ST HELENS RUGBY FOOTBALL CLUB LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 OCTOBER 1999

COMPANY NUMBER 331905

ST HELENS RUGBY FOOTBALL CLUB LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1999

Company registration number:	331905
Registered office:	Dunriding Lane St Helens Merseyside WA10 4AD
Directors:	H Morris (Chairman) M Kay (Vice-Chairman) T Ellard E Ashton MBE A Thomas J Spencer
Secretary:	J Bullough
Bankers:	National Westminster Bank Plc St Helens
Solicitors:	Hill Dickinson Liverpool Widdows Mason Leigh
Auditors:	Grant Thornton Registered auditors Chartered accountants Warrington

ST HELENS RUGBY FOOTBALL CLUB LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1999

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The directors present their report together with the financial statements for the year ended 31 October 1999.

Principal activity

The company is principally engaged in promoting rugby league football.

Business review

There was a loss for the year amounting to £569,205. The directors do not recommend the payment of a dividend and the loss has therefore been added to the deficit on the profit and loss account.

The club is in negotiations to establish a new location for the club that will enhance both playing and spectating facilities.

Directors

The present membership of the Board is set out below. All directors served throughout the year, apart from Mr J Spencer and Mr A Thomas who were appointed to the Board on 25 May 1999 and 6 April 1999 respectively. Mr E Latham and Mr W Jelley retired from the Board on 3 February 1999 and 6 April 1999 respectively.

Mr H Morris retires by rotation and being eligible offers himself for re-election.

The interests of the directors in the shares of the company as at 1 November 1998, or date of their appointment to the Board if later, and 31 October 1999, were as follows:-

	31 October 1999 Number of shares	**1 November 1998 Number of shares**
H Morris	300	300
T Ellard	462	562
E Ashton MBE	128	128
M Kay	393	393
J Spencer	569	569
A Thomas	100	-

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Land and buildings

During the period ended 31 October 1999, based upon an independent valuation, the land and buildings were revalued by the directors and the revised values incorporated in the financial statements.

Charitable and political contributions

Donations to charitable organisations amounted to £525.

Year 2000 compliance

The company reviewed its computer systems for the impact of the Year 2000 date change, prepared an action plan to address the issue and carried out all necessary measures. All systems have continued to operate properly over the year 2000 date change and through any roll-over procedures that occurred at a later date.

The issue is complex and no business can guarantee that there will be no Year 2000 problems. As all businesses are dependant on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the company's business to a greater or a lesser extent.

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

J Bullough
Secretary
20 June 2000

Grant Thornton

REPORT OF THE AUDITORS TO THE MEMBERS OF

ST HELENS RUGBY FOOTBALL CLUB LIMITED

We have audited the financial statements on pages 4 to 20 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 2 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 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.

In forming our opinion, we have considered the adequacy of the disclosures made on page 4 of the financial statements concerning the continuation and renewal of the company's bank overdraft facility. In view of the significance of this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 October 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
WARRINGTON

20 June 2000

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except that freehold land and buildings are shown at their revalued amounts.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year, except for treatment of players contracts and registrations.

Going concern

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The nature of the company's business is such that there can be considerable variation in the timing of cash inflows. The directors have prepared projected cash flow information for the period ending nine months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facility currently agreed. However, the margin of facilities over requirements is not large and, inherently, there can be no certainty in relation to these matters. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the company's bankers.

Turnover

Turnover is the total amount receivable by the company, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of tangible fixed assets other than freehold land and buildings by annual amounts over their expected useful lives. The rates/periods generally applicable are:-

Fixtures, fittings and equipment	10% on written down value or 3 years on a straight line basis
Motor vehicles	25% on written down value

Depreciation is not provided on freehold property. This is a departure from Statement of Standard Accounting Practice 12, which states that depreciation should be provided on all fixed assets with a finite useful economic life. It is the policy of the company to maintain the property in such a condition that the residual values are at least equal to book value and consequently, any element of depreciation would, in the opinion of the directors, be immaterial. Residual values are appraised on a regular basis by reference to professional valuers. Provision will be made against the book value in the event of any permanent diminution in value.

Intangible fixed assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised, in equal instalments, over the period of the player's initial contract.

Previously, fees payable to and receivable from other clubs on the transfer of players' registrations, together with associated costs, were dealt with in the profit and loss account in the period in which the transfer took place. This change in accounting policy has resulted in a prior year adjustment, further details of which are contained in note 24.

The cost of the repurchase of restaurant and bar lease is capitalised as an intangible fixed asset and is amortised by annual amounts over its expected useful life of 5 years.

Signing-on fees

Signing-on fees payable to players are recognised as part of wages and salaries in the profit and loss account, charged evenly over the football seasons covered by the player's contract.

Investments

Investments are included at cost.

