

Ipswich Town Football Club Company Limited

31 May 2000
Directors' report and financial
statements
Registered number 315421



Contents

Company information	1
Chairman's report	2
Directors' report	7
Statement of Directors' responsibilities	9
Report of the auditors to the members of Ipswich Town Football Club Company Limited	10
Profit and loss account	11
Balance sheet	12
Cash flow statement	13
Statement of total recognised gains and losses	14
Note of historical cost profits and losses	14
Reconciliation of movements in shareholders' funds	14
Notes	15
Revenue account	29

Company information

Chairman	David R Sheepshanks
Board of Directors	John Kerr MBE DL Richard J. Moore Philip W. Hope-Cobbold Roger J. Finbow Rt. Hon Lord Ryder OBE PC
Vice Presidents	Kenneth H. Brightwell Harold R. Smith
Secretary	David C. Rose
Manager	George E. Burley
Commercial Director	Paul A. Clouting
Director of Communications	Alesha I. Gooderham
Registered Office	Portman Road Ipswich IP1 2DA
Company Registration Number	315421
Bankers	Barclays Bank Plc 1 Princes Street Ipswich IP1 1PB
Auditors	KPMG 6 Lower Brook Street Ipswich IP4 1AP
Solicitors	Prettys Solicitors Elm House 25 Elm Street Ipswich IP1 2AD

Chairman's report

Introduction

It is a particular pleasure to present my Chairman's Report for the year ended 31st May 2000, culminating as it did in our promotion back to the Premiership, after a joyous and unforgettable day at Wembley.

Financial Review

It is pleasing to record a Net Profit after Interest and player transactions of £2.127 million. The sale of Kieron Dyer that has thus far resulted in a net fee of £6.3 million was clearly a major contribution to this result.

This profit should not disguise the fact that the underlying pre-transfer position showed an Operating Loss of £2.342 million. Shareholders will remember that I warned last year of the likelihood of an ongoing operating deficit circa £1.5 million. This number was inflated by the inclusion of all promotion bonuses for the playing staff, thereby reducing the Corporation Tax Liability that would otherwise have been incurred to zero.

Overdrafts and loans amounted to £3.8 million, an increase of £0.8 million over the 1999 level. In very simple terms, notwithstanding cashflow differences, this shows that we reinvested all of the money received for Kieron Dyer in new player transfer fees and wages in our effort to gain promotion.

Financial Position Post 31 May 2000

Promotion to the Premiership has significantly transformed the economy of the Club. The new TV deal negotiated by the Premier League with Sky, ITV and ntl has led to a 7.5% Rights Fee being payable already this season, resulting in an anticipated TV income for this season alone of approximately £12 million. Coupled with increased gate and commercial receipts we are budgeting a vastly increased turnover of approximately £22 million this year. Despite doubling our turnover which will help us to make a healthy operating profit, our scope for inward transfers will be limited by large increases in players wages and bonuses (to keep them in line with those paid by our rivals) as well as the problems created by transfer inflation.

Nevertheless, the improvement in our finances has enabled us to negotiate larger bank overdraft and loan facilities. Discussions were assisted by healthy income predictions for the next three years, as even in the gloomiest situation of relegation 50% of the Premiership TV money is payable for two further seasons. Greater funds and facilities have enabled us to invest a further £6.5 million in transfers, a figure that grows substantially larger when adding attendant wage costs and the increases for those players that were promoted with us.

We are now a smaller fish in a much bigger pond and the large wealth and comparable financial security associated with maintaining our position in the Premier League are uppermost in the thinking of the Directors.

At the time of writing, further limited funding is available for additional strengthening of the squad. Despite the current uncertainty concerning the future of the Transfer System, the Directors consider the priority remains to commit the maximum affordable amount towards retention of our Premiership status, without jeopardising our future solvency. If the right player or players, therefore, became available for whom fees are required then we will continue to invest to the levels we can afford.

Transfer Activity

During the financial year we have said farewell to Kieron Dyer, John Kennedy, Adam Tanner, Chris Keeble, Bobby Petta, Jason Cundy, David Theobald, Marco Holster and Lee Bracey.

On behalf of all Shareholders of Ipswich Town, I thank them for all their valued contributions to the Club and wish them well for the future.

On the incoming side, we welcomed during the year Mike Salmon, John McGreal, Jermaine Wright, Jonas Axeldal (now with Cambridge United), Gary Croft, Marcus Stewart, Keith Branagan and James Pullen.

We hope that they all have long and successful careers at Portman Road.

In March, the Directors decided to reward the Manager, George Burley, with a new four year contract. He continues to do an excellent job in improving the team's performance every year, until now achieved while having to sell players under financial constraint. More than that he has the health and prosperity of the whole Club at heart and we hope that he will remain the Manager of Ipswich Town Football Club for many years to come.

