Stoke City Football Club Limited

Directors' report and financial statements

Registered number 99885

31 May 2005

Contents

Officers and professional advisers

Directors	G T Gislason S G Thorisson A Sigurvinsson P Coates K A Humphreys P Rawlins
Chief Executive	A Scholes
Secretary	I Bailey
Manager	J Boskamp
Registered office	Britannia Stadium Stanley Matthews Way Stoke on Trent ST4 4EG
Bankers	Co-operative Bank Plc 1 Balloon Street Manchester M60 4EP
Auditors	KPMG LLP Edward VII Quay Navigation Way Preston PR2 2YF

Chairman's report

Introduction

To many Stoke City supporters the 2004/05 season was a disappointing one. So much was expected of the club but at the end of the season we only delivered mid table Championship security and financially the club only turned a modest profit before interest and taxation for the second year running.

That these results on the football and financial fronts are regarded as disappointing tells us a lot about how far the club has progressed over the past five or six years.

Financial results

The bottom line for the club improved by some £400,000 last season compared to the 2003/04 season resulting in a loss of £194,000 after taxation compared to a loss of £593,000 in the 2003/04 season.

The main improvements on the revenue side came in the form of a FA Cup 3rd round defeat at Highbury which gave us an extra £400,000 cup income, the sale of Ade Akinbiyi and the compensation for Kris Commons which netted the club £850,000 – an improvement of £400,000 from the previous season and finally the reduction of interest expenses of £330,000 as a result of a shareholders' agreement making all loan stock interest free.

On the negative side, the end of support in the 2003/04 season from various government and football bodies to help football clubs adjust to the failure of ITV Digital meant that we no longer had a grant income of £333,000 last season. The cost of employing players rose by £400,000. The cost of football managing increased by £100,000 and our Academy cost us £100,000 more than the previous season. All in all, an increased cost on the football side of £600,000 without any perceivable medium term improvement.

Perhaps the most striking news on the financial front is found in figures that did not change from the previous season. Total gate receipts from league matches were almost identical between the last two seasons. Last season the income from admission to league matches was £3,091,000 but the season before the income was £3,069,000. The improvement in income was less than 1% in spite of our very successful season ticket campaign in the spring of 2004. Our season ticket income was up by £402,000 but match by match receipts were down £380,000.

Cutting season ticket prices as drastically as we did in the spring of 2004 may have increased the number of people attending matches but it did nothing to improve the main income stream of the club which is selling seats for league matches. This experience must make us think again about our pricing strategy and perhaps it is time to bring our season ticket and match day prices into line with other clubs in the Championship.

Football results

As usual, at Stoke City we signed a lot of new players last season. We started slowly by signing only Dave Brammer and Steve Simonsen before the start of the season. Other significant long term signings were made in Michael Duberry, Kevin Harper and Lewis Buxton. The most significant loan signing we made was in the form of Kenwyn Jones from Southampton. Less significant long term contracts were made with Anthony Pulis and Þórður Guðjónsson.

The season started well and we had our 15 minutes of glory when we spent a week at the top of the Championship 8 games into the season. We did not manage to keep to the good start of the season and in spite of having money available for strengthening the team, the manager had difficulties finding the right players for the right price and we ended the season with money to spend in the transfer kitty. Whatever the reason for our inability to sign enough quality players last season it has to regarded as a season of lost opportunities. Our season ended too early when we knew that the play-offs were out of reach but at least we were never in danger of being drawn into a relegation battle.

The highlight of the second part of the season was the tremendous performance the team showed at Highbury in the 3rd round FA Cup tie with Arsenal. That performance left me and many other supporters full of pride in supporting Stoke City.

Chairman's report *(continued)*

Shareholders' agreement

As shareholders were informed last year the main shareholders of the club signed a shareholders' agreement on the 2nd of October 2004. It called for a 2 year injection of capital to improve the playing squad. The evidence of the first year injection can be found in these accounts in the form of new shares issued to the amount of 1,225,000. The club is very grateful to Stoke Holding S.A., Peter Coates, Keith Humphreys and Phil Rawlins for subscribing to these shares.

