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CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

REPORT AND ACCOUNTS

31 MAY 1993

COMPANIES HOUSE COPY

 **Hacker
Young**
Chartered Accountants



St. Alphage House 2 Fore Street London EC2Y 5DH

AUDITORS' REPORT TO THE MEMBERS OF

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

We have audited the accounts set out on pages 3 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of 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 the company's affairs as at 31 May 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Hacker Young

Registered Auditors

17 December 1993

Chartered Accountants

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the year ended 31 May 1993.

PRINCIPAL ACTIVITY

The company's principal activity during the year was that of a professional football league club.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

On the playing side the club finished the 1992/93 league season in a creditable mid-table position. The long-awaited return to The Valley in December heralded additional support and, this coupled with increased commercial opportunities should improve the future trading results.

In common with virtually all Football League Clubs, the company does not show the value of its playing staff in the balance sheet. However, the directors consider that at 31 May 1993 the playing staff had a valuation of not less than £3 million.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of changes in the share capital of the company since the year end are set out in note 13 to the accounts.

POST BALANCE SHEET EVENTS

In October 1993 the company commenced the redevelopment of the East Stand at a cost of £2 million of which £1.5 million is being provided by grants from The Football Trust and The Football Association. This project will increase the ground capacity by nearly 6,000 seats.

As detailed in notes 11(a) and 13 all directors' loans have been converted into ordinary shares since the year end.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

R.N. Alwen
R.A. Murray
M.A. Simons
R.D. Collins
D.G. Ufton
M.C. Stevens
S.T. Clarke (appointed 27 February 1993)

At both the beginning and end of the year R.N. Alwen controlled a company which owned 175,000 ordinary shares of the company and R.A. Murray and M.A. Simons each had beneficial interests in 50,000 ordinary shares.

DIRECTORS' REPORT

(CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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.

FIXED ASSETS

Details of movements in the fixed assets of the company are disclosed in the notes to the accounts.

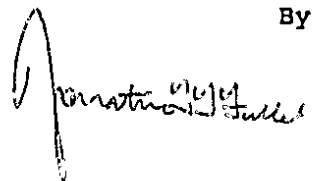
AUDITORS

A resolution will be proposed at the Annual General Meeting to re-appoint Messrs. Hacker Young as auditors until the conclusion of the next Annual General Meeting.

Registered office:

The Valley
Charlton
London SE7 8BL

By order of the board



J.T.T. Fuller

Secretary

17 December 1993

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 1993

	<u>Notes</u>	<u>1993</u>	<u>1992</u>
TURNOVER	2	£ 1,918,017	£ 1,798,683
Staff costs	3	£1,818,436	£1,680,224
Administrative expenses		481,696	386,045
Other operating charges		988,860	1,072,025
		(3,288,992)	3,138,294
OPERATING LOSS		(1,370,975)	(1,339,611)
Financing charges	4	(85,124)	(104,917)
Exceptional item	5	(194,970)	-
Transfer fees receivable less transfer fees payable		1,050,397	430,938
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(600,672)	(1,013,590)
Taxation on loss on ordinary activities	7	-	33,472
LOSS for the financial year		(600,672)	(980,118)
ACCUMULATED LOSS BROUGHT FORWARD		(4,616,344)	(3,636,226)
ACCUMULATED LOSS CARRIED FORWARD		£(5,217,016) *****	£(4,616,344) *****

The accompanying notes are an integral part of these accounts.

