

Preston North End Plc

Annual Report & Accounts 2004/05



Contents

Chairman's Statement	1
Report of the Directors	4
Statement of Directors' responsibilities	7
Independent auditor's report to the members of Preston North End plc	8
Consolidated profit and loss account	9
Consolidated statement of total recognised gains and losses	9
Consolidated statement of historical cost profits and losses	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated cash flow statement	12
Reconciliation of net cash flow to movement in net debt	12
Notes	13
Directors	25
Advisors	26
Roll of Honour	27

Chairman's Statement

On behalf of the Board of Directors of Preston North End plc, I am pleased to present our annual report and accounts for 2004-05.

The Board were obviously delighted with way the 2004-05 season turned out. Following the appointment of Billy Davies as Manager in September 2004, the team went from strength to strength, ultimately achieving a place in the Play-Off Final at Cardiff. This achievement exceeded all expectations and whilst we were all disappointed not to have gained promotion to the Premiership, the Play-Offs made a significant financial impact on our results for the year.

Turnover for the year was 19% higher than 2004 at £7.85m (2004: £6.58m). On the back of this increased turnover, the Group's operating loss (before depreciation and amortisation) was £0.86m (2004: £1.32m). The loss at the pre-tax level was also reduced to £2.12m (2004: £2.59m), reflecting higher depreciation and amortisation charges on our tangible assets and playing squad of £1.83m (2004: £1.69m), offset by a higher profit on sale of players of £790,000 (2004: £543,000).

In applying accounting standards we depreciate the value of our players over the length of their initial contracts. Under these rules our playing squad is currently valued at £1.2m. The Board and the football management team believe the true value to be significantly in excess of this.

The balance sheet remains strong with net assets of £4.42m (2004: £6.46m).

Football

The Board has continued to support the football management team as much as possible in securing new players in the squad. However, we have to remain alert to our financial constraints. We consider that the squad wage bill has continued to be under control, representing 59% of turnover (2004: 67%).

A number of significant new players joined the squad during the 2004-05 season. Chris Sedgwick joined from Rotherham United, Matthew Hill from Bristol City, Patrick Agyemang from Gillingham, David Nugent from Bury and Carlo Nash from Middlesbrough. They have all played regularly in the first team and made significant contributions to the achievements of Preston North End last season.

We have continued to find more new players before and in the early part of the new 2005-06 season. Daniele Dichio has joined us from Millwall, Joe Anyinsah from Bristol City, Lewis Neal from Stoke City and David Hibbert from Port Vale.

We would also like to formally thank those players who have left the Club during or at the end of the 2004-05 season for their efforts during their time at Preston North End. David Healy and Eddie Lewis joined Leeds United, Simon Lynch joined Dundee and Jonathan Gould's contract came to an end.

As I prepare this statement, we have also just agreed a deal with Leeds United for the transfer of Richard Cresswell. Whilst it is disappointing to lose key players such as Richard, the Board has made no secret of the fact that the funds generated by these significant player sales are needed occasionally to fund the Group's trading losses. These losses will continue as long as we maintain a squad of the current calibre whilst failing to achieve larger attendances.

Average attendances for the 2004-05 season were 13,889 (2004: 13,640). We would be delighted to welcome to our home games more of the approximate 30,000 fans who joined us for the play-off final at Cardiff. As ever, on behalf of the Board, I would like to thank the fans who support the team through both the successful and more difficult periods.

Chairman's Statement

It was widely publicised that our planning application to build an indoor 'Soccer Dome' at the training ground was refused. This was a particular disappointment as it would have enabled the Club to take a significant step towards achieving Academy status, in addition to providing numerous benefits to our first and youth teams. We have submitted an appeal and look forward to this being heard in the near future.

Youth Development

Our Youth Development department has continued to seek new talent through its network of scouts and coaches running courses and training sessions in the local area.

The 2004/05 season saw a number of Youth team players make appearances in the first team - namely Joe O'Neil, Chris Neal and Mark Jackson.

We have also recently strengthened our Youth Department with the appointments of Kevin Thelwell and Glyn Salmon as Director and Assistant Director of Youth, respectively.