Stocks

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

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Contributions to pension funds

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period. The assets of the pension scheme are held separately from those of the company in independently administered funds.

Government grants

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

ST HELENS RUGBY FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 1999

	Note	1999 £	As restated 1998 £
Turnover	1	3,332,294	2,613,231
Direct and other administrative costs	2	(3,646,427)	(2,840,260)
Operating loss before amortisation of playersand profit on disposal of players		(314,133)	(227,029)
Amortisation of players	6	(265,521)	(291,353)
Profit on disposal of players		65,000	450,183
Operating loss		(514,654)	(68,199)
Net interest payable	3	(54,551)	(65,534)
Net loss for the year	15	(569,205)	(133,733)

The accompanying accounting policies and notes form an integral part of these financial statements.

ST HELENS RUGBY FOOTBALL CLUB LIMITED

BALANCE SHEET AT 31 OCTOBER 1999

	Note	1999 £	As restated 1998 £
Fixed assets			
Intangible assets	6	357,408	496,429
Tangible assets	7	2,398,075	1,431,834
Investments	8	2	2
		2,755,485	1,928,265
Current assets			
Stocks	9	34,119	50,320
Debtors	10	159,745	92,845
Cash in hand		3,782	1,160
		197,646	144,325
Creditors: amounts falling due within one year	11	(1,658,671)	(1,286,620)
Net current liabilities		(1,461,025)	(1,142,295)
Total assets less current liabilities		1,294,460	785,970
Creditors: amounts falling due after more than one year	12	(117,172)	(11,254)
		1,177,288	774,716
Capital and reserves			
Called up share capital	14	7,000	7,000
Revaluation reserve	15	1,762,383	790,606
Profit and loss account	15	(592,095)	(22,890)
Shareholders' funds	16	1,177,288	774,716

The financial statements were approved by the Board of Directors on 20 June 2000.

H Morris

M Kay

Directors

The accompanying accounting policies and notes form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 1999

	Note	1999 £	As restated 1998 £
Net cash outflow from operating activities	17	(241,003)	(62,988)
Returns on investments and servicing of finance			
Interest paid		(53,145)	(63,223)
Finance lease interest paid		(1,406)	(2,311)
Net cash outflow from returns on investments and servicing of finance		(54,551)	(65,534)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6,282)	(3,905)
Sale of tangible fixed assets		-	1,900
Purchase of intangible fixed assets		(134,500)	(432,000)
Sale of investments		-	3,250
Proceeds of disposal of players		65,000	477,500
Net cash (outflow)/inflow from capital expenditure and financial investment		(75,782)	46,745
Financing			
Receipts from borrowing		275,240	-
Repayment of borrowing		(25,782)	(20,778)
Capital element of finance lease rentals		(8,898)	(11,480)
Net cash inflow/(outflow) from financing		240,560	(32,258)
Decrease in cash	18	(130,776)	(114,035)

The accompanying accounting policies and notes form an integral part of these financial statements.

ST HELENS RUGBY FOOTBALL CLUB LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999 £	As restated 1998 £
Loss for the financial year	(569,205)	(133,733)
Unrealised surplus on revaluation of freehold land and buildings	971,777	-
Total recognised gains and losses for the year	402,572	(133,733)
Prior year adjustment (see note 24)	496,429	
Total gains and losses recognised since last financial statements	899,001	

1 Turnover

Turnover is attributable to the following classes of continuing business:-

	1999 £	1998 £
Prize money	283,500	-
Gate receipts and programme sales	818,238	658,786
Television fees	801,472	936,267
Sponsorship and advertising	754,083	488,457
Suite hire and executive promotions	59,794	63,753
Merchandising and other	323,682	376,861
Lottery donations	132,711	58,126
Rent	58,093	30,981
Restaurant and bar sales	100,721	-
	3,332,294	2,613,231

Note: Gross profit on shop sales	1999 £	1998 £
Sales	305,444	328,274
Cost of sales	185,414	223,022
Gross profit on shop sales	120,030	105,252

Note: Gross profit on restaurant and bar income

	1999 £	1998 £
Sales	100,721	-
Cost of sales	66,413	-
Gross profit on restaurant and bar income	34,308	-

Included within sponsorship and advertising income is a government grant of £50,000.

