Gloucester Rugby Football Club Limited

Report and Accounts

31 May 2000

Registered Number 0034603

ERNST & YOUNG

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COMPANIES HOUSE

DIRECTORS
Thomas Walkinshaw
Peter Darnbrough
Kenneth Nottage
Hamish Brown

SECRETARY
Doug Wadley

AUDITORS
Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

BANKERS
Barclays Bank plc
18 Southgate Street
Gloucester
GL1 2DH

SOLICITORS
Rickerby Watterson
Ellenborough House
Wellington Street
Cheltenham
Gloucestershire
GL50 1YD

REGISTERED OFFICE
Kingsholm
Gloucester
GL1 3AX

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DIRECTORS' REPORT

The directors present their report and accounts for the 13 months ended 31 May 2000.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of sporting and social entertainment.

REVIEW OF BUSINESS

The 1999/00 season was the fourth full season following the introduction of professionalism into the sport of rugby union. This change to the company's operating environment has led to a significant increase in the costs of the company resulting in the loss shown on page 6.

At an Extraordinary General Meeting of the members of Gloucester Rugby Football Club held on 16 December 1999 it was resolved to sell the 3088 ordinary shares of £1 each held in the company to Try Investments Limited for a total consideration of £1. In addition the Club agreed to waive the balance due to it by Gloucester Rugby Football Club Limited of £266,766. At the same time Try Investments Limited purchased 800,000 £1 preference shares in the company, at par, paid for by conversion of the outstanding loan of £708,000 with the balance of £92,000 paid in cash.

DIRECTORS AND THEIR INTERESTS

The directors at 31 May 2000 and their interests in the shares of the company were as follows:

	31 May 2000		*30 April 1999*
	Preference Shares	*Ordinary shares*	*Ordinary shares*
T Walkinshaw (via Try Investments Limited)	800,000	8,517	8,517
P Darnbrough	-	-	-
K B Nottage (appointed 16 December 1999)	-	-	-
H Brown (appointed 16 December 1999)	-	-	-

In addition D Foyle, J Milner, M Warner, J Hall and D Wadley served as directors until their resignation on 16 December 1999.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 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.

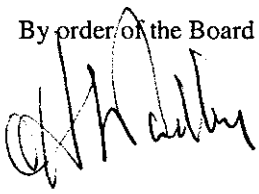
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DIRECTORS' REPORT

AUDITORS

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

By order of the Board



Secretary

Date 31/10/00

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REPORT OF THE AUDITORS
to the members of Gloucester Rugby Football Club Limited

We have audited the accounts on pages 6 to 17, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Qualified opinion arising from disagreement about accounting treatment

As detailed in note 9 to the accounts, the freehold land and buildings of the company have been revalued during the year using the basis of open market value with vacant possession. This is not in accordance with Financial Reporting Standard 15 (FRS 15) which states that specialised properties should be valued on the basis of depreciated replacement cost. It is not possible to estimate what the financial impact on the accounts would be if this accounting treatment were followed.

Except for the failure to account for tangible fixed assets in accordance with FRS 15, in our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 May 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor
Bristol

Date 3/11/00

PROFIT AND LOSS ACCOUNT
for the period ended 31 May 2000

	Notes	2000 (13 months) £	1999 (12 months) £
TURNOVER	2	3,019,596	2,735,145
Cost of sales		(3,751,921)	(3,076,650)
GROSS LOSS		(732,325)	(341,505)
Other operating income		83,400	46,800
Other operating expenses		(525,332)	(395,474)
OPERATING LOSS	3	(1,174,257)	(690,179)
Interest payable and similar charges	6	(72,060)	(67,008)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,246,317)	(757,187)
Tax on loss on ordinary activities	7	-	-
RETAINED LOSS FOR THE PERIOD	18	(1,246,317)	(757,187)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 31 May 2000

	2000 (13 months) £	1999 (12 months) £
Loss for the financial period	(1,246,317)	(757,187)
Unrealised surplus on revaluation of freehold land and buildings	430,071	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	(816,246)	(757,187)