Stoke Holding S.A., Peter Coates and Keith Humphreys agreed to pay their part of the share issue in cash over 2 years. Philip Rawlins honoured his financial commitments under the shareholders' agreement in full last year by converting into share capital £250,000 of Stoke City Football Club Limited Converted Unsecured Loan Stock 2010 of which £250,000 was repaid to him in the 2003/04 season and the remaining £250,000 will be repaid to him this season.

The minority shareholders are unhappy with the decision that was taken in the summer to replace Tony Pulis with Johan Boskamp as manager of the club. They are not only unhappy about the decision as such but they feel that the shareholders' agreement was breached because they were not properly consulted running up to that decision. I do not entirely agree with their interpretation, but Peter Coates and Keith Humphreys have indicated that in light of events in the summer they may rethink their commitment to the cash injection envisaged by the shareholders' agreement this season.

A brand new beginning

As the last pre-season drew closer, it became more and more obvious that we still found difficult to sign players and there was a particular reluctance to seriously consider tapping into foreign markets for players in spite of numerous scouting trips abroad.

The Icelandic majority on the board felt that the time had come to replace Tony Pulis in spite of all the good work he had done for the club, particularly in his first 2 seasons. The difficult decision was taken to replace Tony Pulis from Wales with the Dutch manager Johan Boskamp.

People who only want the best for the club warned us that this was a risky decision, appointing someone who knew little about English football and nothing about how football is played in the Championship. We accept that this was a risky appointment but we are never going to gain promotion into the Premiership without taking risks and sometimes the most risky course is to keep doing something that has proven unsuccessful in the past.

Johan Boskamp has proven to bring with him a refreshing air of change. You can't really judge a manager after less than three months in charge but there are some very encouraging signs 9 games into the season. The team seems to be playing more adventurous and entertaining football and the results have been good.

One of the benefits of football is that every season is a new beginning with renewed hope for success. This time around we had a brand new beginning with a new manager, a lot of new players and a new approach to playing football. In our first league match of the season no fewer than 6 players were making their league debut for the club and many more have since joined the club. I wish every Stoke City shareholder and supporter a successful and entertaining football season.

Gunnar Þór Gíslason
Chairman 23 September 2005

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2005.

Principal activities

The principal activity is that of a professional football club.

Business review

A review of the Club's results for the year and of its future prospects is contained in the Chairman's statement on pages 2 to 3.

Dividends and transfers from reserves

The loss for the year amounted to £194,000 (*2004: £593,000*) which has been withdrawn from reserves. The directors do not recommend payment of preference or ordinary share dividends.

Directors and directors' interests

The names of the present members of the board are set out on page 1.

Jonathan Fuller resigned as Chief Executive on 30 June 2004.

Tony Scholes was appointed as Chief Executive on 20 September 2004.

Except as noted below, no directors had any interest (including family interest) in the shares of the company.

	£1 Preference shares		**£1 Ordinary shares**	
	2005	2004	**2005**	2004
Beneficial:				
K A Humphreys	**18**	18	**3**	3
P Coates	**29**	29	**242,297**	88,088

At 31 May 2005 The PNR Partnership held 314,000 (*2004: 64,000*) ordinary shares. Mr P Rawlins is deemed to have an interest in the shares held by The PNR Partnership LLP as he is a partner within the partnership.

At 31 May 2005 Ramsdell Estates Limited held 242,230 (*2004: 88,021*) ordinary shares and 75 (*2004: 75*) preference shares. Mr K A Humphreys is deemed to have an interest in the shares held by Ramsdell Estates Limited as he is a director of the company.

A Sigurvinsson and S Thorisson own 16,341 (*2004: 16,341*) and 1,362 (*2004: 1,362*) ordinary shares in Stoke Holding SA, both holdings being less than 1% of the total issued share capital of that company as at 31 May 2005. Stoke Holding SA owned 56% of Stoke City Football Club Limited at 31 May 2005.