Kevin was previously Director of Youth Education at the Welsh FA and Glyn was Centre of Excellence Director at Tranmere Rovers. I am confident that we will see more young players progress to the first team through the enthusiasm and commitment that Kevin and Glyn have brought to the department.

Commercial Activities

Our advertising, sponsorship and hospitality activities continue to provide good sources of income for the Club.

The three year Club and shirt sponsorship deal with New Reg finished at the end of the 2004-05 season. I would like to thank my fellow Director and Chief Executive, Steve Jackson, for his contribution to the Club in this way. Steve is still, and will continue to be, an active and supportive member of the Board of Directors at the Club.

I am also delighted that we have secured a new three year Club and shirt sponsorship deal with local company Enterprise Plc. We look forward to a successful working relationship with the Board of Enterprise.

The introduction of this new sponsorship arrangement has also seen new home and away kits launched for the start of the new season. We have also introduced a new kit supplier in Diadora and we are pleased with the overall quality and look of the new product.

Replica kits have been selling well through our Club shop, which has continued to expand and introduce new product lines.

Community

The Club continues to maintain strong links with the local community through coaching schemes for young people and through its 'Playing for Success' learning facility within the stadium.

The Club's 'Under 8's' free ticket initiative has continued to go from strength to strength and has been reviewed by the Football League as a possible league-wide scheme. We currently have some 839 juniors attending our games as a result of this initiative.

PNE Women's Football has continued to perform well and we were pleased to be able to promote the women's game by hosting some of the UEFA Tournament games during the Summer.

Chairman's Statement

Future Prospects

Naturally, our ambition is to build on the successes of the 2004-05 season, and being strong contenders in the Championship is our priority and ambition.

We are committed to supporting the football management team to achieve this and will provide the maximum available financial backing to continue to strengthen the squad.

Finally, I would like to record my thanks to our shareholders, our employees and our fans for their continued commitment to the Club.

A handwritten signature in black ink, appearing to read 'Derek Shaw', with a stylized flourish at the end.

D Shaw
Chairman

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

Principal activities and business review

The principal activities of the Group are the operation of a professional Football League Club, together with related and ancillary activities.

A review of the activities of the Group and a brief summary of the Group's future development plans are set out in the Chairman's Statement. The results for the year are set out in the profit and loss account on page 9. The loss for the financial year after tax amounted to £2,045,000 (2004: £2,492,000).

Proposed dividend

The directors do not recommend the payment of a dividend (2004: £nil).

Fixed assets

The directors believe the market value of the Group's land and buildings to be in excess of their book value (see note 13).

Directors and their interests

The interests of the directors of the Company at the end of the year in the ordinary share capital of the Company were as follows:

	As at 30 June 2005 No of shares	As at 30 June 2004 No of shares
D Shaw, Chairman	952,858	952,858
ST Jackson	902,748	902,748
DW Taylor	1,000	1,000
AS Hughes	-	-
P Newsham	-	-

Incorporated within Mr Shaw's interest in the share capital of the Company are 902,748 shares owned by Friends of Preston North End Limited. Ribble Valley Shelving Limited, a Company controlled by Mr Shaw, owns 25% of the share capital of Friends of Preston North End Limited.

Incorporated within Mr Jackson's interest in the share capital of the Company are 902,748 shares owned by Friends of Preston North End Limited. New Reg Limited, a Company controlled by Mr Jackson, owns 25% of the share capital of Friends of Preston North End Limited.

In accordance with the Company's Articles of Association D Shaw and DW Taylor retire by rotation and being eligible, offer themselves for re-election.

Report of the Directors

The mid market price of the Company's shares at 30 June 2005 was 115p. During the year the highest mid market price was 137.5p and the lowest mid market price was 115p.

The Company maintains liability insurance for its directors and officers.

Corporate governance

The Board of Directors fully supports the underlying principles of corporate governance recommended by the Combined Code, notwithstanding that it is not required to comply with such recommendations.

The Board generally meets on a quarterly basis, with further meetings as they are required. It considers all issues relating to the strategy, direction and future development of the Group.