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BALANCE SHEET
at 31 May 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Intangible assets	8	88,450	58,454
Tangible assets	9	1,764,341	1,308,003
		1,852,791	1,366,457
CURRENT ASSETS			
Stocks	10	16,489	14,744
Debtors	11	206,255	201,056
Cash at bank and in hand		11,564	5,369
		234,308	221,169
CREDITORS: amounts falling due within one year	12	(2,694,595)	(1,832,590)
NET CURRENT LIABILITIES		(2,460,287)	(1,611,421)
TOTAL ASSETS LESS CURRENT LIABILITIES		(607,496)	(244,964)
CREDITORS: amounts falling due after more than one year	13	315,421	661,707
CAPITAL AND RESERVES			
Called up share capital	17	811,667	11,667
Share premium account	18	41,483	41,483
Revaluation reserve	18	796,204	373,605
Profit and loss account	18	(2,572,271)	(1,333,426)
SHAREHOLDERS' FUNDS, including non-equity interests		(922,917)	(906,671)
		(607,496)	(244,964)

- Director

Date 30/10/00

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STATEMENT OF CASHFLOWS
for the period ended 31 May 2000

	2000 (13 months) £	*1999 (12 months)* £
CASH OUTFLOW FROM OPERATING ACTIVITIES (NOTE 19 a)	(1,488,327)	(530,498)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest paid	(69,476)	(64,424)
Interest element of finance lease rental payments	(2,584)	(2,584)
	(72,060)	(67,008)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(96,829)	(16,005)
Payments to acquire intangible fixed assets	(110,000)	(42,750)
Receipts from sale of tangible fixed assets	1,000	-
	(205,829)	(58,755)
FINANCING		
Issue of preference share capital	800,000	-
Increase in loan from group undertaking	1,044,053	432,000
Repayment of Bass loan	(11,260)	(6,205)
Repayment of bank loan	(38,730)	(20,657)
Repayment of capital element of hire purchase contracts	(13,485)	(12,447)
Repayment of amount loaned from related undertaking	-	(145)
	1,780,578	392,546
INCREASE/(DECREASE) IN CASH	14,362	(263,715)
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT (NOTE 19 b)		
Increase/(decrease) in cash	14,362	(263,715)
Cash used to repay capital element of hire purchase contracts	13,485	12,447
Cash inflow from increase in loans	(994,063)	(404,993)
Change in net debt resulting from cash flows	(966,216)	(656,261)
Waiver of debt due to related party	266,766	-
MOVEMENT IN NET DEBT	(699,450)	(656,261)
NET DEBT AT START OF PERIOD	(1,636,879)	(980,618)
NET DEBT AT END OF PERIOD	(2,336,329)	(1,636,879)

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NOTES TO THE ACCOUNTS
at 31 May 2000

1. ACCOUNTING POLICIES

Fundamental accounting concept
The accounts have been prepared on the going concern basis as parties ultimately controlled by T Walkinshaw have agreed to make sufficient funds available to enable the company to continue to trade and to meet its liabilities as and when they fall due for payment for a period of not less than 12 months from the date of approval of the accounts.

Basis of accounting
The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

Tangible fixed assets
The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

The interests in freehold land and buildings are stated at valuation. Full valuations are made by professionally qualified valuers every five years and in the intervening years these valuations are updated by directors with the assistance of independent professional advice as required. The basis of valuation is explained in note 9.

Depreciation
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated so as to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings and ground improvements	2
Floodlighting	10
Fixtures and fittings, plant and machinery	15

Grants received
Grants that relate to specific capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

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.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debt balances is reasonably certain.

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NOTES TO THE ACCOUNTS
at 31 May 2000

1. ACCOUNTING POLICIES (continued)

Players' transfer fees
The costs of players' registrations are capitalised and amortised over the period of the respective player's contracts.