Directors' report *(continued)*

Auditors

During the year Deloitte and Touche LLP resigned and KPMG LLP were appointed as auditors of the company. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

K. Humphreys

KA Humphreys
Director

Britannia Stadium
Stanley Matthews Way
Stoke on Trent
ST4 4EG

23 September 2005

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 maintaining 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 a 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.

KPMG

KPMG LLP
Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of Stoke City Football Club Limited

We have audited the financial statements on pages 8 to 22.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the reliance on the company's ultimate parent, Stoke Holding SA for continued financial support. In view of the significance of the uncertainty inherent in this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

23 September 2005

Profit and loss account

for the year ended 31 May 2005

	Note	Operations excluding player trading 2005 £000	Player trading (Note 4) 2005 £000	**Total 2005 £000**	Total 2004 £000
Turnover	*1*	7,940	-	**7,940**	7,559
Operating expenses		(8,382)	(336)	**(8,718)**	(8,344)
Gross loss		(442)	(336)	**(778)**	(785)
Other operating income		-	-	-	333
Operating loss	*2*	(442)	(336)	**(778)**	(452)
Profit on disposal of players' registrations	*4*	-	855	**855**	464
Profit/(loss) before interest and taxation		(442)	519	**77**	12
Interest payable	*5*	(271)	-	**(271)**	(605)
Loss on ordinary activities before taxation		(713)	519	**(194)**	(593)
Tax on loss on ordinary activities	*6*	-	-	-	-
Loss on ordinary activities after taxation		(713)	519	**(194)**	(593)

All the above results derive from continuing activities.

Statement of total recognised gains and losses

for the year ended 31 May 2005

There were no recognised gains and losses during the current and previous year other than those dealt with in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet
at 31 May 2005

	Note	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*7*	**565**		385	
Tangible assets	*8*	**836**		958	
Investments	*9*	**9,000**		9,000	
			10,401		10,343
Current assets					
Stocks	*10*	**216**		226	
Debtors	*11*	**1,019**		907	
Investments	*12*	**29**		39	
Cash at bank and in hand		**797**		402	
		2,061		1,574	
Creditors: amounts falling due within one year	*13*	**(5,443)**		(11,056)	
Net current liabilities			**(3,382)**		(9,482)
Total assets less current liabilities			**7,019**		861
Creditors: amounts falling due after more than one year	*14*		**(8,773)**		(3,621)
Provisions for liabilities and charges	*17*		**(88)**		(113)
Net liabilities			**(1,842)**		(2,873)
Capital and reserves					
Called up share capital	*18*		**1,871**		646
Share premium account	*19*		**579**		579
Revaluation reserve	*19*		**15**		16
Profit and loss account	*19*		**(4,307)**		(4,114)
Shareholders' deficit	*20*		**(1,842)**		(2,873)
Analysed as:					
Equity			**(1,843)**		(2,874)
Non equity			**1**		1
			(1,842)		(2,873)

These financial statements were approved by the board of directors on 23 September 2005 and were signed on its behalf by:

K. Humphreys

KA Humphreys
Director

Cash flow statement

for the year ended 31 May 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Net cash (outflow)/inflow from operating activities	21		(1,044)		642
Returns on investments and servicing of finance					
Interest paid		(338)		(770)	
Net cash outflow from returns on investments and servicing of finance			(338)		(770)
Taxation			-		-
Capital expenditure and financial investment					
Payment to acquire intangible assets		(534)		(534)	
Receipts from sales of intangible assets		873		1,151	
Payments to acquire tangible assets		(25)		(28)	
Receipts from sales of tangible assets		-		-	
Net cash inflow from investing activities			314		589
Net cash (outflow)/inflow before financing			(1,068)		461
Financing					
Issue of ordinary shares		1,225		25	
Issue of loan stock				895	
Repayment of loan stock		(291)		(209)	
Holding Company Loan		733		-	
Repayment of bank loans		(455)		(1,028)	
Net cash inflow/(outflow) from financing			1,212		(317)
Increase in cash in period	22		144		144

All amounts relate to continuing activities

Notes

(forming part of the financial statements)

1 Accounting policies

The principle accounting policies adopted by the directors are summarised below. They have all been applied have been applied consistently throughout the year and preceding year.

