

**MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY
(1986) LIMITED
(Registered No 1947851)**

DIRECTORS' REPORT AND ACCOUNTS

31 JULY 1994



MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

DIRECTORS' REPORT

The directors submit their report and audited accounts for the year ended 31 July 1994.

PRINCIPAL ACTIVITY

The principal activity of the company is that of a professional football league club.

REVIEW OF BUSINESS

The directors consider the company's trading results for the year ended 31 July 1994 to be satisfactory and are optimistic about future opportunities.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5. The directors recommend that no dividend be paid and that the loss for the year after tax of £993,000 (1993 - £670,000) be taken to reserves.

SUBSEQUENT EVENTS

Subsequent to the year end the company entered agreements worth approximately £12,780,193 to acquire and £270,000 for the sale of players.

Also subsequent to the year end the company has built and moved to a new stadium.

PLAYERS' VALUATION

No amount is reflected in the balance sheet in respect of the value of players in the employment of the club at the year end.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets during the year are set out in note 9 to the financial statements.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors who served during the year were as follows:

S Gibson	
M C Henderson	(resigned 11 March 1994)
G L Cook	
G Fordy	(resigned 1 June 1994)
R Corbidge	(resigned 1 July 1994)

Mr S Gibson has a beneficial interest in 165,000 shares in the company. With this exception none of the other directors had any interest in the ordinary share capital of the company as at the year end.

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 of the company 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, Price Waterhouse, are willing to continue in office and a resolution as to their re-appointment and their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



C Harker

Secretary

10 November 1995

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED**

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

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 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 July 1994 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
and Registered Auditors

10 November 1995

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 1994

	<u>Notes</u>	<u>1994</u> £'000	<u>1993</u> £'000
TURNOVER	3	3,672	5,198
COST OF SALES		<u>(3,942)</u>	<u>(4,062)</u>
GROSS (LOSS)/PROFIT BEFORE TRANSFER FEES		(270)	1,136
TRANSFER FEES	1	<u>56</u>	<u>(978)</u>
GROSS (LOSS)/PROFIT AFTER TRANSFER FEES		(214)	158
ADMINISTRATIVE EXPENSES		<u>(659)</u>	<u>(707)</u>
OPERATING LOSS		(873)	(549)
INTEREST PAYABLE AND SIMILAR CHARGES	7	<u>(120)</u>	<u>(114)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(993)	(663)
TAX ON LOSS ON ORDINARY ACTIVITIES	8	<u>-</u>	<u>(7)</u>
LOSS FOR THE YEAR	17	<u>(993)</u>	<u>(670)</u>

The notes on page 9 to 18 form part of these accounts.

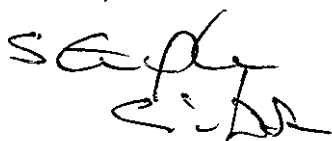
MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

BALANCE SHEET AT 31 JULY 1994

	Notes	<u>1994</u>		<u>1993</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	9		1,264		1,194
CURRENT ASSETS					
Stocks	10	31		81	
Debtors	11	904		499	
Cash at bank and in hand		<u>6</u>		<u>2</u>	
		941		582	
CREDITORS (Amounts falling due within one year)	12	<u>(4,671)</u>		<u>(3,322)</u>	
NET CURRENT LIABILITIES			<u>(3,730)</u>		<u>(2,740)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(2,466)		(1,546)
CREDITORS (Amounts falling due after more than one year)	13		<u>(555)</u>		<u>(482)</u>
			(3,021)		(2,028)
			<u>=====</u>		<u>=====</u>
CAPITAL AND RESERVES					
Called up share capital	16		825		825
Profit and loss account	17		<u>(3,846)</u>		<u>(2,853)</u>
			(3,021)		(2,028)
			<u>=====</u>		<u>=====</u>

APPROVED BY THE BOARD ON
10 November 1995

S Gibson) Director



The notes on page 9 to 18 form part of these accounts.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 1994**

	<u>Notes</u>	<u>1994</u>	<u>1993</u>
		£'000	£'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	20	482	(1,079)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(120)	(114)
NET CASH OUTFLOW ON INVESTMENTS AND SERVICING OF FINANCE		(120)	(114)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(224)	(139)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(224)	(139)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		138	(1,332)
FINANCING			
Receipts under hire purchase agreements		-	60
Hire purchase payments		(23)	(15)
Grants received		<u>107</u>	<u>26</u>
NET CASH INFLOW FROM FINANCING		<u>84</u>	<u>71</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18	<u>222</u>	<u>(1,261)</u>