It is also appropriate to congratulate Tony Mowbray on his successful step up to First Team Player/Coach, as well as on his fine performances on the field of play.

For the second year in succession it is pleasing to record that there is no pressure on this Club to sell players, rather that we remain interested potential buyers.

Staff

As much as the fixtures of this Club are dependent on the performance of the players on the pitch, so we are now interdependent on the efforts of all the non-playing staff behind the scenes. They are vital to our success and it is to the huge credit of everyone at Portman Road that we are the first ever professional club in either the Premiership or Football League to be awarded the coveted Investors in People Accreditation. While we continue our efforts to improve performance at all levels, this is now an increasingly well integrated organisation.

During the year, Howard Wells joined the Club in the new position of Chief Executive, a role that had for the previous five years been undertaken by myself. Howard left the Club in July and we extend our thanks to him for all his efforts on our behalf. Given both the importance and the proximity of this our first season back in the Premiership, the Board decided that it would be preferable if I resumed the Chief Executive duties for the foreseeable future. I have agreed to this on the basis that at some stage during 2001, still to be determined, we will review the position again.

Property and Stadium Development

According to the new Accounting Standard FRS 15 if a company conducts a revaluation of its Property Assets then it is obliged to continue such valuations periodically. After deliberation, the Directors have adopted this revaluation policy. The new valuation of the ground amounts to £9.26 million and this is reflected in the accounts. This figure excludes work on the South Stand, the adjoining practice pitch and the floodlights.

The basis of this valuation is "Depreciated Replacement Cost" as appropriate for a specialist property i.e. not open market value.

Several major building and improvement projects are being undertaken at the Stadium, the largest of which is the new upper tier to the South Stand. This will increase capacity at Portman Road to approximately 26,500 by August 2001. The stand will provide additional bar and dining facilities as well as the long awaited Supporters' Club Room.

Further self-funding Executive boxes are being installed in the Britannia Stand, together with a modern new Media Centre, as required by Premiership League Membership.

The training ground adjacent to the Britannia Stand has been fitted with the most modern synthetic grass surface with floodlighting on both sides. All Ipswich Town teams will benefit, as will the Community generally with many weekend and evening coaching classes planned.

The plan for the Stadium is to maximise capacity within an overall design that takes an holistic approach. Plans are being worked on for the redevelopment of the North Stand, such that capacity in the Stadium could eventually exceed 30,000. This project would depend on retention of Premiership status and clear evidence of the demand.

The other significant project concerns the Academy. We have now purchased the field formerly known as Cranes Sports Ground and gained planning permission for the erection of an indoor training hall as required by the FA Regulations. We will also be renovating the current changing room and recreational facilities to provide modern dressing rooms and associated amenities as befitting a leading Academy and Training Centre.

All of the above projects add up to a large capital figure. Shareholders can take comfort in the fact that with the exception of the North Stand Project which is yet to be either finalised or financed, all other projects are properly funded on a term basis separate from the main working capital bank facilities of the Football Club.

Players' Values

In last year's Annual Report I explained another new accounting standard, FRS 10, which relates to the valuation of players and how they are treated for tax purposes in our accounts. The cost of all players purchased is now capitalised and shown as Intangible Assets. The cost is then written-off over the length of the contract.

Our Club has prospered over the years thanks, in significant measure, to astute dealings on the transfer market, albeit often painful at times. In other words, we have had to make a transfer profit to the amount of £1.5 million each year to balance our books. The abolition of the transfer system would harm the health of our finances, whatever division we are in, and restrict our ability to recruit promising new players of all ages.

The Premier League together with The Football Association, the Football League and the Professional Footballers' Association are united in their canvassing for keeping the transfer system that we have, given the very damaging impact that could result for many smaller professional clubs in this country and in Europe. All clubs would be detrimentally affected in the short term and this would include a need to substantially review player values on the Balance Sheet. The EU have given FIFA and UEFA (the World and European governing bodies) until 31 October for a formal response and a further two months for consultation. At the time of writing this report the current thinking is that some change may be unavoidable according to European law, but that equally some concessions to the stability of our current system will be retained.

Chairman's Shares

You will note that the accounts for this year show that 7,363 shares were transferred by me into a Discretionary Trust in April of this year. I feel that it might be helpful for me to explain briefly to shareholders the background to and reasons for this transfer.

The shares transferred are shares which have become known as the "Chairman's shares". The "Chairman's shares" belonged to Patrick Cobbold. It was his wish that after his death the "Chairman's shares" would be held by the Chairman of the Company at that time and then passed on by each Chairman to his successor as Chairman. John Kerr therefore inherited the shares as he was Chairman at the time of Patrick Cobbold's death and on his retirement he subsequently transferred the shares to me as Chairman. I received advice from our tax advisers that, if the "Chairman's shares" were to be owned personally by the Chairman, whenever an outgoing Chairman passed on the "Chairman's shares" to his successor the transfer of those shares would create potential tax liabilities for the outgoing Chairman. In order to guard against this risk, life assurance policies were taken out on my life and that of John Kerr, my predecessor as Chairman. However, the directors have concluded that it is not viable in the long term to rely on current legislation and life assurance policies to deal with these tax issues. As a result of this decision, our professional advisers were asked to recommend to us a permanent solution.