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, under the historical cost convention and within the requirements of the Companies Act 1985.

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities of £1,842,000 The company's cash flow forecasts for the next 12 months indicate that there will be periods where the company's funding requirements are in excess of currently available resources. Stoke Holding SA, the majority shareholder, has agreed to continue its support of the funding requirements of the company to enable it to meet its liabilities as they fall due for at least the next 12 months. As a result of this undertaking, the directors consider it appropriate to prepare the financial statements on a going concern basis.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover, exclusive of value added tax, comprises net match receipts and other income arising from the Club's activities and is derived solely from the United Kingdom.

Intangible assets

The third party costs associated with the acquisition of players' registrations and coaching staff are capitalised and amortised on a straight line basis over the period of their respective contracts. Any transfer fees payable as a result of the occurrence of one or more uncertain future events are capitalised when it is probable such an event will occur. Provision for impairment is made when it becomes clear that any diminution in value is permanent. In accordance with FRS 10, no amounts are included for players developed within the Club.

Tangible fixed assets

Tangible fixed assets are depreciated on a straight line basis calculated to write off cost or valuation of the assets over their expected useful lives by equal annual instalments. The rates normally applied are as follows:

Freehold buildings	2% pa
Plant and equipment	8 – 33% pa
Vehicles	10 – 25% pa
Leasehold land and buildings	4 – 25% pa

Investment in associated company

The investment in the associated company is stated at cost less any provision for impairment.

Leased assets

Assets acquired under hire purchase agreements are capitalised as tangible assets at fair value and are depreciated over the shorter of the lease term and their estimated useful lives. The corresponding obligation is included as a creditor and the interest element is charged to the profit and loss account over the term of the agreement. Rentals payable under operating leases are charged to the profit and loss account as incurred.

1 Accounting policies *(continued)*

Signed on fees and loyalty bonuses

The Board consider that signing on fees represent a normal part of the employment cost of the player and as such should be charged to the profit and account over the period of the player's contract as the instalment payments are made, except in the circumstances of a player disposal. In that case any remaining signing on fees due are allocated in full against profit on disposal of players' registrations in the year in which the player disposal is made.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the loss for the year and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made in full for deferred tax without discounting in accordance with FRS 19.

Grants

Grants received from the Football Trust in respect of the building costs of the Britannia Stadium, the freehold of which is owned by the associated company, are treated as deferred income and released to the profit and loss account over the useful economic life of the Stadium.

Grants received from The Football Trust and other awarding bodies in respect of other capital expenditure are treated as deferred income and released to profit and loss account over the expected useful lives of the related assets.

Grants received in respect of revenue expenditure and financial support are recognised in the profit and loss account in the year in which the relevant expenditure was incurred.

Pension costs

Certain of the employees of the Club participate in the Football League Pension and Life Assurance scheme and the Football League Players' Benefit scheme. Both schemes are defined benefits schemes co-sponsored by the FA Premier League and the Football League. The Club makes contributions to the schemes in accordance with the recommendations of the actuaries to the schemes.

As the club is one of a number of participating employers in the schemes, it is not possible to allocate that part of any actuarial rights or deficit owing to the Club's employees. Consequently, contributions are charged to the profit and loss account as they become payable.

Contributions are also paid to individuals' money purchase pension schemes. The contributions are charged to profit and loss account in the year in which they become payable.

The assets of all the pension schemes are held separately from those of the Club in independently administered funds.