The notes on page 9 to 18 form part of these accounts.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

**RECONCILIATION OF SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 JULY 1994**

	<u>1994</u> £'000	<u>1993</u> £'000
Shareholders' funds brought forward	(2,028)	(1,358)
Loss retained for the year	<u>(993)</u>	<u>(670)</u>
Shareholders' funds carried forward	(3,021)	(2,028)
	<u>=====</u>	<u>=====</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses in the year ended 31 July 1994 other than the retained loss (1993 - £Nil).

The notes on page 9 to 18 form part of these accounts.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994

1 ACCOUNTING POLICIES

(1) Accounting convention

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

(2) Depreciation

Depreciation has been calculated to write down the cost or valuation of fixed assets over their expected useful lives at the following rates:

Land and buildings	2% per annum
Fixtures, fittings and equipment	20% per annum
Motor vehicles	25% per annum
Refurbishments	20% per annum

All refurbishment costs, which in the directors' opinion increase the economic value of the company's fixed assets, are capitalised and depreciated over 5 years on a straight line basis.

(3) Grants from the Football Grounds Improvement Trust

Grants receivable from the Football Grounds Improvement Trust in respect of expenditure under the Safety of Sports Grounds Act are credited to a reserve and released to profit and loss account in line with the respective depreciation charge.

(4) Transfer fees and compensation

These are charged or credited to the profit and loss account in the year in which the transaction takes place. No amount is included in the balance sheet in respect of the value of players in the employment of the club at the year end.

(5) Stocks

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

(6) Deferred tax

Provision is made for deferred taxation by the liability method to the extent that a liability is expected to arise in the foreseeable future.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(7) Finance leases

Assets obtained under finance lease contracts are recorded in the balance sheet as an asset and as an obligation to pay future rentals.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable in order to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Depreciation on leased assets is charged to the profit and loss account using the same rates as for other tangible fixed assets.

(8) Pension costs

The company pension scheme is a defined contribution scheme for certain employees of the company. Contributions are recognised in the profit and loss account in the year in which they fall due.

2 SUBSEQUENT EVENTS

Subsequent to the year end the company entered agreements of approximately £12,780,193 to acquire and £270,000 for the sale of players.

Also subsequent to the year end the company has built and moved to a new stadium.

3 TURNOVER

Turnover comprises net gate and ticket receipts, income from sports contracts and sponsorship revenue, ground catering and shop income.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

4 LOSS ON ORDINARY ACTIVITIES

The loss on ordinary activities for the financial year is stated after charging/(crediting):

	<u>1994</u> £'000	<u>1993</u> £'000
Auditor's remuneration		
Audit services	14	14
Non audit services	13	6
Depreciation of owned assets	140	140
Depreciation of assets held under finance leases	<u>14</u>	<u>14</u>

5 EMPLOYEES

Staff costs

	<u>1994</u> £'000	<u>1993</u> £'000
Wages and salaries	2,303	2,517
Social security costs	226	253
Other pension costs	<u>215</u>	<u>51</u>
	<u>2,744</u>	<u>2,821</u>

The average number of persons employed during the year was 86 (1993 - 87).

6 DIRECTORS' REMUNERATION

No directors received any emoluments from the company during the year (1993 - £Nil).

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

7 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Bank interest	116	111
Finance lease charges	<u>4</u>	<u>3</u>
	120	114
	<u>==</u>	<u>==</u>

8 TAXATION

The charge for taxation comprises:

	<u>1994</u>	<u>1993</u>
	£'000	£'000
UK corporation tax at 25%	-	-
Prior year adjustment	<u>-</u>	<u>7</u>
	-	7
	<u>==</u>	<u>==</u>

There are taxation losses available to be carried forward against future trading profits of approximately £4,400,000 (1993 - £2,900,000). There is no deferred tax liability as at 31 July 1994 (1993 - £Nil).

