

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED
IN COMPULSORY LIQUIDATION

SCHEME OF ARRANGEMENT PURSUANT
TO SECTION 425 OF COMPANIES ACT 1985
FEBRUARY 1986



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Cash-crisis Swans given a clean slate

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DEBT-RIDDEN Swansea City Football Club will have their financial slate wiped clean under a deal approved by a High Court judge in London yesterday.

Mr Justice Hoffmann sanctioned a "scheme of arrangement," which means that the club — ordered to be wound up last December with a deficiency of just over £2m — can continue.

In approving the arrangement the judge praised the efforts of Swansea businessman Mr Doug Sharpe, who has led the fight by club directors to save the club.

Mr Sharpe has personally poured in £310,000 towards the rescue package and is to be the club's chairman.

Under the rescue scheme, the club's slate will be wiped clean on payment of £450,882 to creditors.

This will come from £475,000 which has been raised from four main sources. In addition to Mr Sharpe's £310,000, the Professional Footballers'

Association has put up £50,000. Swansea City Council has put £70,000 in the kitty, and Swans Aid, an appeal among the people of Swansea, has raised another £70,000.

Official Receiver Mr James Pope, who has acted as provisional liquidator since the winding-up order was made, gave his blessing to the arrangement outlined yesterday and cleared club directors of any hint of fraud in their handling of club affairs in the past.

But he continued, "A number of former directors are deserving of censure in allowing the company's liabilities to reach their present level and in failing to ensure that provision was made for payment of monies to the Inland Revenue and the Department of Health and Social Security in respect of PAYE and National Insurance deductions from the salaries and wages of company employees."

By **ROGER PEARSON**

SWANSEA CITY A.F.C. LIMITED

SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 COMPANIES ACT 1985

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SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985SUMMARY

1. The proposed scheme of arrangement pursuant to Section 425 Companies Act 1985 is based on distributions to the following classes of creditors:-

	<u>Debt</u>	<u>£ Distribution</u>
Preferential Creditors	155,538	131,392
Unsecured Creditors	1,772,173	116,938

		248,330
		=====

The distributions exclude certain creditors who have waived their claims, details of which are contained on pages 4 and 5.

These distributions are based on a Statement of Affairs prepared by a director, Mr. D. Savage pursuant to Section 528 Companies Act 1985 and sworn before a Solicitor of the Supreme Court on January 29, 1986.

2. The working capital requirements are projected to be £100,441 by the end of next season. Full details of the profit and working capital forecasts together with the assumptions on which they are based are set out in Appendices 2 to 4.
3. The financial requirements of the scheme and the future capital required for the trading of the company are to be satisfied as follows:-

Distribution to Creditors	248,330
Professional Football Association Settlement	71,631
Working Capital	100,441
Professional Costs	50,000

	£470,402
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SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985

Financed by:-

D. Sharpe	300,000
Donations from Public Appeal (estimated)	70,000
Professional Football Association	35,000
Local Authority	77,817

	£482,817
	=====

4. The private limited company status of the company and the winding up order have prevented a public share issue. It is Mr. Sharpe's intentions, once the scheme of arrangement has finally been approved, to convert the company to a public limited company and issue shares to the public to provide a wider capital base. A share issue in similar circumstances two years ago by Bristol City F.C. raised in the region of £150,000.

SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985

DISTRIBUTION TO PREFERENTIAL CREDITORS

	<u>NOTES</u>	<u>Claim per Statement of Affairs</u>	<u>Amount Payable</u> £
Inland Revenue - PAYE		58,890	58,890
Department of Health & Social Security - NIC		45,459	45,459
HM Customs & Excise		19,436	19,436
Swansea City Council	1	9,000	-
Department of Employment - EPA Claims	2	13,286	-
Employees' Claims	3	1,860	-
D.J. Sharpe - Advance for Wages		7,607	7,607
		-----	-----
		155,538	131,392
		=====	=====

Notes:

1. No distribution is provided for in respect of rates for the current year as the continuance of the club will result in payment as a normal trading expense.
- 2.
- & 3. A successful scheme arrangement will result in continuing employment and this liability will not therefore crystallise.

SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985

DISTRIBUTION TO UNSECURED CREDITORS

	<u>Notes</u>	Claim per Statement of Affairs £	Amount Payable £
Non preferential element of			
Preferential claim		79,091	11,864
Barclays Bank Plc		108,279	16,242
Guarantors' subrogated claims	1	460,000	-
Filton Enterprises subrogated claim		150,000	22,500
Monies due to players	2	70,397	-
Directors' loan accounts	3	208,091	-
Department of Employment - Redundancy Pay	4	16,190	-
Sponsorship monies	5	25,000	-
Season ticket holders	6	17,315	-
Other unsecured creditors		442,210	66,332
Building Bond holders	7	195,600	-
		-----	-----
		1,772,173	116,938
		=====	=====

Notes:

1. The guarantors of the company's indebtedness amounting to £460,000 have signed waivers forgoing their right to a dividend. Should the guarantors not satisfy their liabilities under the guarantee Barclays Bank Plc have agreed not to prove for the amount outstanding.

SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985DISTRIBUTION TO UNSECURED CREDITORS

(cont)

2. The monies due to players are covered by a separate agreement with the Professional Footballers' Association, whereby a loan of £35,000 will be made provided the following outstanding amounts are satisfied:-

	<u>Cost</u>
	£
(i) Payment in full in respect of wages advance, and other outstanding amounts	61,131
(ii) Other outstanding sums amounting to £21,000 at 50%	10,500

	£71,631
	=====

The terms of the loan from P.F.A. are:-

- (i) 2% interest for the first 2 years
 - (ii) 10% interest in year 3 with capital repayment commencing halfway through year 3
3. The directors have all agreed to waive their rights to distributions in respect of the outstanding loan accounts.
 4. Redundancy Pay will not be payable should the scheme of arrangement be successful.
 5. Sponsorship will continue should the scheme be successful.
 6. Season ticket holder's rights will not be affected if the scheme is successful.
 7. Bond holders are to be treated as a separate class of creditor for the purposes of the scheme of arrangement and will be requested to waive repayment of capital but retain their seating and ticket privileges.

SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985

PROPOSED ASSISTANCE FROM LOCAL AUTHORITIES

The local authority have indicated that they will assist the club. They are considering an agreement whereby the Local Authority would receive 10% of gross gate revenue in return for providing the ground rent, rates and maintenance free, as well as covering the cost of the direct expenses of staging home matches.

For the period under review, such an agreement would have the following financial effect:-

10% of Gate Income £ (22,703)

	Cost per Match £	
31 Home games		
- Administration	150	
- Police	250	
- Match Officials	250	
- Gatemen and Stewards	270	

	920	28,520

Rent & Rates per annum	30,000	
Ground maintenance per annum	18,000	x 18
		months 72,000

Benefit to Club for Period Under Review		77,817
		=====

SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985ECONOMIES IMPLEMENTED IN THE PROJECTIONS

- o The club will cease running a reserve team in the Combination League after fulfilling its fixtures during the current season. This will allow four professional players to be released at June 30, 1986, thereby saving the costs of staging and participating in such matches estimated at £12,000 per annum.
- o The reduction in playing staff will reduce the wage costs by £50,000 per annum.
- o The majority of establishment and administrative overheads are assumed to have been cut by 10% from the levels incurred in the year to June 30, 1985. Exceptional legal costs incurred during that year have been omitted from the projection.
- o The above economies cannot be implemented until the end of 85/86 season due to the players' contracts.
- o The marked change in performance of the club in the 86/87 season compared with the remainder of 85/86 is as a result of the above economies. In addition, whilst the company is in liquidation the club is not receiving the full benefit of Football League distributions, which are being set-off against debts owing to other Football League clubs.
- o Similar economies were introduced at Bristol City after a similar reconstruction. As a result the trading performances of that club in recent years have been as follows:

<u>Season</u>	<u>Divison</u>	<u>Profit</u> £'000
1982/3	4	3
1983/4	4	36
1984/5	3	76

SWANSEA CITY A.F.C. LIMITED IN COMPULSORY LIQUIDATION

SCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985

APPENDIX 1

SUMMARY OF STATEMENT OF AFFAIRS AS AT DECEMBER 20, 1985

	£	£
Assets Specifically Pledged		
Freehold Property	32,000	
Hire Purchase & Leased Assets	21,612	

	53,612	
Less due to Secured Creditors	771,891	

Deficiency ranking as unsecured		718,279
Floating Charge Assets		
Trade Debtors	5,557	
Plant & Fixtures	2,000	
Motor Vehicle	1,000	

	8,557	
Less due to Preferential Creditors	155,538	

Deficiency ranking as Unsecured		146,981
Less due to Unsecured Creditors		1,053,894

Deficiency as regards Unsecured Creditors		1,919,154
Issued Share Capital		91,489

Deficiency as regards Shareholders		2,010,643
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SWANSEA CITY A.F.C. LIMITEDSCHEME OF ARRANGEMENT PURSUANT TO SECTION 425 OF COMPANIES ACT 1985

APPENDIX 2

SWANSEA CITY A.F.C. LIMITED

PROFIT & LOSS ACCOUNT
FOR THE EIGHTEEN MONTHS TO JULY 31, 1987

	FE886-JUL86	AUG86-JUL87	TOTAL 18 MONTHS
MATCH RECEIPTS	44278	147748	192026
SEASON TICKETS	31304	46957	78261
FOOTBALL LEAGUE	14000	86000	100000
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	89583	280704	370287
CATERING	0	10000	10000
COMMERCIAL	54000	146500	200500
ADVERTISING	0	9000	9000
SPONSORSHIP	0	15000	15000
FRIENDLY MATCHES	20000	15000	35000
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	163583	476204	639787
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EXPENDITURE			
STAFF EXPENDITURE	152767	251060	403847
MATCH EXPENSES	23892	53199	77091
ESTABLISHMENT EXP	45500	91000	136500
ADMINISTRATION EXP	20750	41500	62250
INTEREST	0	0	0
COMMERCIAL	19440	52740	72180
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	262349	489519	751868
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	-98766	-13315	-112081