The principal task for our advisers was to find a solution which resulted in the "Chairman's shares" actually being beneficially owned by someone other than the Chairman of the day but, in accordance with Patrick Cobbold's wishes, being retained as a block of shares over which the Chairman had control for voting purposes.

Our professional advisers came up with two possible options, namely a Discretionary Trust and a Charitable Trust. The subject of a Charitable Trust was considered in some depth because of the substantial tax benefits that would accompany such a Trust. However, after careful thought, a Charitable Trust was not considered feasible principally because, having made extensive enquiries we did not consider that we would be able to satisfy the Charity Commissioners as to the true charitable nature of the trust in the wider sense that they would require.

The decision was therefore taken to put in place a Discretionary Trust. The trustees of the Trust will be the current Chairman and the immediate past Chairman with the former holding the casting vote. This provides the Chairman of the day with the effective voting power as originally intended by Patrick Cobbold. The current named beneficiary of the trust is the Football in the Community Project. Other beneficiaries will be selected by the trustees, who must be directors of the Company. The beneficiaries must be football related.

Tickets

Our successful promotion to the Premiership brought with it an unparalleled uplift in demand for season tickets. Our Ticket Office staff have undertaken a marathon task in endeavouring to assess and process applications within a shortened close-season. As has been well publicised, the demand far exceeded supply to the point that we had to return some 8,000 unlucky applications. Existing season ticket holders and club members were given priority as has always been the case. Shareholders were also given preference. Inevitably there are many instances of long-term and regular supporters who were not in the aforementioned categories who were unsuccessful in gaining tickets. The Board of Directors and staff of the Club share with me our great regret that we have been unable to satisfy the demand. The disappointment felt by so many is clearly contrary to everything that we have been trying to achieve in building and nurturing the support base of Ipswich Town for many years to come. We could not have financed

the building of more seating before now and so we are, in this respect, victims of our own success. Our values and intentions do not change and the priority now is to increase capacity to meet demand.

In the meantime, the Ticket Office and IT Staff are to be commended for their ingenuity in developing the new ballot system that enables club members to gain tickets out of the 2,000 that we have retained for sale on a match-by-match basis. There were understandable delays and scepticism initially, however, this is now running smoothly with members being able to expect tickets for 1 in 3 matches and occasionally even 1 in 2.

Thanks and Conclusion

I would like firstly to thank my fellow Directors for their guidance, wisdom and support over the last year. While the Chairman all too often captures the headlines, the Directors all play their important parts to the great benefit of this Football Club.

This Club continues to benefit from a strong and united Board of Directors.

I wrote in this report last year that 'triumph on the field of play is the vision behind which all shareholders and supporters unite....' What a triumph it was on May 29th for everyone connected with this Club but, in particular, for our Manager, George Burley, and I extend to him personally our greatest thanks and congratulations.

Shareholders will know that as Chairman and Manager we work closely together and so I am better placed than most to know how much George Burley has personally put into the Club over the last six years in an effort to elevate our status to the Premiership. His management has been authoritative and astute and quite apart from delivering the ultimate success on the field that we sought, he contributes to the all round growth and ongoing improvement of the Club as a whole.

Reporting to me daily and monthly to the Board, the Executive Management team run the Club on a day-to-day basis. Apart from George Burley, the senior team comprises Paul Clouting, our Director of Commercial activities and Club Secretary, David Rose, who is in charge of administration. The team is strengthened this year by the appointment of Alesha Gooderham as Director of Communications and in December our new Director of Finance.

The Commercial area of the Club is becoming increasingly successful and profitable under Paul's leadership and congratulations are again in order. The administrative function grows ever more demanding and we are most fortunate to have a man as experienced and dedicated to Ipswich Town as David Rose. The Public Relations of the Club is immeasurably better thanks to the tireless efforts of Alesha Gooderham who has combined these duties with the management of my office. I would like to extend very special thanks to these three, but also to all the staff for their great commitment and hard work.

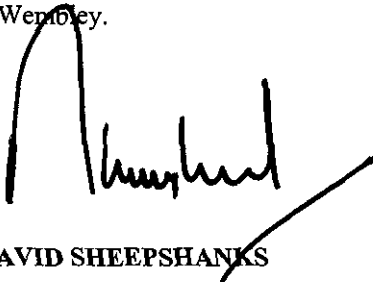
The appointment of a new Director of Finance is no reflection on current control, simply that as the Club grows so greater demands require new skills. Good financial management remains a cornerstone of the Club and is an area which the Board will not see compromised.