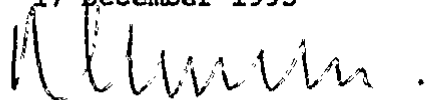
BALANCE SHEET AS AT 31 MAY 1993

	<u>Notes</u>	<u>1993</u>	<u>1992</u>
TANGIBLE FIXED ASSETS	8	£ 4,177,882	£ 99,066
CURRENT ASSETS			
Stock	£ 52,645	£ 45,794	
Debtors	9 288,323	1,071,212	
Cash at bank and in hand	6,761	11,427	
		347,729	1,128,433
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10 2,974,894	1,696,320	
NET CURRENT LIABILITIES		(2,627,165)	(567,887)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,550,717	(468,821)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(4,505,432)	(3,697,523)
DEFERRED INCOME	12	(1,812,301)	-
NET LIABILITIES		£(4,767,016)	£(4,166,344)
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	13	£ 450,000	£ 450,000
Profit and loss account		(5,217,016)	(4,616,344)

SIGNED ON BEHALF OF THE BOARD

R.N. ALWEN - DIRECTOR

17 December 1993



£(4,767,016)

=====

£(4,166,344)

=====

The accompanying notes are an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 1993

	<u>Notes</u>	<u>1993</u>	<u>1992</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	18	£ (428,410)	£ (641,094)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		17,601	4,529
Bank and other interest paid		(52,750)	(65,199)
Finance lease interest paid		(13,208)	(16,633)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(48,357)	(77,303)
TAXATION			
Receipt for group relief surrendered		29,140	-
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(1,794,304)	(411,072)
Less related grants received		911,948	109,836
Receipts from sale of tangible fixed assets		12,500	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(869,856)	(301,236)
NET CASH OUTFLOW BEFORE FINANCING		(1,317,483)	(1,019,633)
FINANCING ACTIVITIES			
Increase in directors' loans		331,075	471,293
Proceeds from issue of shares		-	100,000
Receipts from Valley Investment plan		906,737	-
Increase in bank loans		45,895	154,105
Repayment of finance leases		(46,661)	(38,600)
NET CASH INFLOW FROM FINANCING		1,237,046	686,798
DECREASE IN CASH AND CASH EQUIVALENTS	20	£ (80,437) *****	£ (332,835) *****

The accompanying notes are an integral part of these accounts.

NOTES TO THE ACCOUNTS - 31 MAY 1993

1. ACCOUNTING POLICIES

a) BASIS OF PREPARATION

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

b) TURNOVER

Turnover represents receipts from match days, the Football League, the Football Association and other income associated with the principal activity of running a professional football club and is stated net of value added tax.

c) DEPRECIATION

Depreciation is provided using the straight line method, to write down the cost of tangible fixed assets over their estimated useful lives as follows:

Leasehold improvements	20 years
Ground and office equipment	3 - 5 years
Motor vehicles	3 years

d) GRANTS RECEIVED

Grants received from The Football Trust in respect of safety work and ground improvements are carried in the balance sheet as deferred income and released to the profit and loss account over the life of the assets to which they relate.

e) VALLEY INVESTMENT PLAN

The net amount received by the company through the Valley Investment Plan is treated as deferred income in the balance sheet and is being released to the profit and loss account over the period in which the investors can receive a free season ticket or a discount on the price of season tickets or match tickets.

f) TRANSFER FEES

Transfer fees payable and receivable are charged or credited to the profit and loss account in the year in which the contracts are signed.

g) SIGNING ON FEES

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

h) DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all material timing differences which are not expected to continue for the foreseeable future.

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

1. ACCOUNTING POLICIES (continued)

1) LEASING AND HIRE PURCHASE COMMITMENTS

Assets acquired 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 agreements is charged to the profit and loss account over the period of the contracts and represents a constant proportion of the balance of capital repayments outstanding.

2. TURNOVER

Turnover, all of which arises in the United Kingdom, is stated net of value added tax and comprises:

	<u>1993</u>	<u>1992</u>
Match receipts	£1,101,629	£ 1,172,052
Advertising and sponsorship receipts	63,349	79,996
Receipts from Football League and Football Association	324,258	196,206
Television and radio rights	128,742	3,161
Profit on sale of programmes	9,710	16,486
Other income	290,329	330,782
	£1,918,017	£1,798,683
	=====	=====

3. STAFF COSTS

a) Staff costs

Wages and salaries	£1,542,397	£1,463,479
Social security costs	151,946	143,115
Other pension costs	124,093	73,630
	£1,818,436	£1,680,224
	=====	=====

b) Average number of employees:

	<u>Number</u>	<u>Number</u>
Full-time playing, training and management	49	42
Administration and maintenance	20	24
	69	66
	=====	=====

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

4. FINANCING CHARGES

	<u>1993</u>	<u>1992</u>
Interest on bank loans and overdrafts	£ 45,750	£ 59,170
Interest under finance leases	13,208	16,633
Other interest	43,767	33,643
	102,725	109,446
Interest receivable	(17,601)	(4,529)
	£ 85,124	£ 104,917
	=====	=====

5. EXCEPTIONAL ITEM

Abortive Valley development costs written off and professional fees incurred in respect of the return to the Valley

£ 194,970	£ -
=====	=====

6. (LOSS) ON ORDINARY ACTIVITIES

The (loss) on ordinary activities before taxation is stated after charging:

Auditors' remuneration		
Audit services	£ 11,000	£ 10,000
Non audit services	64,625	57,650
Directors' remuneration	8,000	-
Depreciation	160,985	69,506
Rentals under operating leases		
Hire of plant and machinery	9,021	14,536
Other operating leases	406,381	328,179
	=====	=====
and after crediting:		
Amortisation of grant	£ 25,545	£ -
	=====	=====

7. TAX ON (LOSS) ON ORDINARY ACTIVITIES

The tax credit comprises:

	<u>1993</u>	<u>1992</u>
Receipt for group relief surrendered	£ -	£ 29,140
Corporation tax	-	4,332
	£ -	£ 33,472
	=====	=====

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

8. TANGIBLE FIXED ASSETS

	<u>Leasehold improvements</u>	<u>Ground and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
COST				
At 1 June 1992	£ -	£ 95,401	£ 167,229	£ 262,630
Additions	4,147,708	101,271	-	4,248,979
Disposals	-	-	(28,650)	(28,650)
At 31 May 1993	£4,147,708	£ 196,672	£ 138,579	£4,482,959
DEPRECIATION				
At 1 June 1992	£ -	£ 72,566	£ 90,998	£ 163,564
Charge for period	102,879	17,021	41,085	160,985
Released on disposal	-	-	(19,472)	(19,472)
At 31 May 1993	£ 102,879	£ 89,587	£ 112,611	£ 305,077
NET BOOK VALUE				
At 31 May 1993	£4,044,829	£ 107,085	£ 25,968	£4,177,882
At 31 May 1992	£ -	£ 22,835	£ 76,231	£ 99,066

The net book value of assets held under finance leases at 31 May 1993 was £25,968 (1992 - £76,231).

9. DEBTORS

	<u>1993</u>	<u>1992</u>
Trade debtors	£ 13,416	£ 31,665
Due from related company	33,740	-
Other debtors	71,685	974,110
Prepayments and accrued income	169,482	65,437
	£ 288,323	£1,071,212

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank loans and overdrafts	£ 412,237	£ 290,571
Obligations under finance leases	21,469	30,444
Secured deferred loan (note 11(b))	200,000	-
Trade creditors	1,347,479	718,351
Other taxes and social security payments	293,427	425,421
Other creditors	151,477	154,848
Accruals and deferred income	548,805	76,685
	£2,974,894	£1,696,320

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

11. CREDITORS: AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR

	<u>1993</u>	<u>1992</u>
Amount due to directors and companies controlled by directors (note 11(a))	£2,233,210	£1,968,210
Amount due to a former director and a company controlled by him (note 11(a))	1,370,817	1,370,817
Unsecured loan notes (note 11(a))	252,620	186,545
Secured deferred loan (note 11(b))	622,500	-
Obligations under finance leases	26,285	63,971
Other creditors	-	107,980
	£4,505,432	£3,697,523
	=====	=====

(a) Directors' loans

Since the year end certain directors of the company have acquired the loans due to a former director and a company controlled by him. Subsequent to that all amounts due to directors and companies controlled by them including the unsecured loan notes, have been converted into non cumulative preference shares of £1 each and ordinary shares of £1 each as set out in note 13.