2 Direct and other administrative costs

	1999 £	1998 £
Staff costs (note 4)	2,324,740	2,099,703
Depreciation:		
Tangible fixed assets, owned	9,746	19,857
Tangible fixed assets, held under finance leases and hire purchase contracts	2,072	3,860
Amortisation of bar and restaurant lease	8,000	-
Hire of plant and machinery	26,836	16,729
Other operating leases	1,100	1,100
Audit fees	8,650	6,000
Surplus on disposal of fixed assets	-	(1,965)
Provision against sponsorship income	299,000	-
Other operating charges	966,283	694,976
	3,646,427	2,840,260

3 Net interest

	1999 £	1998 £
On bank loans and overdrafts	49,353	59,195
Finance charges in respect of finance leases	1,406	2,311
Other interest payable and similar charges	3,792	4,028
	54,551	65,534

4 Employees

Staff costs during the year were as follows:-

	1999 £	1998 £
Players wages	1,545,811	1,448,135
Other staff	565,194	440,959
Social security costs	200,035	202,300
Pension costs	13,700	8,309
	2,324,740	2,099,703

The average number of employees of the company during the year was as follows:

	1999 Number	1998 Number
Playing staff	67	64
Other staff	27	28
	94	92

The directors did not receive any remuneration in either the current or previous year.

5 Tax on loss on ordinary activities

Unrelieved tax losses of approximately £1,750,000 remain available to offset against future taxable trading profits.

6 *Intangible fixed assets*

	Players registrations (as restated) £	Bar and restaurant lease £	Total £
Cost			
At 1 November 1998	915,255	-	915,255
Additions	14,500	120,000	134,500
At 31 October 1999	929,755	120,000	1,049,755
Amortisation			
At 1 November 1998	418,826	-	418,826
Charge for the year	265,521	8,000	273,521
At 31 October 1999	684,347	8,000	692,347
Net book amount at 31 October 1999	245,408	112,000	357,408
Net book amount at 31 October 1998	496,429	-	496,429

7 Tangible fixed assets

	Freehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 November 1998	1,328,223	235,617	1,563,840
Additions	-	6,282	6,282
Surplus on revaluation	971,777	-	971,777
At 31 October 1999	2,300,000	241,899	2,541,899
Depreciation			
At 1 November 1998	-	132,006	132,006
Provided in the year	-	11,818	11,818
At 31 October 1999	-	143,824	143,824
Net book amount at 31 October 1999	2,300,000	98,075	2,398,075
Net book amount at 31 October 1998	1,328,223	103,611	1,431,834

7 Tangible fixed assets (continued)

The figures stated above include assets held under finance leases as follows:

	Fixtures fittings and equipment £
Net book amount at 31 October 1999	18,644
Net book amount at 31 October 1998	34,741
Depreciation provided in the year	2,072

The figures stated above for cost or valuation include a valuation as follows:-

	Land and buildings 1999 £	Land and buildings 1998 £
At cost	548,102	548,102
At valuation:		
1999	971,777	-
1996	(118,794)	(118,794)
1995	898,915	898,915
	2,300,000	1,328,223

On 23 January 1996, the land and buildings were revalued by Messrs. Edwards Symmons and Partners (FRICS). The basis of the valuation used was open market value, on an existing use basis.

Based upon an independent valuation, in the opinion of the directors, the land and buildings had a value in excess of £2,300,000 at 31 October 1999 on an open market value basis and the carrying value within these financial statements was revalued to this amount.

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation because, in the opinion of the directors, whilst the land and buildings are likely to be disposed of in the foreseeable future, this is unlikely to occur without being able to rollover the gain arising against the cost of new assets.

7 *Tangible fixed assets (continued)*

If the land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Land and buildings £
Cost	548,102
Accumulated depreciation	(26,183)
Net book amount at 31 October 1999	521,919
Net book amount at 31 October 1998	521,919

8 Fixed asset investments

Total fixed asset investments comprise:-

	1999 £	1998 £
Unlisted investments	2	2

9 Stocks

	1999 £	1998 £
Goods for resale	34,119	50,320

10 Debtors

	1999 £	1998 £
Trade debtors	125,562	87,992
Other debtors	34,183	2,210
Prepayments and accrued income	-	2,643
	159,745	92,845

11 Creditors: amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	759,366	625,968
Trade creditors	200,580	109,066
Social security and other taxes	146,765	128,460
Loans from the Rugby Football League	-	238
Other creditors	167,524	29,500
Accruals and deferred income	382,792	384,600
Amounts due under finance leases	1,644	8,788
	1,658,671	1,286,620

The bank overdraft is secured by a legal mortgage over the freehold land and buildings and by a fixed and floating charge over all the assets of the company.

Other creditors includes a brewery loan of £124,196 which is secured by a second charge over the freehold land and buildings. Assuming the terms and conditions of the brewery loan are complied with, interest is charged at 2% over bank base rate.