I thank especially the players and coaching staff who have delivered both the promotion that we all craved but also the entertainment that has re-established the fine reputation of the Club across the country for attractive football. Well done to all of them

In all, it has been a most wonderful team effort – all of us interdependent on each other.

Premiership football back at Portman Road is a great and deserving achievement for everyone who has played and worked this year for Ipswich Town Football Club, and confirmation that any company's primary asset is that of its people. Congratulations to everyone involved.

In conclusion, we remain accountable to you, our Shareholders, to our supporters and to the community at large. We have been promoted and we are delighted but there will be no complacency because 'we have made it'. To continue our progress at the higher level requires a similarly deliberate and progressive approach. On behalf of the Board of Directors, I extend our greatest thanks to all Shareholders and followers of Ipswich Town Football Club for your wonderful support over the whole of last season, culminating in that most magnificent and memorable day at Wembley.

A handwritten signature in black ink, appearing to read 'David Sheepshanks', with a long horizontal stroke extending to the right.

DAVID SHEEPSHANKS

CHAIRMAN, IPSWICH TOWN FOOTBALL CLUB

28 September 2000

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 May 2000.

Principal activity and business review

The Company's principal activity throughout the year remained that of a professional football club. A review of the Company's business and future developments is contained in the Chairman's Report on pages 2 to 6.

Results and dividends

The results for the Company are set out in the profit and loss account on page 11.

The profit for the year before and after taxation amounted to £2,126,899 (1999 - loss £161,039).

The Directors do not recommend the payment of dividend, (1999 - nil)

Directors and Directors' interests

The Directors, all of whom served throughout the year and since the year end and their beneficial and non beneficial interests in the share capital of the Company were as follows;

	Interest at end of year	Interest at start of year or date of appointment
D R Sheepshanks	1,246	8,605
R J Finbow	150	150
P W Hope-Cobbold	152	152
J Kerr	4,074	4,070
R J Moore	744	744
Lord Ryder	150	150

In addition to the above shareholdings, D R Sheepshanks and J Kerr are the trustees of the Ipswich Town Football Club discretionary trust which holds 7,363 shares. These shares were transferred to the trust on 26 April 2000. Control of the trust's shares is held jointly by the two trustees. In the event of a tied vote between the trustees, the Chairman has the casting vote.

In accordance with the articles of association, R J Finbow and R J Moore retire by rotation and, being eligible, offer themselves for re-election.

According to the register of Directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Employee Involvement

Where appropriate, employees at all levels are involved with management decisions regarding the Club's progress and development.

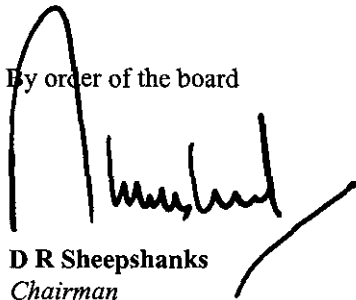
Disabled Employees

The Club gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. If disablement was to occur whilst employed, the Club would wherever possible, make every effort to continue training and employing the person concerned.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'D R Sheepshanks', is written over the text 'By order of the board'.

D R Sheepshanks
Chairman

Portman Road
Ipswich

28 September 2000

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



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Ipswich
Suffolk
IP4 1AP

Report of the auditors to the members of Ipswich Town Football Club Company Limited

We have audited the financial statements on pages 11 to 28.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Directors' report and, as described on page 9, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

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 May 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

28 September 2000

Profit and loss account
for the year ended 31 May 2000

	<i>Note</i>	2000 £	1999 £
Turnover	2	9,956,972	7,949,496
Direct expenses		(10,863,701)	(8,163,131)
Gross loss		(906,729)	(213,635)
Administrative expenses		(1,655,612)	(1,257,587)
Other operating income	3	220,075	196,550
Operating loss before amortisation of players		(2,342,266)	(1,274,672)
Amortisation of players	10	(1,661,573)	(729,374)
Operating loss		(4,003,839)	(2,004,046)
Profit on disposal of players	4	6,350,000	2,123,292
Profit before interest and taxation		2,346,161	119,246
Interest receivable and similar income	7	8,506	1,801
Interest payable and similar charges	8	(227,768)	(282,086)
Profit/(loss) on ordinary activities before taxation	5-6	2,126,899	(161,039)
Tax on profit/(loss) on ordinary activities	9	-	-
Profit/(loss) on ordinary activities after taxation		2,126,899	(161,039)

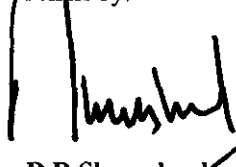
The above results arose wholly from continuing operations.

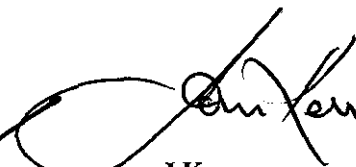
The notes on pages 15 and 28 form part of these financial statements.

