

07.03.96

## THE WIMBLEDON FOOTBALL CLUB LIMITED

## MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

HELD AT

SELHURST PARK STADIUM

ON

22ND FEBRUARY 1996

Present: S. G. Reed (Chairman)  
S. G. N. Hammam (Managing Director)  
J. H. Lelliott (Vice Chairman)  
N. Hammam  
P. Miller  
P. R. Lloyd Cooper (Secretary)

In Attendance: D. Barnard  
M. Greely

1. The Chairman reported that a quorum was present and declared the Meeting properly constituted and duly convened.
2. Apologies for absence were received from Peter Cork who was on holiday.
3. The Minutes of the Meeting held on 19th June 1995 were read, approved and signed by the Chairman.
4. *Financial Report*  
NH reminded the Board that the Accounts circulated to them were Management Accounts and did not therefore reflect:-
  - (a) the purchase and sale of players; ~~X~~
  - (b) interest paid or earned; ~~X~~
  - (c) income from cup runs beyond the first round. <sup>^</sup>

NH explained that the purpose of the Management Accounts was to give a snapshot of the operational income and expenditure of the Company.

NH confirmed that the budgeted operational loss of £1,897,000 for the year had not altered from the budget advised to the Board at the commencement of the Financial Year.

NH advised that in general, forecast income and costs were above budget, but the deficit will be lower. The net operational deficit was expected to be £1,815,900 as against the budgeted deficit of £1,897,000.

NH summarised the principle elements of the Management Accounts.

(i) *Operational Income*

Ticket sales are likely to be up by £260,000 and non-ticketing income up by £56,000 with other income £35,000 up. The budget assumed the Club would finish in 13th position hence the provision for £400,000. Unfortunately, the Club is unlikely to finish higher than 15th which will mean income of £295,000 as against the £400,000. Radio fees are up from the budget of £9,000 to £49,000 due largely to a deal done by the Premier League with Capital Radio. Sundry income is up largely due to miscellaneous income received from the Premier League. In terms of the total operational income the twelve month forecast anticipates an increase of 8.7% over budget. JL enquired about the sundry income which showed a substantial increase. Apparently this increase was represented by two major payments paid by the Premier League after the end of the last Financial Year.

(ii) *Operational Costs*

NH explained that the base figure for the licence fee is £42,000 or 7.5% of gate income, whichever is the higher, and it is the 7.5% figure which is being used in these Accounts. The O & M figure is the monthly sum paid to Crystal Palace. JL enquired whether Crystal Palace submitted two or three quotations for major works. SH explained that at the beginning of each year a lump sum is agreed and paid over the ensuing twelve months in equal instalments, and it is up to Crystal Palace as to how they spend it. NH said he was confident the Club was getting good value by this system. NH went on to explain that match day expenses and team management

expenses showed no substantial variances and whilst there were small increases in salary the bottom line only shows a £30,000 increase over budget. It was explained that scouting salaries includes Ron Swards salary and all other scouting costs and expenses. The laundry and kit figure of £100,000 was questioned but it was explained that £50,000 was paid by sponsors. Medical fees were noted to include all the BUPA payments. In terms of players costs these were shown to be 10% up on budget and the reason was the new players who had joined the Club as well as the cost of re-negotiated contracts. With regard to the Youth Team there were no changes to speak of. In the case of Marketing, costs were up £24,000 on budget to £200,000.

Whilst discussing Marketing the Board resolved that since Golddigger Promotions Limited was no longer trading it should be liquidated and PRLC was instructed to take the necessary action.

With regard to the costs of the Publicity Department it was explained that these costs related mainly to the programme. On enquiry, it appeared that the programme costs were £173,000 as against income of £120,000. NH explained it was uneconomic to print the number of programmes that we print. PM said he had spoken to the printers and was satisfied they were specialist programme printers. PM then explained the way in which Programme printing is costed and said the main problem was the small quantity of programmes that we require. However, he felt the Club could substantially reduce its printing costs by taking a lot of the colour element out the programme. PM agreed to meet with the printers to try to get these costs down. SH said we must not run the programme at a loss, and it was agreed that this whole matter would be looked into by DB. There was then discussion on whether some of the costs of Reg Davies and Tina could be charged to other departments and it was agreed this would be looked into. SH enquired about the printing costs of £125,000 and asked DB whether he was satisfied that this was a true cost and that there were no hidden payments/commissions. DB said he had known these printers for a very long time and was entirely satisfied on this point.

