

**The Burnley Football and Athletic Company
Limited**

**Directors' report and financial
statements**

Registered Number 054222

31 May 1999



Contents

Officers and professional advisers	1
Chairman's report	2
Directors' report	3
Statement of directors' responsibilities	5
Auditors' report to the members of The Burnley Football and Athletic Company Limited	6
Profit and loss account	7
Statement of total recognised gains and losses	7
Balance sheet	8
Cash flow statement	9
Notes	10

Officers and professional advisers

Directors	BC Kilby (Chairman) RS Ingleby (Vice Chairman) RB Blakeborough CJ Holt FJ Teasdale JF Turkington
Company Secretary	Mrs CL Pickup
Manager	S Ternent
Registered office	Turf Moor Brunshaw Road BURNLEY BB10 4BX
Registered number	054222
Auditors	KPMG Edward VII Quay Navigation Way PRESTON PR2 2YF
Bankers	Lloyds TSB Group plc 7 Manchester Road BURNLEY BB11 1HT

Chairman's report

It gives me great personal pleasure and pride to report to you for the first time as Chairman of the Burnley Football & Athletic Company Limited.

The Company experienced a revolutionary change in its financial structure in the past year centred around a successful rights issue and open offer of ordinary shares in December 1998 that raised £3.9m of new capital and created 136 new shareholders. I thank the shareholders who exercised their rights for showing faith in the club's future and welcome our new shareholders to their first Annual General Meeting.

Since our last Annual General Meeting two new Directors, Ray Ingleby and John Turkington have been appointed by the Board. I trust that you will join me in welcoming them to their new appointments. I am convinced that they will prove to be a great asset to our Company.

The Board have invested a significant proportion of the funds from the rights issue in the first team squad. The recent investment in both players and the stadium has placed a heavy strain on the Company's finances, which, combined with a disappointing performance in the first half of the 1998/99 season, resulted in a loss for the year of £1.8m.

However, the Board maintain that this strategy of investment is imperative in order to achieve success on the pitch and the Company's short term goal of promotion to Division One. This is a priority if we are to secure the ultimate well being and financial stability of the club. The financial chasm between the First and Second Division is growing ever wider and we must make the leap before the distance becomes too wide. Without investment the likelihood of promotion and the subsequent increased revenues are only a remote possibility.

During the year the Board appointed Andrew Watson as its first General Manager and he has already made a great impact on the day to day running of the club, building a lean and efficient organisation that will bear fruit for our Company in the future. Cathy Pickup was also appointed Company Secretary continuing a fine family tradition of service to the club.

I would also like to acknowledge the great strides made by our team Manager Stan Ternent and his staff in turning round our fortunes in a difficult season and giving us justified optimism for the future.

In conclusion I would like to thank all those whose collective talents and commitment have given us the platform for success - players, fellow directors, management, staff and especially our supporters. With their level of ability, dedication and enthusiasm we can only succeed.



BC Kilby
Chairman

1 November 1999

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 1999.

Principal activities

The principal activity of the Company continues to be the operation of a professional Football League Club.

Business review

The Chairman's report adequately covers all major events during the year and future developments. The results for the year are shown on page 7 of the financial statements.

Year 2000

Many computer and digital storage systems express dates using only the last two digits for the year. As a result they will require modification or replacement to accommodate dates in the Year 2000 and beyond, and in some cases, dates in 1999. If not addressed, systems failures may ensue, with potentially serious implications for the ability of an organisation to continue its activities.

The Company has been in the process of assessing the likely impact on it of the issue. This assessment includes both the Company's own systems, and those of its key customers and suppliers. Action plans are being implemented to ensure any problems so far as can be reasonably foreseen, are identified and addressed in advance of critical dates to minimise the risk of disruption to the Company's activities.

The complexity of the Year 2000 issue is such that it is not possible for an organisation to give an absolute guarantee that no problems will remain. However, the Company believes that it will achieve an acceptable level of readiness and will have contingency plans in place to deal with failures or other issues that may arise subsequently.

The Company has an ongoing programme of upgrading and enhancing its computerised systems and the Year 2000 issue is being dealt with as part of this programme. The costs associated with Year 2000 compliance are not expected to be significant.

Proposed dividend

The directors do not recommend the payment of a dividend (1998: £nil).

Directors and directors' interests

The directors who held office at the end of the year and their interest in the shares of the Company were as follows:

	Interest at beginning of year/date of appointment	Interest at end of year
Mr BC Kilby (appointed 28 September 1998)	2,377	17,377
Mr RS Ingleby (appointed 8 February 1999)	3,548	6,048
Mr RB Blakeborough	862	862
Mr CJ Holt	1,439	2,074
Mr FJ Teasdale	1,722	1,722

On 28 August 1999 Mr JF Turkington was appointed a director of the Company.