Balance sheet
at 31 May 2000

	<i>Note</i>	2000 £	1999 £
Fixed assets			
Intangible assets	10	6,175,990	2,523,729
Tangible assets	11	10,698,601	8,618,436
		16,874,591	11,142,165
Current assets			
Stocks	12	114,987	128,429
Debtors	13	2,232,280	421,772
Cash at bank and in hand		37,298	11,628
		2,384,565	561,829
Creditors: amounts falling due within one year	14	(9,396,527)	(5,101,556)
Net current liabilities		(7,011,962)	(4,539,727)
Total assets less current liabilities		9,862,629	6,602,438
Creditors: amounts falling due after more than one year	15	(558,977)	(840,091)
Accruals and deferred income	16	(364,915)	(456,023)
Net assets		8,938,737	5,306,324
Capital and reserves			
Called up share capital	17	8,316	8,316
Share premium account	18	9,992	9,992
Revaluation reserve	18	6,127,793	4,709,879
Capital redemption reserve	18	1,114	1,114
Profit and loss account	18	2,791,522	577,023
Equity shareholders funds		8,938,737	5,306,324

These financial statements were approved by the board of Directors on 28 September 2000 and were signed on its behalf by:


D R Sheepshanks
 Chairman


J Kerr
 Director

The notes on pages 15 to 28 form part of these financial statements.

Cash flow statement
for the year ended 31 May 2000

	<i>Note</i>	2000 £	1999 £
Net cash outflow from operating activities	21	(1,471,548)	(305,189)
Returns on investments and servicing of finance	22	(193,690)	(265,227)
Capital expenditure	22	1,108,749	(40,395)
Cash outflow before financing		(556,489)	(610,811)
Financing	22	(59,123)	(69,094)
Decrease in cash in the period	23	(615,612)	(679,905)

The notes on pages 15 to 28 form part of these financial statements.

Statement of total recognised gains and losses
for the year ended 31 May 2000

	2000 £	1999 £
Profit/(loss) for the financial year	2,126,899	(161,039)
Unrealised surplus on revaluation of leasehold property	1,505,514	-
Total recognised gains and losses relating to the financial year	3,632,413	(161,039)
Prior year adjustment	-	2,213,437
Total gains and losses recognised since last annual report	3,632,413	2,052,398

Note of historical cost profits and losses
for the year ended 31 May 2000

	2000 £	1999 £
Reported profit/(loss) on ordinary activities before taxation	2,126,899	(161,039)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	87,600	87,600
Historical cost profit/(loss) on ordinary activities before and after taxation	2,214,499	(73,439)

Reconciliation of movements in shareholders' funds
for the year ended 31 May 2000

	2000 £	1999 £
Profit/(loss) for the financial year	2,126,899	(161,039)
Surplus on revaluation of leasehold property	1,505,514	-
Net additions/(decreases) to shareholders' funds	3,632,413	(161,039)
Opening shareholders' funds	5,306,324	5,467,363
Closing shareholders' funds	8,938,737	5,306,324

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of the leasehold property representing the football ground.

Intangible fixed assets and amortisation

Intangible fixed assets represent transfer fees payable which are capitalised as intangible fixed assets and amortised over the period of the players initial contract. Further contingent payments are capitalised when the likelihood of the contingency occurring is probable.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	Evenly over the estimated life of 50 years
Computer equipment	-	33 1/3% per annum on cost
Motor vehicles	-	25% per annum on reducing balance
Equipment, furniture etc	-	20% per annum on reducing balance

No depreciation is provided on freehold land.

Grants

Grants receivable relating to capital expenditure are treated as deferred income in the balance sheet and released to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Grants of a revenue nature are credited to the profit and loss account in the period to which they relate the profit and loss account over.

Signing on fees

Signing on fees are recognised in the profit and loss accounts on the contract date or when the conditions regarding payment have been fully met.

Leases and hire purchase contracts

Assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated their useful economic lives. The outstanding future lease obligations are shown in creditors and the interest element is charged to the profit and loss account over the period of the contract. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

Selected employees of the Company participates in a defined benefit pension scheme and two defined contribution pension schemes. The assets of these schemes are held separately from those of the Company. Contributions to the defined benefits scheme are based on actuarial advice, and charged to the profit and loss as they become payable. Contributions to the defined contributions schemes are charged to the profit and loss as they become payable.