Internal control

The Board has overall responsibility for the Group's system of internal control. Although no system of internal control can provide absolute assurance regarding the reliability of financial information and security of assets, the Group has established a system of internal control which is designed to provide reasonable assurance against material misstatement or loss. In addition, the Board regularly reviews the major risks faced by the Company.

The key procedures that have been established by the directors are as follows:

- Comprehensive budgets approved by the Board;
- Regular consideration by the Board of actual results compared with budgets;
- Clearly defined levels of financial authority;
- Regular assessments of the playing staff valuations.

Treasury policy and financial risk management

Treasury policies are subject to Board approval and are implemented by the Company's finance function.

All Group borrowings are in pounds sterling and predominantly comprise borrowing facilities carrying base related floating rates. The outlook for UK interest rates is regularly monitored and borrowing decisions are adapted to suit prevailing conditions.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to prepare the financial statements on a going concern basis.

Charitable and political donations

Charitable contributions during the period totalled £9,839 (2004: £6,000). No political contributions were made.

Employee involvement

It is the Group's policy to keep employees informed on matters affecting them as employees and to make them aware of the factors influencing the Group's performance. This is done through announcements and staff briefings.

Report of the Directors

Disabled employees

Disabled persons are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain the employee in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitations of their disability.

Health and safety

The Group's policy is to ensure that it maintains a working environment which will minimise the risk to the health and safety of employees. Health and safety is an integral part of good business management and accordingly high standards are required.

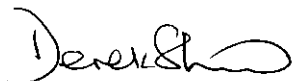
Payment to suppliers

The Group supports the CBI initiative to address the problem of delayed payments to suppliers. Consequently, it is the Group's policy to settle the terms of payment with suppliers when business is agreed, to ensure that suppliers are made aware of them and to pay bills in accordance with these terms. The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers and the amount owed to its trade creditors at the end of the year was 74 (2004: 68).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution to re-appoint KPMG Audit Plc as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board



D Shaw
Director

29 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 the Group and of the Group's 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group 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 Group and to prevent and detect any fraud and other irregularities.



Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of Preston North End plc

We have audited the financial statements on pages 9 to 24.

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 Report of the Directors and, as described on page 7, 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 Report of the Directors 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 Group 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 for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 Group'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 affairs of the Company and the Group as at 30 June 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

A handwritten signature in blue ink that reads 'KPMG Audit Plc'.

29 September 2005

Consolidated profit and loss account

for the year ended 30 June 2005

	Note	2005 £000	2004 £000
Turnover	2	7,850	6,577
Staff costs - normal	5	(6,285)	(6,006)
- exceptional	5	(156)	-
Other operating charges		(2,273)	(1,895)
Group operating loss before depreciation and amortisation of player registrations		(864)	(1,324)
Depreciation and amortisation of player registrations	3	(1,830)	(1,694)
Total operating loss		(2,694)	(3,018)
Profit on sale of fixed assets	4	790	543
Other interest receivable and similar income	7	2	19
Interest payable and similar charges	8	(222)	(130)
Loss on ordinary activities before taxation		(2,124)	(2,586)
Tax on loss on ordinary activities	9	79	94
Retained loss for the year		(2,045)	(2,492)
Loss per share (basic and diluted)	10	(62.1)p	(75.6)p

All amounts in 2004 and 2005 relate to continuing operations.

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2005

The consolidated profit and loss account includes the only gains and losses of the Group for the current and prior year.

Consolidated statement of historical cost profits and losses

for the year ended 30 June 2005

	2005 £000	2004 £000
Reported loss on ordinary activities before taxation	(2,124)	(2,586)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	22
Historical cost loss on ordinary activities before taxation	(2,102)	(2,564)
Historical cost loss on ordinary activities after taxation	(2,023)	(2,470)