The above loans with the exception of the unsecured loan notes which were repayable on 1 September 1997 had no fixed date for repayment. Apart from £380,000 (1992: £270,000) all of the above loans were interest free. Interest charged in these accounts amounts to £25,736 (1992: £29,087).

(b) Secured deferred loan

The secured deferred loan is repayable in instalments as set out below, with the final payment scheduled for 1 September 1996. The loan is secured by a first legal mortgage over the company's leasehold interest in The Valley and the guarantee of Charlton Athletic Holdings Limited. Interest is only payable in the event of a default by the company in meeting the repayment terms of the loan.

Instalments falling due:

Within one year	£ 200,000
Between one and two years	200,000
Between two and five years	422,500

£ 822,500

=====

12. DEFERRED INCOME

At 1 June 1992	£ -
Valley Investment plan	906,737
Grants received	1,021,784
	1,928,521
Released to profit and loss account	(116,220)
At 31 May 1993	£1,812,301
	=====

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

13. CALLED UP SHARE CAPITAL

	<u>1993</u>	<u>1992</u>
Authorised:		
1,500,000 ordinary shares of £1 each	£1,500,000	£ 450,000
	=====	=====
Allotted, issued and fully paid		
450,000 ordinary shares of £1 each	£ 450,000	£ 450,000
	=====	=====

On 6 September 1993 the authorised share capital of the company was increased to £5,500,000 by the creation of 4,000,000 non-cumulative preference shares of £1 each.

On the same date the following issues of share capital were made:

- 350,000 ordinary shares of £1 each on the conversion of £350,000 of directors' loans
- 200,000 ordinary shares of £1 each were allotted for cash at par pursuant to a rights issue to increase the working capital of the company
- 3,656,648 non-cumulative preference shares of £1 each were issued at par on the conversion of the balance of directors' loans at that date
- 77,708 non-cumulative preference shares of £1 each were issued at par to satisfy a debt due to the Kennedy Woodward Partnership.

On 13 December 1993 the authorised share capital of the company was varied by the conversion of all the non-cumulative preference shares into ordinary shares and pursuant to that 3,734,356 ordinary shares of £1 each were issued at par on the conversion of the non-cumulative preference shares then in issue.

On the same date a further 248,208 ordinary shares of £1 each were issued at par on the conversion of the balance of £214,208 of directors' loans at that date and in settlement of a debt of £34,000.

14. OPERATING LEASE COMMITMENTS

At 31 May 1993 the company was committed to making the following payments during the next year in respect of operating leases:

	<u>Land and buildings</u>	<u>Other</u>
Leases which expire:		
Within one year	£ -	£ 219,585
After 5 years	112,500	-
	=====	=====
	£ 112,500	£ 219,585
	=====	=====

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

15. CAPITAL COMMITMENTS

The company had no contracted for or authorised but not contracted for capital commitments at 31 May 1993 (1992: £Nil).

16. CONTINGENT LIABILITIES

At 31 May 1993 additional transfer fees payable of £10,000 will arise upon a player making a specified number of appearance. Signing on fees due to players as part of their contract of employment amounted to £64,500 (1992: £148,000).

H.M. Customs and Excise are contending that the whole of the receipts under the Valley Investment Plan are subject to valued added tax. The directors have taken professional advice and are contesting the assessment of H.M. Customs and Excise in respect of this matter. A proportion of the value added tax claimed has been paid. Should the customs and excise be successful the additional value added tax payable would amount to approximately £48,000. No provision has been made in these accounts for this amount.

17. TRANSACTIONS WITH DIRECTORS

The company entered into a lease of The Valley for a term of 20 years from 1 September 1992 with Charlton Athletic Holdings Limited a company controlled by the following directors of the company: R.N. Alwen, R.A. Murray and M.A. Simons and M.C. Stevens. The annual rent is equivalent to interest on £1,250,000 at 3% over Lloyds Private Banking Limited base rate. Rent of £86,440 has been charged in these accounts.