Notes (continued)

1 Accounting policies (continued)

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 of tax at which the anticipated timing difference will reverse. Deferred tax assets are only recognised if recovery without replacement by equivalent balances is reasonably certain. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

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

	2000 £	1999 £
Gate receipts	4,626,421	3,958,636
Commercial income	4,125,326	3,075,208
Television and radio fees	1,205,225	915,652
	9,956,972	7,949,496

3 Other operating income

	2000 £	1999 £
Donations from:		
East Anglian Sports Association (Ipswich)	187,000	90,000
Ipswich Town Development Association	29,000	104,000
Ipswich Town Football Club Supporters Association	4,075	2,550
	220,075	196,550

Notes (continued)

4 Profit or disposal of players

	2000 £	1999 £
Proceeds for players' registrations sold	6,350,000	2,168,750
Player registrations sold not amortised to date	-	(45,458)
	<u>6,350,000</u>	<u>2,123,292</u>

5 Profit/(loss) on ordinary activities before taxation

	2000 £	1999 £
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging:</i>		
Auditors' remuneration:		
Audit	7,000	6,500
Other services	29,000	-
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	356,417	300,001
Leased	173,183	164,179
Loss on disposal of tangible fixed assets	-	4,542
Hire of plant and machinery - rentals payable under operating leases	154,235	144,691
Hire of other assets - operating leases - Ground rent	15,000	20,000
- Shop rent	40,477	34,852
<i>after crediting:</i>		
Release of capital grant	(57,587)	(67,421)
Profit on disposal of tangible fixed assets	(3,355)	-

The Directors of the Company did not receive any remuneration.

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of Employees			
	2000 Full time	2000 Part time	1999 Full time	1999 Part time
Players – professional	33	-	30	-
Senior coaches and scouts	9	7	8	5
Academy, youth trainees and coaches	26	21	25	18
Community development	-	-	5	7
Commercial	31	22	27	19
Ground staff, Stadia, Cleaning and Security	8	9	8	9
Administration and Finance	10	5	9	4
	<u>117</u>	<u>64</u>	<u>112</u>	<u>62</u>

The above numbers do not include Directors, and 314 Casual employees (1999 : 326) who only work on match days.

From March 1999 the Club's Community Development Project joined the National Football in the Community Scheme. Consequently all employees working under this project ceased to be employed directly by Ipswich Town Football Club Company Limited and joined the national scheme.

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	7,633,448	5,428,893
Social security costs	757,768	479,737
Other pension costs	119,591	95,294
	<u>8,510,807</u>	<u>6,003,924</u>

The above figures include non-cash benefits made available to staff.

7 Interest receivable and similar income

	2000 £	1999 £
Bank and other interest	<u>8,506</u>	<u>1,801</u>

Notes (continued)

8 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	181,655	230,629
Interest on bills of exchange	-	9,346
Finance charges payable in respect of finance leases and hire purchase contracts	7,710	16,249
On all other loans	38,403	25,864
	<u>227,768</u>	<u>282,086</u>

9 Taxation

No provision for taxation on the profit for the year has been provided due to the availability of tax relievables brought forward.

The potential amounts of deferred taxation are as follows:

	2000 £	1999 £
Capital allowances in advance of depreciation	191,700	92,622
Tax relievables losses	(169,500)	(1,240,508)
Other timing differences	254,700	(3,784)
	<u>276,900</u>	<u>(1,151,670)</u>

Also there is a potential deferred tax liability of approximately £1,840,000 (1999: £1,570,000) relating to the stadium revaluation which may be further reduced by the availability of indexation allowances. This liability could not transpire unless the stadium were to be sold. The Directors do not anticipate that the leasehold property to which the revaluation relates will be disposed of, and accordingly they do not consider that any provision for deferred tax is necessary.

Notes (continued)

10 Intangible fixed assets

	Player registrations
	£
<i>Cost</i>	
At 1 June 1999	5,349,248
Additions	5,313,834
At 31 May 2000	10,663,082
<i>Amortisation</i>	
At 1 June 1999	2,825,519
Charged in year	1,661,573
At 31 May 2000	4,487,092
<i>Net book value</i>	
At 31 May 2000	6,175,990
At 31 May 1999	2,523,729

Notes (continued)

11 Tangible fixed assets

	Freehold Land £	Long Leasehold Land and buildings £	Motor Vehicles £	Fixtures, Fittings, tools and equipment £	Total £
Cost or valuation					
At 1 June 1999	-	9,429,065	204,676	2,871,321	12,505,062
Additions	110,000	450,031	246,473	304,386	1,110,890
Disposals	-	-	(118,000)	-	(118,000)
Revaluation	-	(472,857)	-	-	(472,857)
At 31 May 2000	110,000	9,406,239	333,149	3,175,707	13,025,095
Depreciation					
At 1 June 1999	-	1,805,191	149,493	1,931,942	3,886,626
Charge for year	-	173,180	73,753	282,661	529,594
On disposals	-	-	(111,355)	-	(111,355)
Revaluation	-	(1,978,371)	-	-	(1,978,371)
At 31 May 2000	-	-	111,891	2,214,603	2,326,494
Net book value					
At 31 May 2000	110,000	9,406,239	221,258	961,104	10,698,601
At 31 May 1999	-	7,623,874	55,183	939,379	8,618,436

Freehold land is not depreciated.