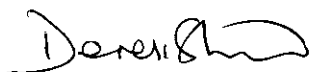
Consolidated balance sheet

at 30 June 2005

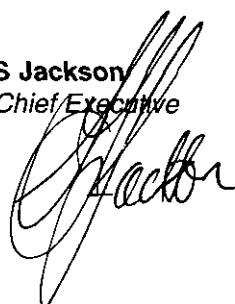
	Note	2005 £000	2004 £000
Fixed assets			
Intangible assets	12	1,235	1,383
Tangible assets	13	11,811	12,118
		<u>13,046</u>	<u>13,501</u>
Current assets			
Stocks	15	246	216
Debtors	16	1,702	733
		<u>1,948</u>	<u>949</u>
Creditors: amounts falling due within one year	17	<u>(4,596)</u>	<u>(3,547)</u>
Net current liabilities		<u>(2,648)</u>	<u>(2,598)</u>
Total assets less current liabilities		10,398	10,903
Creditors: amounts falling due after more than one year	18	(5,299)	(3,680)
Provisions for liabilities and charges	19	(683)	(762)
Net assets		<u><u>4,416</u></u>	<u><u>6,461</u></u>
Capital and reserves			
Called up share capital	21	3,296	3,296
Share premium account	22	7,051	7,051
Revaluation reserve	22	932	954
Profit and loss account	22	(6,863)	(4,840)
Equity shareholders' funds	23	<u><u>4,416</u></u>	<u><u>6,461</u></u>

These financial statements were approved by the Board on 29 September 2005 and were signed on its behalf by:

D Shaw
Chairman



S Jackson
Chief Executive



Company balance sheet

at 30 June 2005

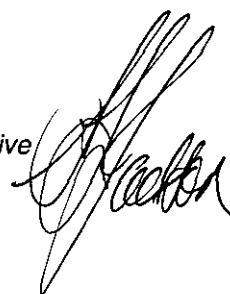
	Note	2005 £000	2004 £000
Fixed assets			
Tangible assets	13	11,811	12,118
Investments	14	289	289
		<u>12,100</u>	<u>12,407</u>
Current assets			
Stocks	15	246	216
Debtors	16	12,720	9,990
		<u>12,966</u>	<u>10,206</u>
Creditors: amounts falling due within one year	17	(4,120)	(3,171)
Net current assets		<u>8,846</u>	<u>7,035</u>
Total assets less current liabilities		<u>20,946</u>	<u>19,442</u>
Creditors: amounts falling due after more than one year	18	(5,299)	(3,680)
Provisions for liabilities and charges	19	(683)	(762)
Net assets		<u>14,964</u>	<u>15,000</u>
Capital and reserves			
Called up share capital	21	3,296	3,296
Share premium account	22	7,051	7,051
Revaluation reserve	22	932	954
Profit and loss account	22	3,685	3,699
Equity shareholders' funds		<u>14,964</u>	<u>15,000</u>

These financial statements were approved by the Board on 29 September 2005 and were signed on its behalf by:

D Shaw
Chairman



S Jackson
Chief Executive



Consolidated cash flow statement

for the year ended 30 June 2005

	Note	2005 £000	2004 £000
Net cash outflow from operating activities	24	(63)	(1,262)
Return on investments and servicing of finance	25	(228)	(96)
Capital expenditure	25	(485)	(387)
Cash outflow before financing		<u>(776)</u>	<u>(1,745)</u>
Financing	25	818	(557)
Increase/(decrease) in cash in the year	26	<u>42</u>	<u>(2,302)</u>

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2005

	2005 £000	2004 £000
Increase/(decrease) in cash in the year	42	(2,302)
Cash (inflow)/outflow from change in debt	(818)	557
Movement in net debt in the year	<u>(776)</u>	<u>(1,745)</u>
Net debt at beginning of year	(2,332)	(587)
Net debt at end of year	<u>(3,108)</u>	<u>(2,332)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

a) *Accounting convention*

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

b) *Basis of Preparation*

The financial statements have been prepared on a going concern basis. The group has recorded a loss for the year to 30 June 2005 and is projected to generate further losses for the year to 30 June 2006. However, having considered the budgets for the year ahead, the directors consider that the group will be able to manage its financial position within currently available funding facilities.

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

c) *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 30 June 2005.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

d) *Investments*

In the Company's financial statements investments in subsidiary undertakings are stated at cost less amounts written off for any permanent diminution in value.

e) *Player registrations and signing on fees*

Transfer fees and amounts paid to third parties for player registrations are capitalised as intangible fixed assets and are amortised on a straight line basis over the period of the respective player's initial contract. 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.