Transfers are recognised in the period in which the transfer is registered with the relevant governing body, except where the contract is not conditional upon registration, in which case the transfer is recognised when the contract becomes unconditional (usually when payment is made or received).

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 corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. TURNOVER

Turnover, which is stated net of value added tax, represents the value of goods and services supplied and is wholly attributable to the continuing principal activity of the company in the UK.

3. OPERATING LOSS

This is stated after charging/(crediting):

	2000 (13 months) £	*1999 (12 months)* £
Rent receivable	(83,400)	(46,800)
Depreciation:		
Tangible fixed assets - owned	61,906	46,581
Tangible fixed assets - leased	8,323	7,683
Profit on disposal of tangible fixed assets	(667)	-
Amortisation of players' contracts	80,004	102,494
Auditors' remuneration	7,000	6,500
Operating lease rentals - plant and machinery	-	3,218
Exceptional item – waiver of loan due to Gloucester Rugby Football Club	(266,766)	-

4. DIRECTORS' EMOLUMENTS

	2000 (13 months) £	*1999 (12 months)* £
Emoluments	81,417	12,418

5. STAFF COSTS

	2000 (13 months) £	*1999 (12 months)* £
Wages and salaries	2,480,092	1,922,158
Social security costs	273,695	195,670
Pensions	6,725	3,841
	2,760,512	2,121,669

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NOTES TO THE ACCOUNTS
at 31 May 2000

5. STAFF COSTS (continued)

The monthly average number of employees during the period was:

	2000 (13 months) No	*1999 (12 months) No*
Players	45	44
Coaching	9	9
Offices and administration	10	8
Grounds and maintenance	4	4
Social club	5	2
Stewards and gatemen	33	33
	111	100

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 (13 months) £	*1999 (12 months) £*
Bank loans and overdrafts	66,486	61,846
Finance charges payable under hire purchase contracts	2,584	2,584
Other	2,990	2,578
	72,060	67,008

7. TAX ON LOSS ON ORDINARY ACTIVITIES

No charge to corporation tax arises on the result for the period. There are tax losses carried forward available to be set against future profits amounting to approximately £2,500,000.

8. INTANGIBLE FIXED ASSETS

	Players' transfer fees £
Cost:	
At 1 May 1999	214,250
Additions	110,000
Disposals	(10,000)
At 31 May 2000	314,250
Amortisation:	
At 1 May 1999	155,796
Charge for the period	80,004
Disposals	(10,000)
At 31 May 2000	225,800
Net book value:	
At 31 May 2000	88,450
At 1 May 1999	58,454

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NOTES TO THE ACCOUNTS
at 31 May 2000

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings	*Plant and machinery*	*Fixtures and fittings*	*Total*
	£	£	£	£
Cost or valuation:				
At 1 May 1999	1,159,141	33,551	244,281	1,436,973
Surplus on revaluation	371,776	-	-	371,776
Additions	37,702	9,203	49,924	96,829
Disposals	-	(1,000)	-	(1,000)
At 31 May 2000	1,568,619	41,754	294,205	1,904,578
Depreciation:				
At 1 May 1999	38,176	11,924	78,870	128,970
Provided during the period	20,119	6,435	43,675	70,229
Surplus on revaluation	(58,295)	-	-	(58,295)
Disposals	-	(667)	-	(667)
At 31 May 2000	-	17,692	122,545	140,237
Net book value:				
At 31 May 2000	1,568,619	24,062	171,660	1,764,341
At 1 May 1999	1,120,965	21,627	165,411	1,308,003

The net book value of fixtures and fittings includes an amount of £27,531 (1999 - £35,854) in respect of assets held under hire purchase contracts.

The freehold land and buildings which the company occupies were valued as at 19 April 2000 at their open market value with vacant possession. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by Alder King, a firm of independent Chartered Surveyors. Whilst using this revaluation basis is not strictly in accordance with Financial Reporting Standard 15 (FRS 15), which states that specialised properties should be valued using the depreciated replacement cost basis, the directors do not consider it worthwhile incurring the additional expense of having this alternative valuation completed. Alder King have indicated that, in their experience, it is likely that a depreciated replacement cost valuation would produce a value in excess of that shown above under the open market value with vacant possession basis.