During the year the company incurred expenditure amounting to £354,228 on architects services provided by The Kennedy Woodward Partnership a firm in which R.D. Collins, a director of the company, is a senior partner.

During the year the company acquired signs and nameplates amounting to £34,000 from American Nameplate Co. a company controlled by M.C. Stevens a director of the company.

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

18. RECONCILIATION OF OPERATING LOSS TO NET CASH
INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	<u>1993</u>	<u>1992</u>
Operating loss	£(1,370,975)	£(1,339,611)
Transfer fees receivable less transfer fees payable	1,050,397	430,938
Depreciation charges	160,985	69,506
Amortisation of grants	(25,545)	-
Release of deferred income	(90,675)	-
Exceptional item	(194,970)	-
(Increase) in stocks	(6,851)	(23,219)
(Increase)/decrease in debtors	(166,397)	394,234
Increase/(decrease) in creditors	218,943	(172,942)
(Profit)/loss on disposal of fixed assets	(3,322)	-
	£ (428,410)	£ (641,094)
	=====	=====

19. ANALYSIS OF CHANGES IN CASH AND CASH
EQUIVALENTS DURING THE YEAR

Balance at 1 June 1992	(125,039)	207,796
Net cash (outflow)/inflow	(80,437)	(332,835)
Balance at 31 May 1993	£ (205,476)	£ (125,039)
	=====	=====

20. ANALYSIS OF BALANCES OF CASH AND CASH
EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>1993</u>	<u>1992</u>	<u>Change in year</u>
Cash at bank and in hand	6,761	11,427	(4,666)
Bank overdraft	(212,237)	(136,466)	(75,771)
	£ (205,476)	£ (125,039)	£ (80,437)
	=====	=====	=====

CHARLTON ATHLETIC FOOTBALL COMPANY (1984) LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

21. ANALYSIS OF CHANGES IN FINANCING
DURING THE YEAR

	Year ended 31 May 1993	Directors' loans	Secured deferred loan	Valley investment plan	Bank loans and finance leases	Share capital	Total
Balance at 1 June 1992	3,525,572	-	-	-	248,520	450,000	4,224,092
Cash inflow/(outflow) from financing	331,075	-	-	905,137	(766)	-	1,237,046
Finance provided by Kier Regional Limited	-	-	822,500	-	-	-	822,500
Released to profit and loss account	-	-	-	(90,675)	-	-	(90,675)
Balance at 31 May 1993	£3,856,647	£ 822,500	£ 816,062	£ 247,754	£ 450,000	£6,192,963	
Year ended 31 May 1992							
Balance at 1 June 1991	3,054,279	-	-	-	105,945	350,000	3,510,224
Cash inflow/(outflow) from financing	471,293	-	-	-	115,505	-	586,798
New finance	-	-	-	-	27,070	-	27,070
Proceeds of rights issue	-	-	-	-	-	100,000	100,000
Balance at 31 May 1992	£3,525,572	£ -	£ -	£ 248,520	£ 450,000	£4,224,092	

NOTES TO THE ACCOUNTS - 31 MAY 1993

(CONTINUED)

22. POST BALANCE SHEET EVENTS

In October 1993 the company commenced the redevelopment of the East Stand at a cost of £2 million of which £1.5 million is being provided by grants from The Football Trust and The Football Association. This project will increase the ground capacity by nearly 6,000 seats.

On 13 December 1993 the entire share capital of the company was acquired by Charlton Athletic plc, a company controlled by the directors.

23. GOING CONCERN

The accounts have been prepared on a going concern basis notwithstanding the company's net current liabilities and net liabilities at 31 May 1993 and the significant losses incurred during the year as:

- a) the company's financial position has been significantly strengthened since the year end by the conversion into ordinary shares of all the directors' loans as set out in notes 11(a) and 13 and
- b) the directors have received confirmation from its new holding company, Charlton Athletic plc that it will provide financial support for the foreseeable future.