

84 ans

3460 s .

GLOUCESTER RUGBY FOOTBALL CLUB LIMITED

Report and Financial Statements

31 May 2002

 ERNST & YOUNG



Gloucester Rugby Football Club Limited

Registered Number 00034603

DIRECTORS

Thomas Walkinshaw
Peter Darnbrough
Kenneth Nottage
Hamish Brown
Karen Ellis

SECRETARY

Doug Wadley

AUDITORS

Ernst & Young LLP
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

Gloucester Rugby Football Club Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 May 2002.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS

The company's performance during the year ended 31 May 2002 showed a considerable improvement over previous years, both on and off the playing field. The club's First XV finished at 3rd place in the Zurich Premiership and the season was further enhanced by a magnificent effort in winning the Zurich Championship for the year. The club has secured an entry to the Heineken Cup, rugby's premier European competition, for the 2002 / 3 Season.

The company's financial results followed a similar trend of improvement with the net loss for the year reduced to £141,000. Particularly noteworthy was the 26% improvement in revenue at £4,300,000. A proportion of this improvement arose from the "Long Form Agreement" between the RFU and the Premiership clubs which resulted in a fairer distribution to all the clubs and set the basis for many areas of mutual co-operation. All the other revenue streams showed similar improvements. Season ticket sales and match attendance figures were up by 15% on the previous year. In its match related activities there are now capacity constraints which the company will have to address if it is to supply future demands.

The club has seen a continued, albeit slight, growth in its cost base. It is this area which will be scrutinised very critically during the coming year so that continuing improvement in income can be fully realised

FUTURE DEVELOPMENTS

The company's plans for the season 2002/2003 involve a continuing trend of increased revenue. Early indications are good, for instance; Season ticket membership is over 4,500 for the coming season.

As the company develops a stable and profitable future there is a growing need to address the issues of capacity constraints at Kingsholm which will hinder future growth. The company's management is actively engaged on developing proposals to address both the match related and 'utilisation' capacity constraints and will act upon the changes required in the coming months. The company is pursuing exciting initiatives both in the development of playing talent but also in the nurturing of better and mutually beneficial relationships with community, civic and commercial organisations. The Board have the view that these developments will reinforce a profitable and secure future for the club whilst progressing towards our goal of being one of the best rugby organisations in Europe.

DIRECTORS AND THEIR INTERESTS

The directors at 31 May 2002 and their interests in the shares of the company were as follows:

	At 31 May 2002		At 1 June 2001 or subsequent date of appointment	
	Preference Shares	Ordinary shares	Preference shares	Ordinary shares
T Walkinshaw (via Try Investments Limited)	800,000	8,517	800,000	8,517
P Darnbrough	-	-	-	-
K B Nottage	-	-	-	-
H Brown	-	-	-	-
K Ellis	-	-	-	-
	=====	=====	=====	=====

The following change in director occurred during the year:

Karen Ellis – appointed 1 June 2001

Gloucester Rugby Football Club Limited

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 of the company for that period. In preparing those financial statements, the directors are required to:

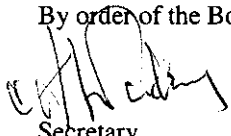
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board


Secretary

Date 14/11/02

INDEPENDENT AUDITORS' REPORT**to the members of Gloucester Rugby Football Club Limited**

We have audited the company's financial statements for the year ended 31 May 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cashflows and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Qualified opinion: disagreement about accounting treatment

As detailed in note 9 to the financial statements, the freehold land and buildings of the company (with net book value of £1,644,063) were revalued during the year ended 31 May 2000 using the basis of open market value with vacant possession. In our opinion these assets comprise "specialised properties" as defined in Financial Reporting Standard 15 (FRS 15). FRS 15 requires that specialised properties are revalued on the basis of depreciated replacement cost and therefore in our opinion the valuation basis used is not in accordance with FRS 15. We are unable to quantify the effect of this non-compliance with FRS 15.

Except for the non-compliance with FRS 15 in respect of the revaluation of freehold land and buildings, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 May 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Bristol

Date

20 November 2002

Gloucester Rugby Football Club Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 May 2002

	Notes	2002 £	2001 £
TURNOVER	2	4,261,752	3,381,365
Cost of sales		(3,460,115)	(3,346,417)
GROSS PROFIT		801,637	34,948
Other operating income		64,800	65,500
Other operating expenses		(957,055)	(974,772)
OPERATING LOSS	3	(90,618)	(874,324)
Interest payable and similar charges	6	(50,896)	(57,474)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(141,514)	(931,798)
Tax on loss on ordinary activities	7	-	-
LOSS FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	17	(141,514)	(931,798)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 May 2002

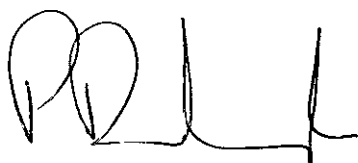
There are no other recognised gains or losses attributable to the shareholders of the company for the current or preceding financial year other than as stated above.