On the historical cost basis freehold land and buildings would have been included as follows:

	2000	*1999*
	£	£
Cost	823,238	785,536
Cumulative depreciation	(50,823)	(38,176)
Net book value	772,415	747,360

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £480,000 (1999 - £480,000).

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NOTES TO THE ACCOUNTS
at 31 May 2000

10. STOCKS

	2000	1999
	£	£
Goods for resale:		
Social club	11,024	7,706
Shop	5,465	7,038
	16,489	14,744

11. DEBTORS

	2000	1999
	£	£
Trade debtors	45,953	51,283
Other debtors	15,130	767
Prepayments and accrued income	145,172	149,006
	206,255	201,056

12. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	562,028	570,195
Bank loan (note 14)	24,245	22,898
Loan from group undertaking (note 23)	1,542,053	498,000
Other loan (note 14)	12,498	7,000
Obligations under finance leases and hire purchase contracts (note 15)	3,231	12,448
Trade creditors	177,339	378,532
Tax and social security costs	165,759	206,102
Accruals and deferred income	207,442	137,415
	2,694,595	1,832,590

The bank overdraft is secured by way of a fixed charge over the freehold property of the company and a corporate guarantee provided by the parent undertaking.

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

	2000	1999
	£	£
Bank loan (note 14)	203,838	243,915
Other loan (note 14)	-	16,758
Obligations under finance leases and hire purchase contracts (note 15)	-	4,268
Amounts due to related undertaking	-	266,766
Deferred income	111,583	130,000
	315,421	661,707

Formal terms in respect of the amounts due to the related undertaking referred to above have yet to be finalised. This loan currently bears no interest charge.

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NOTES TO THE ACCOUNTS
at 31 May 2000

14. LOANS

	2000	1999
	£	£
Not wholly repayable within five years:		
£300,000 bank loan at 9% per annum repayable over 10 years in 9 equal monthly instalments per annum commencing 30 November 1997	228,083	266,813
Wholly repayable within five years:		
Interest free loan from Bass	12,498	23,758
	240,581	290,571
Less: included in creditors: amounts falling due within one year	36,743	29,898
	203,838	260,673
Amounts repayable:		
In one year or less	36,743	29,898
In more than one year but not more than two years	24,245	29,898
In more than two years but not more than five years	72,735	89,694
	133,723	149,490
In more than five years	106,858	141,081
	240,581	290,571

The bank loan is secured by way of a fixed charge over the freehold property of the company.

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	2000	1999
	£	£
Amounts payable:		
Within one year	3,904	15,032
In two to five years	-	5,157
	3,904	20,189
Less: finance charges allocated to future periods	673	3,473
	3,231	16,716
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	3,231	12,448
Non-current obligations (note 13)	-	4,268
	3,231	16,716

16. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

There is a potential liability to capital gains tax due to the revaluation of the assets should they be disposed of. However, given the fundamental nature of the assets to the business of the company they would need to be replaced by similar assets if disposed of. Accordingly, the revalued amounts do not constitute timing differences as defined by SSAP 15, and the potential amount of deferred tax if they were to be disposed of has not therefore been quantified.

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NOTES TO THE ACCOUNTS
at 31 May 2000

17. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2000	*1999*	*2000*	*1999*
	No.	*No.*	*£*	*£*
Ordinary shares of £1 each	12,000	12,000	11,667	11,667
Cumulative redeemable preference shares of £1 each	800,000	-	800,000	-
	812,000	12,000	811,667	11,667

800,000 cumulative redeemable preference shares of £1 each were issued on 16 December 1999, at par, paid for by the conversion of the outstanding loan of £708,000 from Try Investments Limited with the balance of £92,000 paid in cash.