On 28 September 1998 Mr BM Rothwell and Dr RD Iven resigned their office as directors.

Directors' report

Directors and directors' interests *(continued)*

In accordance with the Company's Articles of Association Mr FJ Teasdale retires by rotation and, being eligible, offers himself for re-election and Mr RS Ingleby and Mr JF Turkington, having been appointed as directors since the last Annual General Meeting, retire and being eligible, offer themselves for re-election.

Auditors

During the year Casson Beckman resigned as auditors and KPMG were appointed in their place by the directors to fill a casual vacancy.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



BC Kilby
Director

Turf Moor
Brunshaw Road
BURNLEY
BB10 4BX

1 November 1999

Statement of 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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 maintaining 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



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Navigation Way
Ashton-on-Ribble
PRESTON
Lancashire PR2 2YF

Auditors' report to the members of The Burnley Football and Athletic Company Limited

We have audited the financial statements on pages 7 to 19.

Respective responsibilities of directors and auditors

As described on page 5 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.

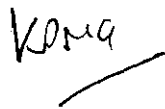
Basis of opinion

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.

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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG
Chartered Accountants
Registered Auditor

1 November 1999

Profit and loss account

for the year ended 31 May 1999

	Note	1999 £000	1998 £000
Turnover	2	3,670	3,732
Staff costs (including signing on fees)	4	(2,784)	(2,461)
Amortisation of player registrations	3	(588)	(519)
Other operating charges		(1,837)	(1,600)
Operating loss		(1,539)	(848)
Net gain on sale of player registrations		-	315
Interest receivable and similar income	6	22	10
Interest payable and similar charges	7	(284)	(284)
Loss on ordinary activities before taxation		(1,801)	(807)
Tax on loss on ordinary activities	8	-	-
Retained loss for the financial year		(1,801)	(807)

All amounts relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31 May 1999

The Company has no recognised gains and losses other than those reflected in the profit and loss account.

Balance sheet

at 31 May 1999

	Note	1999		1998	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		1,261		524
Tangible assets	10		7,696		7,724
			<u>8,957</u>		<u>8,248</u>
Current assets					
Stocks	11	78		114	
Debtors	12	289		461	
Cash at bank and in hand		1,353		19	
		<u>1,720</u>		<u>594</u>	
Creditors: amounts falling due within one year	13	(3,558)		(3,391)	
Net current liabilities			<u>(1,838)</u>		<u>(2,797)</u>
Total assets less current liabilities			<u>7,119</u>		<u>5,451</u>
Creditors: amounts falling due after more than one year	14		(4,843)		(5,243)
Net assets			<u>2,276</u>		<u>208</u>
Capital and reserves					
Called up share capital	15		34		14
Share premium account	16		3,938		89
Profit and loss account	16		(1,696)		105
Equity shareholders' funds	17		<u>2,276</u>		<u>208</u>

These financial statements were approved by the board of directors on 1 November 1999 and were signed on its behalf by:

BC Kilby
 Director

CJ Holt
 Director

Cash flow statement

for the year ended 31 May 1999

	Note	1999 £000	1998 £000
Net cash inflow/(outflow) from operating activities	18	61	(129)
Return on investments and servicing of finance	19	(262)	(274)
Taxation		-	232
Capital expenditure	19	(1,633)	(745)
Cash outflow before financing		(1,834)	(916)
Financing	19	3,430	291
Increase/(decrease) in cash in the year	20	1,596	(625)

All amounts relate to continuing operations.

Reconciliation of net cash flow to movement in net debt

for the year ended 31 May 1999

	Note	1999 £000	1998 £000
Increase/(decrease) in cash in the year		1,596	(625)
Cash outflow/(inflow) from change in debt		439	(291)
Movement in net debt in the year		2,035	(916)
Net debt at beginning of year		(3,917)	(3,001)
Net debt at end of year	20	(1,882)	(3,917)

Notes

(forming part of the financial statements)

1 Accounting policies

a) *Accounting convention*

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

b) *Player registrations and signing on fees*

Transfer fees and amounts paid to third parties for player registrations are capitalised as intangible fixed assets and are amortised on a straight line basis over the period of the respective players' contracts.

Player registrations are assessed on an annual basis and impairment losses arising are charged to the profit and loss account in the period in which they arise. Any surpluses arising are not accounted for.