Office overheads were noted to show a few minor variances on a line by line basis but little or no variation in total. With regard to the operational contingency the

Club allows for £150,000 in the budget to cover for unforeseen costs, but it was explained that the only cost falling in this category this year was the £50,000 bonus payment made to the Chief Executive.

NH explained that the costs of running Plough Lane were running at £78,500 deficit as against a budget of £73,000. The Sportsman Night-Club was just about breaking even. The summary of the extraordinary items reflect, to a large extent, players transfers.

(iii) *Cashflow*

NH distributed to the Board a Cashflow for the period February to June 1996. He explained the main difference between Cashflow and the Management Accounts was that the Cashflow did take into account players transfers. He referred to the Cashflow chart which showed a £2 million cash positive position but he explained the Club was losing at the rate of £1.89 million per annum on its basic operation which translates into a loss of £150,000 per month. NH said the main thing to be noticed regarding the Cashflow balances was that the Club's cash resources should ordinarily dwindle because of the pattern of operational loss, but by June there will still be a cash balance of £1.9 million and this is due primarily to the continuing income from the sale of Warren Barton. DB reminded the Board that in June the Club receives the final payment for Warren Barton. NH advised that if Newcastle win any trophies this year then the Club will receive a further payment of £250,000, but this was not reflected in this Cashflow or in the Management Accounts.

With regard to the Licence Fee payable to Crystal Palace NH explained that up to now Crystal Palace has drawn down the Licence Fee from the £500,000 loan made by the Club to Crystal Palace when the Licence Agreement was signed. This loan has now been largely drawn down so from now on it will cost the Club £30,000 - £35,000 per quarter. This will obviously affect the Cashflow since although it has always been reported as an expense in the Management Accounts, it has not been shown in the Cashflow since the draw-down came out of the loan which was made some years ago.

The Meeting then considered the financial effect of the Club being relegated from the Premier League to the First Division. SH explained that in this case the Club's income would reduce by £1.5 million attributable largely to a reduction in gate income, but there would also be a saving in expenses due to lower salaries and disposal of players resulting in a saving of approximately £900,000 per annum. The bottom line shows the Club would be between £600 - £700,000 worse off. SH explained that the new deal concluded between the Premier League and Sky has helped considerably to soften the blow of relegation.

The question of the Inland Revenue investigation was raised and it was noted that Wimbledon had submitted its report before anybody else and there were only 3 or 4 very minor questions remaining. However, the Inland Revenue's investigation into most other Clubs was set to continue for quite a long time to come and they would conclude their investigation of Wimbledon at the same time as they conclude their investigations into other clubs.

#### 5. *Auditors*

In view of the departure from Nash Broad Wesson of the client partner and the merger of Nash Broad Wesson with Chantrey Vellacott the Board expressed their unease over the personnel now responsible for the Club's audit, and it was agreed that NH and DB would give further thought as to how best to interview other partners within Chantrey Vellacott. The Board noted that the Club knew only one person within the merged firm and was not able to evaluate the suitability or otherwise of those who now appeared to be responsible for the audit. DB advised that the Wimbledon account would be worth upto £40,000 to Chantrey Vellacott.

#### 6. *Football Affairs*

##### (i) *Joe Kinnear*

SH explained the reasons why JK did not put himself up for the Irish Managers job. SH explained that he had agreed to make a one off bonus payment to JK of £50,000 and to increase JK's salary by £50,000 per annum as from 1st February 1996, and he will be required to sign an amendment to his Contract. In the event the Club is relegated his salary will reduce by 20%.

(ii) *T. Burton*

SH summarised his strengths and weaknesses and also his relationship with JK and there was much discussion on how his talents could best be used particularly in view of the changing nature of football and in particular youth football. SH said he would want to wait until the end of the season before making any decisions since by then he would know whether the Club was going to remain in the Premier League.

(iii) *Scouting*

SH said he felt that the Club had a major weakness in scouting and it needs to be strengthened, particularly in view of the Bosman Ruling.