Player registrations are assessed on an annual basis and impairment losses arising are charged to the profit and loss account in the period in which they arise. Any surpluses arising are not accounted for.

Player signing on fees have been expensed to the profit and loss account as wages and salaries over the period to which they relate. The profit/(loss) on the disposal of a player registration is calculated after charging any signing on fees which become payable as a result of the disposal.

f) *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 life as follows:

Freehold buildings	- 50 years
Leasehold land and buildings	- 50 years
Plant and equipment	- 4 to 40 years

No depreciation is provided on freehold land.

Notes *(continued)*

1 **Accounting policies** *(continued)*

g) *Grants*

Grants in respect of capital expenditure on assets which are depreciated are treated as deferred income, a portion of which is transferred to revenue annually over the estimated useful life of the asset. Grants are recognised in the financial statements when they are received.

h) *Leases*

Assets acquired under finance leases and similar hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

i) *Stocks*

Stocks, which comprise consumables, are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

j) *Related party transactions*

The directors have taken advantage of the exemption in Financial Reporting Standard 8, paragraph 3(a) and have not disclosed transactions or balances with Group entities that have been eliminated on consolidation.

k) *Turnover*

Turnover comprises income from television rights, gate receipts, merchandising royalties, sponsorships and other commercial activities, exclusive of value added tax.

l) *Pension costs*

The Group pays contributions to personal money purchase schemes for eligible employees and accounts for the amount due in each year as a cost to the profit and loss account.

m) *Taxation*

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required in FRS 19.

2 **Turnover**

Turnover derives from the Group's principal activities and arises wholly within the UK.

Notes *(continued)*

3 Loss on ordinary activities before taxation

	2005 £000	2004 £000
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit fees	12	12
Other fees paid to the auditors and their associates	2	2
Amortisation of player registrations (Note 12)	1,383	1,257
Depreciation (Note 13)	447	437
Release of grants	(56)	(56)
Profit on disposal of player registrations (Note 4)	790	543
Operating lease rentals	7	27
	<u> </u>	<u> </u>

Auditors remuneration for the audit of the parent company is £10,000 (2004: £10,000).

4 Profit on sale of fixed assets

The net profit on disposal of player registrations relates principally to the sale of Ricardo Fuller to Portsmouth and David Healy to Leeds United.

In addition, there was further money receivable on the earlier sale of Jonathan Macken to Manchester City. This amount was receivable as Jonathan reached the required number of appearances specified in his transfer agreement.

5 Staff numbers and costs

Staff costs, including directors, comprised:

	2005 £000	2004 £000
Wages and salaries	5,597	5,352
Social security costs	672	626
Other pension costs	16	28
	<u>6,285</u>	<u>6,006</u>

During the year, exceptional staff costs of £156,000 were incurred following the termination of employment contracts.

The average number of persons employed by the Group, including directors, was as follows:

	2005 Number	2004 Number
Players, managerial and training staff	71	78
Sales, administration and ancillary staff	23	22
	<u>94</u>	<u>100</u>

In addition to the above, the Group employed an average of 189 (2004: 190) match-day staff during the year.

Notes *(continued)***6 Directors' emoluments**

	2005 £000	2004 £000
Emoluments payable to directors	-	100
Fees payable to related parties	45	45
Pension contributions	-	7
	<u>45</u>	<u>152</u>

Director's fees in respect of D Shaw are paid to Ribble Valley Shelving Limited.

Director's fees in respect of ST Jackson are paid to New Reg Limited.

Director's fees in respect of DW Taylor are donated to PNE-related causes.