Gloucester Rugby Football Club Limited

BALANCE SHEET

at 31 May 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	1,888,189	1,864,149
		<u>1,888,189</u>	<u>1,864,149</u>
CURRENT ASSETS			
Stocks	10	-	6,114
Debtors	11	478,446	376,980
Cash at bank and in hand	18(b)	3,520	2,534
		<u>481,966</u>	<u>385,628</u>
CREDITORS: amounts falling due within one year	12	(2,042,013)	(3,731,997)
NET CURRENT LIABILITIES		<u>(1,560,047)</u>	<u>(3,346,369)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>328,142</u>	<u>(1,482,220)</u>
CREDITORS: amounts falling due after more than one year	13	2,324,371	372,495
CAPITAL AND RESERVES			
Called up share capital	16	811,667	811,667
Share premium account	17	41,483	41,483
Revaluation reserve	17	765,031	784,465
Profit and loss account	17	(3,614,410)	(3,492,330)
		<u>(1,996,229)</u>	<u>(1,854,715)</u>
		<u>328,142</u>	<u>(1,482,220)</u>
SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:			
Equity interests		(2,854,896)	(2,681,382)
Non-equity interests		858,667	826,667
		<u>(1,996,229)</u>	<u>(1,854,715)</u>



- Director

Date

11/11/02

Gloucester Rugby Football Club Limited

STATEMENT OF CASHFLOWS for the year ended 31 May 2002

	2002 £	2001 £
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES (NOTE 18 a)	31,919	(825,018)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest paid	(47,950)	(56,581)
Interest element of finance leases and hire purchase contracts	(2,946)	(893)
	(50,896)	(57,474)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(110,878)	(133,501)
Receipts from sale of tangible fixed assets	-	27,000
Receipts from sale of intangible fixed assets	-	15,000
	(110,878)	(91,501)
FINANCING		
Increase in loan from group undertaking	80,000	920,000
Repayment of Bass loan	-	(283)
New bank loan	-	250,000
Repayment of bank loan	(14,407)	(243,971)
Repayment of capital element of finance leases and hire purchase contracts	(13,442)	(3,011)
	52,151	922,735
DECREASE IN CASH	(77,704)	(51,258)
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT (NOTE 18 b)		
Decrease in cash	(77,704)	(51,258)
Cash used to repay capital element of finance leases and hire purchase contracts	13,442	3,011
Cash inflow from increase in loans	(65,593)	(925,746)
Change in net debt resulting from cash flows	(129,855)	(973,993)
New hire purchase contracts and finance leases	(20,152)	(67,231)
MOVEMENT IN NET DEBT	(150,007)	(1,041,224)
OPENING NET DEBT	(3,377,553)	(2,336,329)
CLOSING NET DEBT	(3,527,560)	(3,377,553)

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 May 2002

1. ACCOUNTING POLICIES

Fundamental accounting concept

The financial statements 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 financial statements.

Basis of accounting

The financial statements 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

Tangible fixed assets, with the exception of the freehold land and buildings, are stated at their purchase cost together with any incidental costs of acquisition.

The interests in freehold land and buildings are stated at valuation. 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	15-33

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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 May 2002

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 year 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).

Pensions

The company contributes to the pension scheme of certain of its employees. Contributions are charged to the profit and loss account as they fall due.

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):

	2002 £	2001 £
Rent receivable	(60,000)	(65,500)
Depreciation:		
Tangible fixed assets - owned	90,757	78,737
Tangible fixed assets - leased	16,233	887
Profit on disposal of tangible fixed assets	-	(5,700)
Loss on disposal of intangible fixed assets	-	7,500
Amortisation of players' contracts	-	65,950
Auditors' remuneration	7,000	7,000

4. DIRECTORS' EMOLUMENTS

	2002 £	2001 £
Emoluments (includes £60,000 management charge)	111,505	70,620

5. STAFF COSTS

	2002 £	2001 £
Wages and salaries	2,504,222	2,395,634
Social security costs	237,758	227,736
	<u>2,741,980</u>	<u>2,623,370</u>

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 May 2002

5. STAFF COSTS (continued)

The monthly average number of employees during the year was:

	2002 No	2001 No
Players	50	46
Coaching and fitness	12	12
Offices and administration	13	9
Grounds and maintenance	4	4
Social club	-	5
Stewards	45	30
	<u>124</u>	<u>106</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	46,673	54,757
Finance charges payable under finance leases and hire purchase contracts	2,946	893
Other interest payable	1,277	1,824
	<u>50,896</u>	<u>57,474</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

No charge to taxation arises in the current or preceding year due to losses being incurred and no provision for deferred taxation is required.