12 Creditors: amounts falling due after more than one year

	1999	1998
	£	£
Other creditors	111,672	-
Accruals and deferred income	5,500	9,500
Amounts due under finance leases	-	1,754
	117,172	11,254

13 Borrowings

	1999 £	1998 £
Bank loans and overdrafts	759,366	625,968
Loans from the Rugby Football League	-	238
Other creditors	279,196	29,500
Amounts due under finance leases	1,644	10,542
	1,040,206	666,248

Borrowings are repayable as follows:-

	1999 £	1998 £
Within one year		
Bank and other borrowings	926,890	655,706
Finance leases	1,644	8,788
After one and within two years		
Bank and other borrowings	12,524	-
Finance leases	-	1,754
After two and within five years		
Bank and other borrowings	37,572	-
In more than five years		
Bank and other borrowings	61,576	-
	1,040,206	666,248

14 Share capital

	1999 and 1998 £
Authorised, allotted, called up and fully paid 14,000 ordinary shares of 50p each	7,000

15 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 November 1997, as previously stated	790,606	(272,256)
Prior year adjustment	-	383,099
As restated	790,606	110,843
Loss for the year, as restated	-	(133,733)
At 1 November 1998, as restated	790,606	(22,890)
Increase in revaluation reserve	971,777	-
Loss for the year	-	(569,205)
At 31 October 1999	1,762,383	592,095

The balance on the revaluation reserve may not be distributed under Section 263 of the Companies Act 1985.

16 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Loss for the financial year	(569,205)	(133,733)
Increase in revaluation reserve	971,777	-
Net increase/(decrease) in shareholders' funds	402,572	(133,733)
Shareholders' funds at 1 November 1998	774,716	908,449
Shareholders' funds at 31 October 1999	1,177,288	774,716

17 Net cash outflow from operating activities

	1999 £	1998 £
Operating loss	(514,654)	(68,199)
Depreciation	11,818	23,717
Amortisation of bar and restaurant lease	8,000	-
Amortisation of players	265,521	291,353
Profit on sale of players	(65,000)	(450,183)
Loss on sale of tangible fixed assets	-	1,260
Profit on sale of investments	-	(3,225)
Decrease/(increase) in stock	16,201	(10,999)
(Increase)/decrease in debtors	(66,900)	54,818
Increase in creditors	104,011	98,470
Net cash outflow from operating activities	(241,003)	(62,988)

18 Reconciliation of net cashflow to movement in net debt

	1999 £	1998 £
Decrease in cash in the year	(130,776)	(114,035)
Cash (inflow)/outflow from financing	(249,458)	20,778
Cash outflow from finance leases	8,898	11,480
Change in net debt resulting from cashflows	(371,336)	(81,777)
Other non-cash items	-	9,500
Movement in net debt in the year	(371,336)	(72,277)
Net debt at 1 November 1998	(665,088)	(592,811)
Net debt at 31 October 1999	(1,036,424)	(665,088)

19 Analysis of changes in net debt

	At 1 November 1998 £	Cashflow £	At 31 October 1999 £
Cash in hand	1,160	2,622	3,782
Overdraft	(625,968)	(133,398)	(759,366)
	(624,808)	(130,776)	(755,584)
Debt	(29,738)	(249,458)	(279,196)
Finance leases	(10,542)	8,898	(1,644)
	(665,088)	(371,336)	(1,036,424)

20 Capital commitments

The company had no capital commitments at 31 October 1999 or 31 October 1998.

21 Contingent liabilities

Following the termination of certain employee contracts, two claims have been lodged against the company. These events occurred after the year end and the claims are being contested by the company. No provision has been made for any potential liability in respect of these claims in these financial statements.

22 Pensions

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are administered by trustees in a fund independent from those of the company.

23 Leasing commitments

Operating lease payments amounting to £23,410 (1998: £12,332) are due within one year. The leases to which these amounts relate expire as follows:-

	1999 Land and buildings £	1999 Other £	1998 Land and buildings £	1998 Other £
Between two and five years	9,000	11,542	-	9,464
In five years or more	1,100	1,768	1,100	1,768
	10,100	13,310	1,100	11,232

24 Prior year adjustment

Following the issue of Financial Reporting Standard 10, `Goodwill and intangible assets', the company has changed its accounting policy for players' registrations.

Under the new policy, the company capitalises as an intangible asset fees payable to other clubs, together with the associated costs, on the transfer of a player's registration and amortises that cost over the period of his initial contract. In accordance with FRS 10, no amounts are included for players developed from within the company. *Previously, fees payable to and receivable from other clubs on the transfer of a player's* registration, together with associated costs, were dealt with in the profit and loss account in the period in which the transfer took place.

In the year to 31 October 1999, the effect of the change in policy has been to increase the loss, both before and after tax, by £251,021 (1998 - decrease in loss : £113,330).

25 Post balance sheet events

Subsequent to the year end, at an Extraordinary General Meeting held on 22 May, 2000, the company indicated an intention to enter into a share for share exchange with a newly-formed holding company, Sporting Club St Helens Limited. The purpose of the share for share exchange is to form a new holding company that will own and operate the proposed new stadium.

Subsequent to the year end the company agreed the disposal of the present stadium site for an amount of £2,500,000, conditional on the grant of planning permission on the present stadium site and the company entering into an agreement to relocate to a proposed new site.