2 Operating loss

	2005	2004
	£000	£000
Operating loss is after charging/(crediting):		
Depreciation of tangible fixed assets	**146**	144
Amortisation of intangible fixed assets	**336**	413
Grants released (note 16)	**(64)**	(61)
Operating lease rentals:		
Property	**317**	317
Plant, equipment and vehicles	**28**	34
Auditors remuneration:		
Audit fees	**11**	12
Non audit charges	**2**	5

Notes *(continued)*

3 Staff numbers and costs

	2005	2004
	£000	£000
Directors remuneration		
Fees	**25**	26

	No.	No.
Average number of persons employed		
Full time playing staff and scholars	**49**	46
Other staff	**83**	85
	132	131

In addition to the above the company employed an average of 255 (*2004: 262*) match-day staff during the year.

	£000	£000
Staff costs during the year		
Wages, salaries and bonuses	**4,609**	4,192
Social security costs	**494**	449
Pension costs	**73**	69
	5,176	4,710

4 Player trading

	2005	2004
	£000	£000
Amortisation of intangible fixed assets	**(336)**	(413)
Profit on disposal of players' registrations	**855**	464
	519	51

5 Interest payable

	2005	2004
	£000	£000
Interest payable on bank loans and overdrafts	**119**	162
Interest payable on convertible loan stock	**152**	443
	271	605

Notes *(continued)*

6 Tax on loss on ordinary activities

Factors affecting the current tax charge for the period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2004: 30%).

	2005 £000	2004 £000
Loss on ordinary activities before taxation	**(194)**	(593)
Tax on loss on ordinary activities at the standard rate of 30% *(2004: 30%)*	**(58)**	(178)
Factors affecting change:		
Expenses not deductible for tax purposes	**29**	6
Depreciation in excess of capital allowances	**23**	24
Movement in short term timing differences	**-**	(6)
Losses carried forward	**6**	154
Current tax charge for the period	**-**	-

Factors that may affect the future tax charge

A deferred tax asset of £1.7m *(2004: £2.0m)* has not been recognised in respect of corporation tax losses held in the company as a result of uncertainty over future levels of profitability. The asset will be recovered when relevant profits are available against which the timing differences concerned can be set off.

7 Intangible fixed assets

	Players registrations £000
Cost	
At 1 June 2004	848
Additions	534
Disposals	(78)
At 31 May 2005	**1,304**
Amortisation	
At 1 June 2004	463
Charge for the year	336
Disposals	(60)
At 31 May 2005	**739**
Net book value	
At 31 May 2005	**565**
At 31 May 2004	385

Notes *(continued)*

8 Tangible fixed assets

	Freehold Land and Buildings £000	Leasehold land and buildings £000	Plant and vehicles £000	Total £000
Cost				
At 1 June 2004	25	876	778	1,679
Additions	-	11	14	25
Disposals	-	-	(8)	(8)
At 31 May 2005	25	887	784	1,696
Depreciation				
At 1 June 2004	6	146	569	721
Charge for year	1	69	76	146
Disposals	-	-	(7)	(7)
At 31 May 2005	7	215	638	860
Net book value				
At 31 May 2005	**18**	**672**	**146**	**836**
At 31 May 2004	19	730	209	958

The net book value of leasehold land and buildings comprised:

	2005 £000	2004 £000
Long leasehold	**14**	15
Short leasehold	**658**	715
	672	730

Depreciation in respect of long leasehold properties in the year is £4,000 and £65,000 in respect of short leasehold properties.

9 Investments in associated company

	2005 £000	2004 £000
At cost	**9,000**	9,000

The investment reflects a 49% holding of the issued ordinary share capital of Stoke-on-Trent Community Development Company Limited.

As described in note 1, the directors consider the most appropriate accounting treatment of the investment in associated company is that it should be carried at cost less provision for any impairment.

Football Trust grants of £2.4m used to fund the company's investment in the stadium are held within creditors (see note 16).

Notes *(continued)*

9 Investments in associated company *(continued)*

The Club's share of the associated company's results and net assets, as extracted from that company's unaudited management accounts for the year ended 31 May 2005 and published audit accounts for the 12 months to 31 May 2004 were as follows:

	31 May 2005	Restated 31 May 2004
	£000	£000
Turnover	**305**	327
Profit before tax	**190**	193
Taxation	**(54)**	(65)
Profit after tax	**136**	128
Fixed assets	**7,379**	7,404
Current assets	**449**	340
Liabilities due within one year	**(235)**	(218)
Liabilities due after more than one year	**(745)**	(814)
Share of net assets	**6,848**	6,712

The principal activity of the associated company is the management of the Britannia Stadium.