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(141,514)	(931,798)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK	(42,454)	(279,539)
Effect of:		
Expenses not deductible for tax purposes	2,848	3,174
Non-taxable income	(5,100)	(5,100)
Depreciation in excess of capital allowances	32,097	22,177
Short-term timing differences	(100,000)	-
Losses carried forward	112,609	259,288
Current tax charge for the year	<u>-</u>	<u>-</u>

Deferred taxation

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £180,000 (2001 - £190,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The company has tax losses at 31 May 2002 of £4,015,000 (2001 - £3,640,00) that are available indefinitely for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as they do not satisfy the recognition criteria for deferred tax asset in FRS 19.

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 May 2002

8. INTANGIBLE FIXED ASSETS

	<i>Players' transfer fees</i>
	£
Cost:	
At 1 June 2001	95,500
Disposals	(64,000)
At 31 May 2002	31,500
Amortisation:	
At 1 June 2001	95,500
Disposals	(64,000)
At 31 May 2002	31,500
Net book value:	
At 31 May 2002	-
At 1 June 2001	-

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i>	<i>Office, vehicles, plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£
Cost or valuation:				
At 1 June 2001	1,648,515	97,117	335,678	2,081,310
Additions	40,783	66,757	23,490	131,030
At 31 May 2002	1,689,298	163,874	359,168	2,212,340
Depreciation:				
At 1 June 2001	20,202	25,652	171,307	217,161
Provided during the year	25,033	30,321	51,636	106,990
At 31 May 2002	45,235	55,973	222,943	324,151
Net book value:				
At 31 May 2002	1,644,063	107,901	136,225	1,888,189
At 1 June 2001	1,628,313	71,465	164,371	1,864,149

The net book value of fixtures and fittings includes an amount of £79,055 (2001 - £70,098) in respect of assets held under finance leases and hire purchase contracts.

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 May 2002

9. TANGIBLE FIXED ASSETS (continued)

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 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:

	2002 £	2001 £
Cost	943,917	903,134
Cumulative depreciation	(64,885)	(59,286)
Net book value	<u>879,032</u>	<u>843,848</u>

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £480,000 (2001 - £480,000).

10. STOCKS

	2002 £	2001 £
Goods for resale	-	6,114

11. DEBTORS

	2002 £	2001 £
Trade debtors	158,758	52,730
Other debtors	12,869	36,911
Prepayments and accrued income	306,819	287,339
	<u>478,446</u>	<u>376,980</u>

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 May 2002

12. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	682,946	604,256
Current instalment due on loan (note 14)	26,107	17,061
Amount due to group undertaking (note 22)	542,053	2,462,053
Other loan (note 14)	12,215	12,215
Obligations under finance leases and hire purchase contracts (note 15)	29,568	16,590
Trade creditors	366,200	383,643
Other taxes and social security costs	187,751	104,380
Accruals and deferred income	195,173	131,799
	<u>2,042,013</u>	<u>3,731,997</u>

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

The amount due to group undertaking is interest free, unsecured and has no fixed date of repayment. Following the year end, the directors of Try Investments Limited have resolved to convert £2 million of the amount due to them to a long term loan. This sum has therefore been reclassified to creditors: amounts falling due after more than one year.

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

	2002	2001
	£	£
Bank loan (note 14)	193,598	217,051
Amount due to group undertaking	2,000,000	-
Obligations under finance leases and hire purchase contracts (note 15)	44,593	50,861
Deferred income	86,180	104,583
	<u>2,324,371</u>	<u>372,495</u>

The amount due to group undertaking is unsecured and bears interest at a rate of 3% per annum. It has no fixed date of repayment but the directors of Try Investments Limited have resolved not to seek repayment of the loan for a period of at least 12 months from the date of signing of these accounts. In the event of a sale of an amount greater than 50% of issued share capital of Gloucester Rugby Football Club Limited the loan becomes repayable in full within two years of the date of such sale.

The directors of Try Investments Limited reserve the right to convert the amount due to them to Preference Shares in the company carrying a cumulative coupon of 3% at any time in the future.

