contract, dependent upon the number of first team appearances and international debuts made.

There are unlimited cross guarantees between Southampton Football Club Limited and Dell Estates Limited, given to Barclays Bank PLC, to secure the bank borrowings of the group.

19. ULTIMATE PARENT UNDERTAKING

The directors consider the ultimate parent undertaking to be Southampton Leisure Holdings PLC (formerly Secure Retirement PLC), a company registered in England and Wales. The consolidated accounts of Southampton Leisure Holdings PLC are those of both the largest and smallest group of which the company is a member and for which group accounts are prepared.

Copies of the group accounts may be obtained from the Company Secretary, Southampton Leisure Holdings PLC, Eagle House, 110 Jermyn Street, London SW17 6RH.

20. RELATED PARTY TRANSACTIONS

The company has utilised the exemption given under Financial Reporting Standard No.8 as a wholly owned subsidiary not to disclose transactions with other entities that are part of, or investees in, the Southampton Leisure Holdings PLC group.