Included in the total net book value of motor vehicles and fixtures, fittings, tools and equipment are the following amounts relating to assets held under finance leases and similar hire purchase contracts.

	Motor vehicles £	Fixtures, fittings, tools and equipment £
Net book values		
At 31 May 2000	205,173	42,064
At 31 May 1999	37,960	61,392
Depreciation		
Year ended 31 May 2000	68,391	19,328
Year ended 31 May 1999	12,653	37,857

Notes (continued)

11 Tangible fixed assets (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 *Tangible fixed assets*.

Long leasehold land and buildings

		2000 £	1999 £
At depreciated replacement cost:			
1991	Full valuation	-	6,900,000
2000	Full valuation	9,260,000	-
Subsequent additions		146,239	2,529,065
		9,406,239	9,429,065
Aggregate depreciation thereon		-	(1,805,191)
Net book value		9,406,239	7,623,874
Historical cost of revalued assets		4,818,817	4,368,786
Aggregate depreciation thereon		(1,540,371)	(1,454,791)
Historical cost net book value		3,278,446	2,913,995

The full valuation was performed as at 1 April 2000 by Messrs Wilks, Head and Eve, Chartered Surveyors. The basis of the valuation was depreciated replacement cost as recommended by the Royal Institution of Chartered Surveyors.

Subsequent additions have been accounted for at cost.

The depreciated replacement cost value of land and buildings does not include notional directly attributable acquisition costs and is before deduction of expected selling costs.

The Directors are not aware of any material change in value and therefore the valuations set out above have not been updated.

Notes (continued)

12 Stocks

	2000 £	1999 £
Finished goods and goods for resale	114,987	128,429

13 Debtors

	2000 £	1999 £
Trade debtors	1,974,458	306,178
Other debtors	160,999	73,746
Prepayments and accrued income	96,823	41,828
	<u>2,232,280</u>	<u>421,772</u>

14 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loans	125,960	-
Bank overdrafts	3,662,549	3,021,267
Receipts in advance	413,479	440,908
Obligations under finance leases and hire purchase contracts (see note 15)	86,076	60,072
Trade creditors	3,650,502	1,123,867
Taxation and social security	421,114	252,786
Other creditors	886,419	130,300
Accruals and deferred income	150,428	72,356
	<u>9,396,527</u>	<u>5,101,556</u>

Included in creditors are amounts totalling £2,546,250 (1999:£481,250) in respect of transfer fees payable.

The bank loan and overdraft are secured by an unlimited debenture incorporating a charge over all of the assets of the Club.

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Bank loans	372,795	500,000
Trade Creditors	-	300,000
Obligations under finance leases and hire purchase contracts	186,182	40,091
	<u>558,977</u>	<u>840,091</u>

Included within bank loans is £67,000 (1999: £nil) due after more than five years. This loan is repayable over 25 years and interest is payable at the lenders base rate plus 2%.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2000 £	1999 £
Within one year	87,614	72,712
In the second to fifth years	238,327	44,690
	<u>325,941</u>	<u>117,402</u>
Less future finance charges	(53,683)	(17,239)
	<u>272,258</u>	<u>100,163</u>

16 Accruals and deferred income

	Grants £
At 1 June 1999	456,023
Additions	13,500
Released to profit loss account	(57,587)
At 31 May 2000	<u>411,936</u>
Disclosed within:	
Creditors: amounts falling due within one year	47,021
Creditors: amounts falling outside within one year	364,915
	<u>411,936</u>

17 Called up share capital

	Number of shares	£
<i>Authorised 2000 and 1999</i>		
Equity: Ordinary shares of 25p each	40,000	10,000
<i>Allotted, called up and fully paid 2000 and 1999</i>		
Equity: Ordinary shares of 25p each	33,265	8,316

18 Reserves

	Share premium account £	Revaluation reserve £	Capital redemption reserves £	Profit and loss account £
At 1 June 1999	9,992	4,709,879	1,114	577,023
Retained profit for the year	-	-	-	2,126,899
Transfer	-	(87,600)	-	87,600
Surplus on revaluation of leasehold property	-	1,505,514	-	-
At 31 May 2000	9,992	6,127,793	1,114	2,791,522

The transfer between revaluation reserve and profit and loss account represents the additional depreciation borne in the year due to the carrying of the property at valuation.

19 Contingent liabilities

The Club is contractually bound to pay certain amounts in respect of transferred players should certain criteria be met. The maximum amount of this contingent liability is £200,000 (1999:£403,334), none of which has been provided at the year end.