10 Stocks

	2005	2004
	£000	*£000*
Goods for resale	**216**	226

11 Debtors

	2005	2004
	£000	£000
Trade debtors	**395**	262
Amounts owed by related undertakings	**43**	33
Other debtors	**51**	108
Prepayments and accrued income	**530**	504
	1,019	907

12 Investments held as current assets

	2005	2004
	£000	£000
Shares in Stoke Holding SA	**29**	39

The shares in Stoke Holding SA were purchased at fair value and were held in order to facilitate the exercise of options in Stock Holdings SA by a former employee of Stoke City Football Club Limited.

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank loans and overdrafts – secured (note 15)	**1,534**	1,738
Convertible unsecured loan stock (note 15)	**208**	5,908
Trade creditors	**310**	333
Amounts owed to parent undertaking	**768**	87
Amounts owed to associated undertaking	**39**	19
Accruals	**333**	406
Deferred income	**1,768**	1,983
Deferred grants (note 16)	**64**	61
Taxation and social security	**419**	521
	5,443	11,056

14 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Deferred income	**202**	392
Deferred grants (note 16)	**2,334**	2,401
	2,536	2,793
Convertible unsecured loan stock (see below)	**6,237**	828
	8,773	3,621

15 Analysis of debt

	2005 £000	2004 £000
Analysis of borrowings:		
Bank loans and overdrafts – secured	**1,534**	1,738
Convertible unsecured loan stock	**6,445**	6,736
Holding Company Loan	**733**	-
	8,712	8,474
Analysis of loan repayments:		
Within one year	**2,475**	7,646
Between two and five years	**6,237**	828
	8,712	8,474

Bank loans and overdrafts

Included within amounts repayable within one year are bank loans of £1,283,000. Although technically repayable upon demand a schedule of repayments has been agreed, over the remaining periods of 1¾, 1¾ and 7¼ years, on loans of £332,000, £477,000 and £474,000 respectively.

The bank loans are secured by way of a fixed and floating charge over all the assets of the Club and a legal charge over the Club's leasehold interest in the Britannia Stadium.

Notes *(continued)*

15 Analysis of debt *(continued)*

Deferred income

Deferred income consists of season tickets, sponsorship and other elements of income which have been received prior to the year end in respect of future football seasons. It includes £81,000 received under an advance discount agreement with a brewery, this amount being secured by a legal charge over the leasehold interest in the Britannia Stadium.

Convertible unsecured loan stock

There are four tranches of loan stock (the narrative below applies to notes 13 and 14).

The loan stock described in a) to c) below were previously convertible at any time up to 12 November 2004, 25 September 2004 and 30 September 2005 respectively. The stockholders have agreed to extend the period during which this loan stock may be invested at a holder's option into fully paid ordinary shares to any time up to 1 September 2006. If the conversion option is not exercised the stock is redeemable on 1 September 2006 at nominal value of £4,500,000, £1,200,000 and £495,000 respectively, together with accrued interest.

From 1 October 2004 the loan stock described in a) to c) became interest free.

(a) £4,500,000 of the convertible unsecured loan stock may be invested at a holder's option into fully paid ordinary shares of £1 each at the rate of one ordinary share for every £8 of convertible loan stock. Full conversion of the outstanding rights would result in the issue of £562,000 ordinary shares.

If the conversion option is not exercised the loan stock is redeemable at nominal value of £4,500,000 together with accrued interest. The loan stock bore interest at the rate of 7½ % per annum which is charged to the profit and loss account on a straight line basis.

(b) £1,200,000 of convertible loan stock which may be invested at a holder's option into fully paid ordinary shares of £1 each for each £1 of loan stock.