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

9 TANGIBLE FIXED ASSETS

	<u>New stadium</u> £'000	<u>Freehold land and buildings</u> £'000	<u>Refurbishments</u> £'000	<u>Motor vehicles</u> £'000	<u>Fixtures, fittings and equipment</u> £'000	<u>Total</u> £'000
Cost						
At 1 August 1993	-	1,221	486	20	164	1,891
Additions	115	-	106	-	3	224
Amounts written off	-	-	-	-	(94)	(94)
At 31 July 1994	115	1,221	592	20	73	2,021
Depreciation						
At 1 August 1993	-	153	416	20	108	697
Provided during year	-	25	114	-	15	154
Amounts written off	-	-	-	-	(94)	(94)
At 31 July 1994	-	178	530	20	29	757
Net book amount						
At 31 July 1994	115	1,043	62	-	44	1,264
At 31 July 1993	-	1,068	70	-	56	1,194

Assets held under finance leases

The net book value contains £42,000 relating to assets held under finance leases and hire purchase contracts.

Capital commitments

At 31 July 1994 there was capital expenditure authorised by the board and not provided for in the accounts of £10,319,266 (1993 - £Nil).

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

10 STOCKS

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Goods held for resale	<u>31</u>	<u>81</u>

11 DEBTORS

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Loan account	-	75
Trade debtors	303	117
Transfer fees receivable	451	125
Other debtors	64	59
Taxation and social security	38	31
Prepayments and accrued income	<u>48</u>	<u>92</u>
	904	499
	<u>=====</u>	<u>=====</u>

12 CREDITORS (Amounts falling due within one year)

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Bank overdraft	1,687	1,905
Trade creditors	211	135
Other creditors	1,017	319
Taxation and social security	318	153
Deferred income	1,361	767
Accruals	54	19
Obligations under finance leases (Note 15)	<u>23</u>	<u>24</u>
	4,671	3,322
	<u>=====</u>	<u>=====</u>

The bank overdraft is secured on the freehold land and buildings.

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

13 CREDITORS (Amounts due after more than one year)

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Deferred grant income (Note 14)	544	448
Obligations under finance leases (Note 15)	<u>11</u>	<u>34</u>
	555	482
	<u> </u>	<u> </u>

14 DEFERRED GRANT INCOME

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Deferred grant income at 1 August	448	432
Received during the year	107	26
Released to the profit and loss account	<u>(11)</u>	<u>(10)</u>
Deferred grant income at 31 July (Note 13)	544	448
	<u> </u>	<u> </u>

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

15 OBLIGATIONS UNDER FINANCE LEASES

	<u>1994</u> £'000	<u>1993</u> £'000
Instalments due:		
Within one year	26	26
Between one and five years	<u>13</u>	<u>39</u>
	39	65
Less: lease charges remaining	<u>(5)</u>	<u>(7)</u>
	34	58
	<u>==</u>	<u>==</u>
Amounts payable:		
Under one year (Note 12)	23	27
Between one and five years (Note 13)	<u>11</u>	<u>31</u>
	34	58
	<u>==</u>	<u>==</u>

16 CALLED UP SHARE CAPITAL

	<u>1994</u> £'000	<u>1993</u> £'000
Authorised:		
Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>825</u>	<u>825</u>

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

17 PROFIT AND LOSS ACCOUNT

	£'000
At 1 August 1993	(2,853)
Loss for the financial year	<u>(993)</u>
At 31 July 1994	<u>(3,846)</u>

18 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD

	<u>1994</u> £'000	<u>1993</u> £'000
Balance at 1 August 1993	(1,903)	(642)
Net cash inflow/(outflow)	<u>222</u>	<u>(1,261)</u>
Balance at 31 July 1994	<u>(1,681)</u>	<u>(1,903)</u>

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

	<u>1994</u> £'000	<u>1993</u> £'000
Bank overdraft	(1,687)	(1,905)
Cash in hand	<u>6</u>	<u>2</u>
	<u>(1,681)</u>	<u>(1,903)</u>

MIDDLESBROUGH FOOTBALL & ATHLETIC COMPANY (1986) LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1994 (CONTINUED)

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

	<u>1994</u>	<u>1993</u>
	<u>£'000</u>	<u>£'000</u>
Operating loss	(873)	(549)
Depreciation	154	154
Grant release (Note 14)	(11)	(10)
Movement in stocks	50	(54)
Movement in debtors	(405)	407
Movement in creditors	<u>1,567</u>	<u>(1,027)</u>
Net cash inflow/(outflow) from operating activities	482	(1,079)
	<u> </u>	<u> </u>