Player signing on fees have been expensed to the profit and loss account as wages and salaries in the year that the player is signed.

c) *Tangible fixed assets and depreciation*

Depreciation is not provided on freehold land. Other tangible fixed assets are written off over their estimated useful lives on a straight line basis at the following annual rates:

Freehold buildings	2% per annum
Synthetic pitch and accessories	7% to 10% per annum
Plant, fixtures and vehicles	12.5% to 25% per annum
Floodlighting and equipment	5% to 10% per annum

d) *Stocks*

Stocks, which comprise goods held for resale and consumables, are valued at the lower of cost and net realisable value.

e) *Turnover*

Turnover comprises income from gate receipts, merchandising sales, sponsorships and other commercial activities, exclusive of value added tax.

f) *Grants*

Grants in respect of capital expenditure on assets which are depreciated are treated as deferred income, a portion of which is transferred to revenue annually over the estimated useful life of the asset.

g) *Leases*

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

h) *Pension costs*

The Company pays contributions to personal money purchase schemes for eligible employees and accounts for the amount due in each year as a cost to the profit and loss account.

i) *Taxation*

The charge for taxation is based on the loss for the year and takes into account the taxation deferred because of timing differences between the treatment of certain items for taxation and accounts purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover arises wholly within the UK and comprises the following:

	1999 £000	1998 £000
Match income	2,025	2,174
Catering and shop sales	992	1,084
Leisure centre	197	106
Other commercial activities	456	368
	<u>3,670</u>	<u>3,732</u>

3 Operating loss

This is stated after charging/(crediting):

	1999 £000	1998 £000
Auditors' remuneration: audit	12	11
other services	84	-
Depreciation: owned assets	276	256
assets held under finance lease	60	50
Amortisation of player registrations	588	519
Amortisation of grant	(114)	(126)
	<u></u>	<u></u>

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company during the year, including directors, was as follows:

	1999 Number	1998 Number
Players, managerial and training staff	59	61
Sales, administration and ancillary staff	56	49
	<u>115</u>	<u>110</u>

In addition to the above, the Company employed an average of 88 (1998: 87) match-day staff during the year.

The aggregate payroll costs were as follows:

	1999 £000	1998 £000
Wages and salaries	2,546	2,255
Social security costs	218	196
Other pension costs	20	10
	<u>2,784</u>	<u>2,461</u>

Wages and salaries include signing on fees for football players of £nil (1998: £321,000).

5 Directors' emoluments

None of the directors received any remuneration from the Company during the year (1998: £nil).

6 Interest receivable and similar income

Interest receivable and similar income represents interest receivable on bank deposits

7 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans and overdrafts	270	270
Finance charges on finance leases and similar hire purchase contracts	14	14
	<u>284</u>	<u>284</u>

Notes *(continued)*

8 Taxation

As a result of the loss for the year no provision for taxation is required *(1998: £nil)*.

9 Intangible fixed assets

	Player registrations £000
Cost	
At 1 June 1998	1,366
Additions	1,465
Disposals	(870)
At 31 May 1999	1,961
Amortisation	
At 1 June 1998	842
Charge for the year	588
On disposals	(730)
At 31 May 1999	700
Net book value	
At 31 May 1999	1,261
At 31 May 1998	524

Notes (continued)

10 Tangible fixed assets

	Freehold Land and buildings £000	Plant and vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 June 1998	7,671	553	629	8,853
Additions	236	55	17	308
At 31 May 1999	7,907	608	646	9,161
Depreciation				
At 1 June 1998	706	225	198	1,129
Charge for year	185	75	76	336
At 31 May 1999	891	300	274	1,465
Net book value				
At 31 May 1999	7,016	308	372	7,696
At 31 May 1998	6,965	328	431	7,724

Included in the total net book value of is £304,000 (1998: £315,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged for the year on these assets was £60,000 (1998: £50,000).

11 Stocks

	1999 £000	1998 £000
Goods for resale	78	114

12 Debtors

	1999 £000	1998 £000
Trade debtors	83	85
Corporation tax recoverable	118	118
Other debtors	74	222
Prepayments and accrued income	14	36
	289	461

Notes (continued)

13 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank loans and overdrafts (see note 14)	1,616	1,968
Football Trust loan (see note 14)	40	40
Other loans (see note 14)	40	40
Obligations under finance lease and hire purchase contracts	62	118
Trade creditors	264	227
Other taxation and social security	268	164
Other creditors	411	447
Accruals and deferred income	806	271
Directors' loans	51	116
	<u>3,558</u>	<u>3,391</u>