If the conversion option is not exercised the loan stock is redeemable at nominal value of £1,200,000 together with accrued interest. The loan stock bore interest at the rate of 7% per annum which is charged to the profit and loss account on a straight line basis.

(c) £495,000 of convertible loan stock which may be invested at a holder's option into fully paid ordinary shares of £1 each for each £1 of loan stock. If the conversation option is not exercised the loan stock is redeemable at nominal value of £495,000 together with accrued interest. The loan stock bore interest at the rate of 6.5% per annum which is charged to the profit and loss account on a straight line basis.

(d) £750,000 of interest free convertible loan stock was due to be repaid in equal monthly instalments over a three year period commencing August 2003. Following the monthly payment made in July 2004, the loan stock holder agreed to a suspension of monthly payments for a period of twelve months and also converted £250,000 worth of loan stock in the period into ordinary share capital. £250,000 remains outstanding as at 31 May 2005. Monthly repayments of these amounts are to be made between August 2005 and July 2006.

16 Deferred grants

	2005	2004
	£000	£000
Balance at 1 June 2004	**2,462**	2,523
Grants released to profit and loss account (note 2)	**(64)**	(61)
Balance at 31 May 2005	**2,398**	2,462

Notes *(continued)*

17 Provisions for liabilities and charges

	Pension obligations £000
Balance at 1 June 2004	113
Amounts paid	(25)
Balance at 31 May 2005	88

Certain staff of the Company are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. As the Company is one of a number of participating employers in the FLLPLAS, is it not possible to allocate any actuarial surplus or deficit on the meaningful basis and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the scheme are held separately from those of the company, being invested with insurance companies.

18 Called up share capital

	2005 £000	2004 £000
Authorised		
5.25% Cumulative preference shares of £1 each	**1**	1
Ordinary shares of £1 each	**6,759**	3,282
Ordinary I shares of £1 each	**64**	64
Ordinary V shares of £1 each	-	-
Ordinary W shares of £1 each	-	-
Ordinary X shares of £1 each	**88**	88
Ordinary Y shares of £1 each	**88**	88
	7,000	3,523
Allotted, issued and paid		
5.25% Cumulative preference shares of £1 each	**1**	1
Ordinary shares of £1 each	**1,630**	405
Ordinary I shares of £1 each	**64**	64
Ordinary V shares of £1 each	-	-
Ordinary W shares of £1 each	-	-
Ordinary X shares of £1 each	**88**	88
Ordinary Y shares of £1 each	**88**	88
	1,871	646

On 30 April 2005, the Company increased its authorised share capital by 3,476,602 ordinary shares of £1 each.

On 20 May 2005, 1,225,600 ordinary shares of £1 each were issued at par, including 250,000 shares issued on conversion of issued loan stock (see note 15 (d)).

The I, V, W, X and Y ordinary shares attach various voting and director appointment rights.

Notes *(continued)*

19 Statement of movements on reserves

	Share premium	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000	£000
Balance at 1 June 2004	579	16	(4,114)	(3,519)
Loss for year	-	-	(194)	(194)
Transfer of amount equivalent to additional depreciation on revalued assets	-	(1)	1	-
Balance at 31 May 2005	**579**	**15**	**(4,307)**	**(3,713)**

20 Reconciliation of movements in shareholders' funds

	2005	2004
	£000	£000
Loss for the financial year	**(194)**	(593)
Net increase in shareholders' deficit	**(194)**	(593)
New shares issued	**1,225**	25
Opening shareholders' deficit	**(2,873)**	(2,305)
Closing shareholders' deficit	**(1,842)**	(2,873)

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

	2005	2004
	£000	£000
Operating loss	**(778)**	(452)
Amortisation of intangible assets	**336**	413
Depreciation of tangible assets	**146**	144
Grants released	**(64)**	(61)
Write off of current investment	**10**	-
Decrease/(increase) in stocks	**10**	(94)
(Increase)/decrease in debtors	**(112)**	1,115
Decrease in creditors	**(568)**	(397)
Decrease in provisions	**(25)**	(26)
Loss on sale of tangible assets	**1**	-
Net cash (outflow)/inflow from operating activities	**(1,044)**	642