7 Other interest receivable and similar income

	2005 £000	2004 £000
On bank deposits	<u>2</u>	<u>19</u>

8 Interest payable and similar charges

	2005 £000	2004 £000
On bank loans and overdrafts	206	105
On hire purchase contracts	16	25
	<u>222</u>	<u>130</u>

9 Taxation

	2005 £000	2004 £000
Taxation on the profit for the year		
Current year tax charge at 30%	-	-
Movement on deferred taxation - current year	79	76
- prior year	-	18
	<u>79</u>	<u>94</u>
	2005 £000	2004 £000
Loss on ordinary activities before taxation	<u>(2,124)</u>	<u>(2,586)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	(637)	(776)
Effects of:		
Relief for losses brought forward	-	(62)
Expenses not deductible for tax purposes	1	2
Difference between depreciation and capital allowances for the period	134	133
Trading losses carried forward	532	703
Non-taxable income	(30)	-
	<u>-</u>	<u>-</u>
Current tax charge for the period	<u>-</u>	<u>-</u>

Notes *(continued)*

10 Earnings per share

The calculation of loss per share is based on a loss of £2,045,000 (2004: £2,492,000) and on ordinary shares of 3,295,679 (2004: 3,295,679) being the weighted average number of shares in issue during the year.

11 Company result for the financial year

Preston North End plc has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The loss for the financial year as dealt with in the accounts of the Company is £36,000 (2004: *profit of £105,000*).

12 Intangible fixed assets

Group	Player registrations £000
Cost	
At 1 July 2004	5,028
Additions	1,594
Disposals	(2,545)
At 30 June 2005	4,077
Amortisation	
At 1 July 2004	3,645
Charge for the year	1,383
On disposals	(2,186)
At 30 June 2005	2,842
Net book value	
At 30 June 2005	1,235
At 30 June 2004	1,383

Notes *(continued)*

13 Tangible fixed assets

	Freehold buildings	Long leasehold land and buildings	Plant and Equipment	Total
Group and company	£000	£000	£000	£000
Cost or valuation				
At 1 July 2004	46	8,831	5,742	14,619
Additions	-	20	120	140
Disposals	-	-	(2)	(2)
At 30 June 2005	46	8,851	5,860	14,757
Accumulated depreciation				
At 1 July 2004	5	956	1,540	2,501
Charge for year	1	191	255	447
Disposals	-	-	(2)	(2)
At 30 June 2005	6	1,147	1,793	2,946
Net book value				
At 30 June 2005	40	7,704	4,067	11,811
At 30 June 2004	41	7,875	4,202	12,118
Historical cost at 30 June 2005				
Historical cost	46	7,749	5,860	13,655
Accumulated depreciation	(6)	(821)	(1,793)	(2,620)
Net historical cost	40	6,928	4,067	11,035

The leasehold land and buildings are occupied on a 125 year lease. Included in long leasehold land and buildings are assets at a book value of £1,175,000 (2004: £1,199,000), which were valued by an external valuer on a depreciated replacement cost basis in May 1995.

In June 2001 the leasehold land and buildings were valued by an external valuer, Dunlop Heywood Lorenz, Consultant Surveyors, on a depreciated replacement cost basis at £13,570,000. This valuation has not been incorporated in the financial statements.

Included in the total net book value of long leasehold land and buildings of the Group and Company is £660,000 (2004: £681,000) in respect of assets held under hire purchase contracts. Depreciation charged for the year on these assets was £21,000 (2004: £21,000).

Notes (continued)

14 Investments

Company

Shares in Group
undertakings
£000

Cost and net book value

At 1 July 2004 and 30 June 2005

289

The principal operating subsidiary undertaking is Preston North End Football Club, a professional Football League Club. The Company owns 100% of the ordinary share capital.

15 Stocks

Group and Company

	2005 £000	2004 £000
Goods for resale	237	169
Consumables	9	47
	<u>246</u>	<u>216</u>

16 Debtors

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade debtors	1,300	342	1,082	342
Amounts owed by subsidiary undertakings	-	-	11,429	9,471
Other debtors	323	323	130	109
Prepayments and accrued income	79	68	79	68
	<u>1,702</u>	<u>733</u>	<u>12,720</u>	<u>9,990</u>

Included in trade debtors are amounts falling due after more than one year of £430,000.

Amounts owed by subsidiary undertakings are also repayable in more than one year.