14 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Bank loans	1,139	1,264
Other loans	237	277
Football Trust loan	23	60
Obligations under finance lease and hire purchase contracts (within five years)	27	53
Other creditors	-	59
Accruals and deferred income	3,417	3,530
	<u>4,843</u>	<u>5,243</u>

Bank loans and overdrafts

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the Company. The maturity of bank loans and overdrafts may be analysed as follows:

	1999 £000	1998 £000
Within one year or on demand	1,616	1,968
Between one and two years	152	135
Between two and five years	573	520
After five years	414	609
	<u>2,755</u>	<u>3,232</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year (continued)

A bank loan of £1,315,000 (1998: £1,441,000) is repayable by April 2006 in 83 equal monthly instalments and bears interest at a rate of 9.65% per annum. A bank loan of £840,000 (1998: £929,000) is repayable by April 2006 in 83 equal monthly instalments and bears interest at a rate of 1.75% over the bank base rate of the Company's bankers. The Company's bankers have reserved the right to demand immediate repayment of this latter loan and therefore it has been included within current liabilities in these financial statements.

Other loan

The loan is secured by a charge over certain of the assets of the Company. Providing the terms of the loan are adhered to the loan is interest free and repayable in equal monthly instalments of £3,334.

Football Trust loan

The Football Trust loan, which is interest free, is repayable in equal monthly instalments of £3,333.

Accruals and deferred income

Accruals and deferred income includes unamortised grants of £2,977,000 (1998: £3,087,000) which are to be released to the profit and loss account in more than five years.

15 Called up share capital

	1999 £000	1998 £000
Authorised		
50,000 (1998: 50,000) ordinary shares of £1 each	50	50
	<hr/>	<hr/>
Allotted, issued and paid		
34,284 (1998: 14,357) ordinary shares of £1 each	34	14
	<hr/>	<hr/>

On 30 December 1998, the Company issued 19,927 £1 ordinary shares at a price of £200 each raising a gross amount of £3,985,000.

16 Reserves

	Share premium account £000	Profit and loss account £000
At 1 June 1998	89	105
Retained loss for year	-	(1,801)
Premium arising on the issue of shares (net of expenses)	3,849	-
At 31 May 1999	<hr/> 3,938 <hr/>	<hr/> (1,696) <hr/>

Notes *(continued)*

17 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Loss for the financial year	(1,801)	(807)
New share capital subscribed (net of expenses)	3,869	-
Net addition/(reduction) arising in year	2,068	(807)
Balance at beginning of year	208	1,015
Balance at end of year	2,276	208

18 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	1999 £000	1998 £000
Operating loss	(1,539)	(848)
Depreciation	336	306
Amortisation of player registrations	588	519
Amortisation of grants	(114)	(126)
Loss on sale of tangible fixed assets	-	-
Decrease in stocks	36	57
Decrease/(increase) in debtors	174	(30)
Increase/(decrease) in creditors	580	(7)
Net cash inflow/(outflow) from operating activities	61	(129)

Notes (continued)

19 Analysis of cash flows for headings netted in the cash flow statement

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest received	22	10
Interest paid	(284)	(284)
Net cash outflow from returns on investments and servicing of finance	(262)	(274)
Capital expenditure		
Payments to acquire tangible fixed assets	(308)	(1,317)
Payments to acquire intangible fixed assets	(1,465)	(794)
Grant received	-	962
Receipts from sales of intangible fixed assets	140	404
Net cash outflow from capital expenditure	(1,633)	(745)
Financing		
Issue of ordinary share capital	3,869	-
Loans received	-	580
Loans repaid	(357)	(243)
Capital element of finance lease and hire purchase payments	(82)	(46)
Net cash inflow from financing	3,430	291

20 Reconciliation of net debt to the amounts shown in the balance sheet

	At 1 June 1998 £000	Cash flow £000	Other non-cash changes £000	At 31 May 1999 £000
Cash at bank and in hand	19	1,334	-	1,353
Overdraft	(862)	262	-	(600)
	(843)	1,596	-	753
Debt due within 1 year	(1,302)	357	(202)	(1,147)
Debt due after 1 year	(1,601)	-	202	(1,399)
Finance leases and hire purchase contracts	(171)	82	-	(89)
	(3,917)	2,035	-	(1,882)

Notes *(continued)*

21 Related party transactions

Mr B Rothwell is a director and shareholder of Mercer Print (UK) Limited.

The following transactions were made between Mercer Print (UK) Limited and the Company up to the date of Mr Rothwell's resignation from the board on 28 September 1998:

	1999 £000	1998 £000
Sales	6	22
Purchases of services	9	11
	<u> </u>	<u> </u>