(iv) *Players*

SH circulated a list of the 35 playing professionals in the Club and the proposal to sell 13 or 14 of those players which will hopefully reduce the wage bill by approximately £1 million per annum. The Board discussed the individual merits and de-merits of each of the players concerned and the cover for the various positions in the event the sales go through. SH explained that the reasons for the sale are not just to reduce the wage bill, which of course is important, but also to free up positions for the Youth Team members coming through from the Youth Team and Reserves. If the current First Team squad remains then the youngsters will never have a chance and the Club will never be able to tell whether they will make it at the top level. In order to achieve this it may be necessary to let some of the senior players go on free transfers if the alternative will mean retaining them, paying high wages and effectively blocking the route for the younger players to come through.

(v) *Stadium Developments*

SH explained that the way football was going the Club could very shortly be in a dangerous situation. By way of example, he said that for the price the Club would hope to receive on the sale of Holdsworth other Clubs could buy top players from abroad. The result of the Bosman case is that we could find a team of foreigners playing against us. The Bosman case affects (i) international transfers of players, (ii) local transfers of players, (iii) the foreigner rule, namely the number of foreigners who can play in English teams. SH also explained the Office of Fair Trading is investigating the Premier League's agreement with Sky and that also in the UK there

is fear that players will be able to move freely from club to club particularly since this freedom has now been upheld in Holland. SH felt that the possible formation of a European League would also have a dramatic effect and UEFA has said the Premier League must reduce to 18 in number otherwise its entry into the Champions Cup will be reviewed or cancelled. SH compared Wimbledon's financial position with the huge financial strength of teams such as Manchester United which had recently concluded a £50 million per annum contract with Umbro. He said there was no way that Wimbledon could compete with such Clubs on an equal basis and the way football is moving he does not believe there will be any room at the top level for teams such as Wimbledon, Ipswich, Leicester etc., and perhaps in five years time there might be no room even for clubs as large as Chelsea and Spurs.

He explained that a great deal of time effort and money has been spent in trying to find investors to put money into the Club or to find partners, but despite everything there has been no success. At the present time he is talking seriously with wealthy individuals in Wales who would wish to see the Club play in Cardiff and also with a wealthy group of people in Ireland who would wish to see the Club play in Dublin. However, in the case of Dublin the permission of the Premier League, Football Association and Irish Football Association will be required.

In the meantime, the Club is having to decide whether to renew its Licence with Crystal Palace. It was noted that the licence fee and the O & M costs would increase to around £350,000 per annum.

SH explained that the Club has met or written to every borough in our area about the possibility of the Club playing there and none of the boroughs gave us any encouragement.

In the case of Merton SH thinks that whilst the possibility of going back to the borough is a possibility in reality it is all but dead. Tony Colman is still urging the Club to take over the Wimbledon Dog Stadium but SH does not believe this venue is right for football and he would rather stay at Selhurst Park. SH stressed that he is doing his very best to see to the future of the Club since he knows the Club is now a long way behind the larger clubs and it is just not operating in the same world as they

are. In his view the big clubs are much stronger this year than they were last year, both in financial and playing terms and we just cannot compete anymore on this basis. He anticipates that only 12 clubs or so will survive unless something dramatic is done and Wimbledon will not be one of the twelve. SH said that unless Wimbledon is very brave, imaginative and lucky, then it will go back from whence it came.

IT WAS RESOLVED that SH should be authorised to investigate all possibilities and negotiate with all parties and explore all the options open in order to enhance the viability and survival of the Club in the best way possible.

7. *Any other Business*

- (i) PC mentioned to the Board the requirement by Barclays Bank for an Indemnity in favour of the Bank consequent upon the Bank accepting instructions from the Club, by fax, confirmed by a security code. SH said such practice should only be used in the case of football transfers and it was agreed that NH and DB would look into this and discuss the matter more fully with the Bank.
  
- (ii) IT WAS RESOLVED to cancel all share certificates in the name of Nazereth Limited and The Wimbledon Football Club (Holdings) Limited and to issue in place of those certificates Certificate number 189 in favour of The Wimbledon Football Club (Holdings) Limited for 30,746 fully paid Ordinary shares of £5 each in the capital of The Wimbledon Football Club Limited representing all shares currently owned by The Wimbledon Football Club (Holdings) Limited and that Mr S. G. Reed and Mr P. R. Lloyd Cooper be authorised to sign Share Certificate number 189 impressed with the Company Seal.

8. There being no further business the Meeting adjourned.

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CHAIRMAN