Notes *(continued)*

22 Analysis of changes in net debt

	At 31 May 2004 £000	Cash Flows £000	**At 31 May 2005 £000**
Cash at bank and in hand	402	395	**797**
Overdraft	-	(251)	**(251)**
	402	144	**546**
Debt due within 1 year	(7,646)	5,422	**(2,224)**
Debt due after 1 year	(828)	(5,409)	**(6,237)**
	(8,072)	157	**(7,915)**

23 Reconciliation of net cash flow to movement in net debt

	2005 £000	2004 £000
Increase in cash in year	**144**	144
Net decrease in term bank loans	**455**	1,028
Issue of loan stock	**-**	(895)
Repayment of loan stock	**291**	209
Increase Holding Company Loan	**(733)**	-
Change in net debt	**157**	486
Net debt at 31 May 2004	**(8,072)**	(8,558)
Net debt at 31 May 2005	**(7,915)**	(8,072)

24 Commitments and contingent liabilities

Capital commitments

There were outstanding capital commitments that were contracted for but not provided of £25,000 as at 31 May 2005 *(2004: £nil)*.

Operating lease commitments:	**Land and buildings**		**Other operating leases**	
	2005 £000	2004 £000	**2005 £000**	2004 £000
Leases expiring				
Within 1 year	**-**	-	**9**	29
In 2-5 years	**24**	24	**-**	-
After more than 5 years	**293**	293	**-**	-
	317	317	**9**	29

Ground safety grants

When a facility which has attracted a grant ceases to be used or is sold, The Football Trust reserves the right to call for repayment of all or a proportion of any grant made.

Collateral security

The company has granted a legal charge over its interest in the Britannia Stadium as collateral security for the borrowings of the associated company which at the year end were £1,259,000.

Notes *(continued)*

25 Related party transactions

Mr S G Thorisson and MR G T Gislason are directors of Stock on Trent Community Stadium Development Company Limited, an associated company which owns the freehold to the Britannia Stadium.

Transactions with related parties during the year were as follows:

	2005		2004	
	Value of transactions	**Balance at end of year £000**	Value of transactions £000	Balance at end of year £000
Payable by Stoke City Football Club Limited				
Stoke on Trent Community Stadium Development Company Limited				
Rent and Stadium Events	**325**	**39**	335	19
Stoke Holding SA: Interest on loan stock	**189**	**35**	541	87
The PNR Partnership LLP (formerly The Chatham Group); interest on loan stock	**-**	**-**	10	-
Ramsdell Estates Limited: interest on loan stock	**8**	**-**	25	-
Peter Coates: interest on loan stock	**8**	**-**	25	-
Payable to Stoke City Football Club Limited				
Stoke-on-Trent Community Stadium Development Company Limited	**81**	**43**	158	28

Details relating to the investment in Stoke-on-Trent Community Development Company Limited are given in note 9.

All contract terms were agreed on an arms length basis and the directors have reviewed and approved all of the above arrangements.

26 Ultimate company ownership

The parent company and ultimate controlling party is Stoke Holding SA which is a company registered in Luxembourg.

The registered office is 12 Rue Guillaume Schneider L-2522 Luxembourg.

Notes *(continued)*

Notice of meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Stoke City Football Club Limited will be held at the Britannia Stadium, Stoke-on-Trent on Saturday 22 October 2005 at 11:00am for the following purposes:

1. To receive and adopt the company's accounts for the year to 31 May 2005 together with the reports of the directors and auditors thereon.
2. To approve the directors appointment of KPMG as new auditors.
3. To re-appoint KPMG as auditors of the company and to authorise the directors to fix the auditors remuneration.

By Order of the Board

I Bailey
Company Secretary
Stoke-on-Trent

Note:
A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend (and on a poll to vote) instead of him. A proxy need not also be a member of the company. Instruments of proxy to be effective must be received at the registered office of the company not later than forty-eight hours before the time fixed for the meeting.