The cumulative redeemable preference shares are entitled to a fixed cumulative preference dividend of 4% per annum payable on 1 August each year commencing on 1 August 2000. No dividend has been accrued in these accounts due to the lack of reserves available for distribution. These shares are redeemable at any time in whole or in part at par at the option of the company, but in any event not later than 1 August 2004.

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	*Share premium account*	*Revaluation reserve*	*Profit and loss account*	*Total 2000*	*Total 1999*
	£	*£*	*£*	*£*	*£*	*£*
At 1 May 1999	11,667	41,483	373,605	(1,333,426)	(906,671)	(149,484)
Revaluation of land and buildings	-	-	430,071	-	430,071	-
Issue of preference shares	800,000	-	-	-	800,000	-
Retained loss for the year	-	-	-	(1,246,317)	(1,246,317)	(757,187)
Transfer	-	-	(7,472)	7,472	-	-
At 31 May 2000	811,667	41,483	796,204	(2,572,271)	(922,917)	(906,671)

Shareholders' funds are attributable as follows:

	2000	*1999*
	£	*£*
Equity interests	(1,722,917)	(906,671)
Non-equity interests	800,000	-
	(922,917)	(906,671)

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NOTES TO THE ACCOUNTS
at 31 May 2000

19. NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2000 £	*1999* £
Operating loss	(1,174,257)	(690,179)
Depreciation of tangible fixed assets	70,229	54,264
Profit on disposal of tangible fixed assets	(667)	-
Amortisation of intangible fixed assets	80,004	102,494
(Increase)/decrease in stocks	(1,745)	3,592
(Increase) in debtors and prepayments	(5,199)	(73,641)
(Decrease)/increase in creditors and accruals	(189,926)	72,972
Waiver of amount loaned by related undertaking	(266,766)	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,488,327)	(530,498)

(b) Analysis of net debt

	At 1 May 1999 £	*Cash flow* £	*Other changes* £	*At 31 May 2000* £
Cash at bank and in hand	5,369	6,195	-	11,564
Bank overdraft	(570,195)	8,167	-	(562,028)
	(564,826)	14,362	-	(550,464)
Debt due within one year	(527,898)	(1,050,898)	-	(1,578,796)
Debt due after one year	(527,439)	56,835	266,766	(203,838)
	(1,055,337)	(994,063)	266,766	(1,782,634)
Hire purchase contracts	(16,716)	13,485	-	(3,231)
	(1,072,053)	(980,578)	266,766	(1,785,865)
	(1,636,879)	(966,216)	266,766	(2,336,329)

(c) Non-cash transactions

During the period a loan of £266,766 due to a related party was waived.

20. FINANCIAL COMMITMENTS

At 31 May 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Plant and equipment	
	2000 £	*1999* £
Operating leases which expire:		
Within one year	5,583	5,958
In two and five years	6,146	3,834
In over five years	-	3,132
	11,729	12,924

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NOTES TO THE ACCOUNTS
at 31 May 2000

21. ULTIMATE PARENT UNDERTAKING

The directors regard Try Investments Limited as the ultimate parent undertaking. The directors regard Mr T Walkinshaw as the ultimate controlling party by virtue of his 100% interest in the equity capital of Try Investments Limited. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Manufactory House, Bell Lane, Hertford.

22. CONTINGENT LIABILITIES

Following the introduction of professionalism into the sport and the consequent changes to club structures, the Inland Revenue are undertaking investigations into the status of all clubs. Based on the information currently available the directors do not believe any liability will arise on the company as a result of the outcome of these investigations.

23. RELATED PARTY TRANSACTIONS

a) £660,000 was received during the year from Try Investments Limited, a company wholly owned by Mr T Walkinshaw, under an agreement for the procurement of sponsorship of £2,250,000 over three seasons commencing with the 1997/98 season.

b) Included within creditors is a short term loan of £1,542,053 from Try Investments Limited. This loan is repayable on demand.

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