17 Creditors: amounts falling due within one year

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans and overdrafts	417	737	417	737
Obligations under hire purchase contracts	164	155	164	155
Trade creditors	440	445	440	445
Other taxation and social security	676	408	381	34
Other creditors	-	16	-	16
Accruals and deferred income	2,899	1,786	2,718	1,784
	<u>4,596</u>	<u>3,547</u>	<u>4,120</u>	<u>3,171</u>

Notes *(continued)***18 Creditors: amounts falling due after more than one year**

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loans	2,500	1,250	2,500	1,250
Obligations under hire purchase contracts (within five years)	27	190	27	190
Accruals and deferred income	2,772	2,240	2,772	2,240
	5,299	3,680	5,299	3,680

Bank loans

The bank loans and overdrafts of the Group and Company are secured by a first legal mortgage over the football stadium at Deepdale, Preston and a debenture over the Group's fixed and floating assets. Included within bank loans are the following amounts which are repayable by instalments:

	2005	2004
	£000	£000
Instalments payable:		
Within one year	-	278
Between one and two years	234	278
Between two and five years	938	834
After five years	1,328	138
	2,500	1,528

The Group and Company has a bank loan of £2,500,000 (2004: £1,528,000), repayable by July 2014. The loan is repayable in quarterly instalments of £78,125 (excluding interest) and attracts interest at 1.25% over the bank base rate on the first £1,458,000 and 2% over the bank base rate on the remaining £1,042,000. There is a repayment holiday on this loan until October 2006.

Accruals and deferred income

Accruals and deferred income include capital grants of £1,955,000 (2004: £2,016,000) which are to be released to the profit and loss account in more than five years.

19 Provisions for liabilities and charges

	Group and Company	
	2005	2004
	£000	£000
Deferred taxation		
At beginning of year	762	856
Credit to the profit and loss account	(79)	(94)
At end of year	683	762

The elements of deferred taxation are as follows:

	Group and Company	
	2005	2004
	£000	£000
Accelerated capital allowances	683	762

At 30 June 2005 the Group's subsidiary undertaking, Preston North End Football Club Limited, had tax losses carried forward of £6.7m (2004: £4.9m). A deferred tax asset has not been recognised in respect of these losses.

Notes *(continued)*

20 Financial instruments

The Group's financial instruments at the year end comprised cash, bank borrowings, hire purchase finance and various non derivative financial instruments such as trade debtors and trade creditors. As permitted by Financial Reporting Standard 13 short term debtors and creditors have been excluded from the disclosures in this note.

The Group uses financial instruments to manage financial and commercial risk wherever it is appropriate to do so. An explanation of the Group's treasury policy can be found on page 5 of the Report of the Directors. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

The Group finances its operations by a mixture of retained profits, bank borrowings and hire purchase arrangements.

The interest rate risk profile of the Group's financial liabilities is as follows:

	2005 Sterling £000	2004 Sterling £000
<i>Financial liabilities:</i>		
Fixed rate	191	345
Floating rate	2,917	1,987
	<u>3,108</u>	<u>2,332</u>
Fixed rate weighted average interest rate at 30 June	<u>6.5%</u>	<u>6.5%</u>

Interest on floating rate financial liabilities is based on the relevant bank base rate plus 1.25%, 1.5% or 2.0%.

The Group has no derivative financial instruments at 30 June 2005 (2004: £nil) and in the opinion of the Board the fair value of the Group's financial assets and liabilities is equal to book value.

Liquidity risk

Throughout the year the Group's policy has been to ensure the continuity of funding through loan and hire purchase funding. Short term flexibility is achieved by overdraft facilities. The maturity profile of financial liabilities is as follows:

	2005 £000	2004 £000
Due within one year	581	892
Due between one and two years	261	442
Due between two and five years	938	860
After five years	1,328	138
	<u>3,108</u>	<u>2,332</u>

Notes *(continued)***21 Called up share capital**

	2005 £000	2004 £000
Authorised		
8,000,000 (2004: 8,000,000) ordinary shares of £1 each	8,000	8,000
Allotted, issued and paid		
3,295,679 (2004: 3,295,679) ordinary shares of £1 each	3,296	3,296

22 Share premium and reserves

Group	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 July 2004	7,051	954	(4,840)
Retained loss for year	-	-	(2,045)
Transfer	-	(22)	22
At 30 June 2005	7,051	932	(6,863)
Company			
At 1 July 2004	7,051	954	3,699
Retained loss for year	-	-	(36)
Transfer	-	(22)	22
At 30 June 2005	7,051	932	3,685