20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	17,746	25,000	8,767
In the second to fifth years inclusive	33,000	64,568	14,000	80,121
Over five years	19,300	-	15,000	-
	52,300	82,314	54,000	88,888

Notes (continued)

21 Reconciliation of operating loss to net cash flow from operating activities

	2000 £	1999 £
Operating loss before amortisation of players	(2,342,266)	(1,274,672)
Depreciation charges	529,594	464,180
(Profit)/loss on sale of fixed assets	(3,355)	4,542
Release of capital grant	(57,587)	(67,421)
(Decrease)/increase in stocks	13,442	(32,589)
(Increase)/decrease in debtors	(575,508)	418,537
Increase in creditors	964,132	182,234
Net cash outflow from operating activities	(1,471,548)	(305,189)

22 Analysis of cash flows

	2000 £	2000 £	1999 £	1999 £
Return on investments and servicing of finance				
Interest received	8,506		1,801	
Interest paid	(202,196)	(193,690)	(267,028)	(265,227)
Capital expenditure				
Purchase of tangible fixed assets	(870,917)		(1,353,627)	
Sale of tangible fixed assets	-		13,356	
Grants received	13,500		-	
Purchase of intangible fixed assets	(3,148,834)		(878,874)	
Sale of intangible fixed assets	5,115,000	1,108,749	2,178,750	(40,395)
Financing				
Receipts of new loans	70,986		-	
Repayment of loans	(72,231)		-	
Repayment of finance leases	(57,878)	(59,123)	(69,094)	(69,094)

Notes (continued)

23 Analysis of net debt

	At 1 June 1999	Cash flow	Other non cash changes	At 31 May 2000
	£	£	£	£
Cash at bank and in hand	11,628	25,670		37,298
Overdraft and loans	(3,021,267)	(641,282)		(3,662,549)
		(615,612)		
Debt due within one year	(40,091)	40,091	(212,036)	(212,036)
Debt due after one year	(560,072)	(210,941)	212,036	(558,977)
Total	(3,609,802)	(786,462)	-	(4,396,264)

24 Post balance sheet events

Since the year end the Company has purchased M Reuser (from Vitesse Arnhem), H Hreidasson (from Wimbledon) and A Karic (from NK Maribor) for combined fees of £5,700,000. Also the Company has acquired under free transfer J Scales (from Tottenham Hotspur), G Graaven and N Abidallah (from Ajax) and B Subrin (from St Etienne).

Construction work on the re-development of the South Stand has continued since the year end and is due for completion in May 2001 at an estimated total cost of £5,400,000. The Football Trust has granted funding towards this project of approximately £1,700,000.

On 19 September 2000 the Company purchased land and buildings at Playford Road, Ipswich, at a cost of £265,000, with the intention of developing the site into the Club's new training centre. On the same date the Company sold the freehold land acquired during the year at Bent Lane for £110,000, and immediately agreed to lease this back until 31 May 2005.

25 Pension commitments

Certain staff of the Company are members of either the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS'), comprising both defined benefit (suspended from 31 August 1999) and defined contribution sections, or the Football League and F.A. Premier League Group Pension Plan, a defined contribution scheme.

As the Company is one of a number of participating employers in the FLLPLAS, it is not possible to allocate any actuarial surplus or deficit and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the schemes are held separately from those of the Company in an independently administered fund, being invested with insurance companies.

Following a review of the Minimum Funding Requirement (MFR) of the FLLPLAS, accrual of benefits on the defined benefits section of the Scheme was suspended as at 31 August 1999. Since then, the Trustees of the Scheme have commissioned an Independent Actuary's report on the MFR position and a substantial deficit has been identified.

Under the Pensions Act 1995, participating employers will be required to contribute to the deficiency in accordance with an agreed Schedule of Contributions, which has not yet been completed. In the absence of the Schedule of Contributions, the Company's liability is not accurately quantifiable and no provision has been made in the financial statements.

Total contributions charged during the year amounted to £119,591 (1999: £95,294). At the year end contributions totaling £14,891 (1999: *£nil*) were outstanding.

26 Related party disclosures

During the year there were no material transactions with businesses in which the Directors of the Company have a material interest.

Revenue account
for the year ended 31 May 2000

	2000 £	1999 £
Revenue account		
Income		
Gate and other receipts	4,626,421	3,958,636
Commercial income	4,125,326	2,985,208
Television and radio fees	1,205,225	915,652
Donations receivable	220,075	196,550
Transfer fees receivable	6,350,000	90,000
Profit on disposal of player registrations	-	2,123,292
Interest receivable	8,506	1,801
	16,535,553	10,271,139
Expenses		
Wages, salaries and benefits	8,278,780	5,904,705
Commercial cost of sales	1,299,494	1,075,140
Amortisation of player registrations	1,661,573	729,374
Administration, property and ground maintenance	961,929	849,601
Match expenses	445,056	408,919
Security costs	74,690	63,580
Commercial and marketing expenses	466,076	349,191
Other expenses	524,636	368,281
Interest payable	227,768	282,086
Depreciation (net of loss on disposal and grants received)	468,652	401,301
	14,408,654	10,432,178
Net profit/(loss) for the year	2,126,899	(161,039)