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 May 2002

14. LOANS

	2002 £	2001 £
Not wholly repayable within five years: £250,000 bank loan at 2.75% above Barclays Bank base rate per annum repayable over 10 years in 8 equal monthly instalments per annum commencing 6 November 2000	219,705	234,112
Wholly repayable within five years: Interest free loan from Bass	12,215	12,215
	<u>231,920</u>	<u>246,327</u>
Less: included in creditors: amounts falling due within one year	(38,322)	(29,276)
	<u>193,598</u>	<u>217,051</u>
Amounts repayable:		
In one year or less	38,322	29,276
In more than one year but not more than two years	18,651	18,651
In more than two years but not more than five years	60,651	67,043
	<u>117,624</u>	<u>114,970</u>
In more than five years	114,296	131,357
	<u>231,920</u>	<u>246,327</u>

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

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	2002 £	2001 £
Amounts payable:		
Within one year	33,444	19,225
In two to five years	51,512	59,408
	<u>84,956</u>	<u>78,633</u>
Less: finance charges allocated to future periods	(10,795)	(11,182)
	<u>74,161</u>	<u>67,451</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	29,568	16,590
Non-current obligations (note 13)	44,593	50,861
	<u>74,161</u>	<u>67,451</u>

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 May 2002

16. CALLED UP SHARE CAPITAL

	2002 No.	Authorised 2001 No.	Allotted, called up and fully paid 2002 £	2001 £
Ordinary shares of £1 each	12,000	12,000	11,667	11,667
Cumulative redeemable preference shares of £1 each	800,000	800,000	800,000	800,000
	<u>812,000</u>	<u>812,000</u>	<u>811,667</u>	<u>811,667</u>

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 financial statements due to the lack of reserves available for distribution. However, a transfer between equity and non-equity shareholders funds has been made to reflect the dividends due. 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.

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total 2002 £	Total 2001 £
At 1 June	811,667	41,483	784,465	(3,492,330)	(1,854,715)	(922,917)
Retained loss for the year	-	-	-	(141,514)	(141,514)	(931,798)
Transfer of revaluation element of depreciation charge	-	-	(19,434)	19,434	-	-
At 31 May	<u>811,667</u>	<u>41,483</u>	<u>765,031</u>	<u>(3,614,410)</u>	<u>(1,996,229)</u>	<u>(1,854,715)</u>

18. NOTES TO THE STATEMENT OF CASHFLOWS

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

	2002 £	2001 £
Operating loss	(90,618)	(874,324)
Depreciation of tangible fixed assets	106,990	79,624
Profit on disposal of tangible fixed assets	-	(5,700)
Loss on disposal of intangible fixed assets	-	7,500
Amortisation of intangible fixed assets	-	65,950
Decrease in stocks	6,114	10,375
Increase in debtors and prepayments	(101,466)	(170,725)
Increase in creditors and accruals	110,899	62,282
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<u>31,919</u>	<u>(825,018)</u>

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 May 2002

18. NOTES TO THE STATEMENT OF CASHFLOWS (continued)

(b) Analysis of net debt

	<i>At 1 June</i> 2001 £	<i>Cash flow</i> £	<i>Other</i> <i>changes</i> £	<i>At 31 May</i> 2002 £
Cash at bank and in hand	2,534	986	-	3,520
Bank overdraft	(604,256)	(78,690)	-	(682,946)
	(601,722)	(77,704)	-	(679,426)
Debt due within one year	(2,491,329)	(89,046)	2,000,000	(580,375)
Debt due after one year	(217,051)	23,453	(2,000,000)	(2,193,598)
Finance leases and hire purchase contracts	(67,451)	13,442	(20,152)	(74,161)
	(2,775,831)	(52,151)	(20,152)	(2,848,134)
	(3,377,553)	(129,855)	(20,152)	(3,527,560)

19. FINANCIAL COMMITMENTS

At 31 May 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Plant and equipment</i>	
	2002 £	2001 £
Operating leases which expire:		
Within one year	1,511	2,314
In two and five years	4,934	6,422
	6,445	8,736

20. 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.

21. 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.

Gloucester Rugby Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 May 2002

22. RELATED PARTY TRANSACTIONS

- a) £580,000 was received during the year as sponsorship income from Try Investments Limited, a company wholly owned by Mr T Walkinshaw.
- b) Included within creditors; amounts falling due within one year is a short-term loan of £542,053 from Try Investments Limited. This loan is unsecured, interest free and repayable on demand.
- c) Included within creditors: amounts falling due after more than one year is a loan from Try Investments Limited of £2million. The directors of Try Investments Limited resolved following the year-end to convert £2 million of the existing short-term loan into long term funding for the company.