23 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Loss for the financial year	(2,045)	(2,492)
Net reduction to shareholders' funds	(2,045)	(2,492)
Opening shareholders' funds	6,461	8,953
Closing shareholders' funds	4,416	6,461

Notes (continued)

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

Group	2005 £000	2004 £000
Operating loss	(2,694)	(3,018)
Depreciation	447	437
Amortisation of player registrations	1,383	1,257
Release of grants	(56)	(56)
Increase in stocks	(30)	(164)
(Increase)/decrease in debtors	(969)	867
Increase/(decrease) in creditors	1,856	(585)
Net cash flow from operating activities	<u>(63)</u>	<u>(1,262)</u>

25 Analysis of cash flows for headings summarised in the cash flow statement

Group	2005 £000	2004 £000
Returns on investments and servicing of finance		
Interest received	2	19
Interest paid	(214)	(90)
Interest element of hire purchase payments	(16)	(25)
Net cash outflow from returns on investment and servicing of finance	<u>(228)</u>	<u>(96)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(140)	(757)
Payments to acquire intangible fixed assets	(1,494)	(297)
Receipts from sales of intangible fixed assets	1,149	667
Net cash outflow from capital expenditure	<u>(485)</u>	<u>(387)</u>
Financing		
Repayment of loans	(70)	(411)
New loans	1,042	-
Capital element of hire purchase payments	(154)	(146)
Net cash inflow/(outflow) from financing	<u>818</u>	<u>(557)</u>

Notes *(continued)***26 Reconciliation of net debt to the amounts shown in the balance sheet**

Group	At 1 July 2004 £000	Cash flow £000	Non cash movement £000	At 30 June 2005 £000
Cash at bank and in hand	(459)	42	-	(417)
Debt due within 1 year	(278)	-	278	-
Debt due after 1 year	(1,250)	(972)	(278)	(2,500)
Hire purchase	(345)	154	-	(191)
Total debt	(1,873)	(818)	-	(2,691)
Net debt	(2,332)	(776)	-	(3,108)

27 Leasing commitments

The Group has annual commitments under operating leases in respect of plant and equipment expiring within three years amounting to £7,000 (2004: £27,000).

28 Related party disclosures**Friends of Preston North End Limited (FPNE)**

FPNE own 27.4% of the ordinary share capital of the company.

Derek Shaw and Steve Jackson are Directors of FPNE.

Preston North End plc has entered a lease agreement with FPNE to utilise the former Legends building as the Club retail outlet and offices. During the year Preston North End plc made payments amounting to £63,000 (2004: £55,000).

Directors

Derek Shaw
Chairman

aged 48

Derek Shaw is Chairman and owner of Ribble Valley Shelving Limited. He has been a Director of the Company since February 1994, was appointed Deputy Chairman in 1997 and Chairman in 2002.

David W Taylor
Deputy Chairman

aged 55

David Taylor is currently Chairman of DTP Limited and a director of, and advisor to, a number of quoted and unquoted companies. Previous roles include Chief Executive of Enterprise plc, Chief Executive of English Partnerships and Managing Director of AMEC Developments Limited.

Steve Jackson
Chief Executive

aged 39

Steve Jackson is the founding director of New Reg Limited, a UK leader in cherished registration plates, and a number of internet based businesses, including UKIP, a major internet domain house.

Paul Newsham
Non-executive Director

aged 40

Paul is the Managing Partner of Haines Watts, Chartered Accountants.

Anthony Hughes
Non-executive Director

aged 37

Anthony is the Managing Partner of Ricksons Solicitors.

Advisors

Bankers

The Governor and Company
of the Bank of Scotland
4th Floor, New Ueberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

Auditors

KPMG Audit Plc
Edward VII Quay
Navigation Way
Preston
PR2 2YF

Solicitors

McGrigors
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

Registered Office

Sir Tom Finney Way
Deepdale
Preston
PR1 6RU
Tel no: 0870 442 1964
Fax no: 01772 693366
E Mail: enquiries@pne.com

Company Reg no: 1621060
(registered in England and Wales)

Financial Advisors

WH Ireland
11 St James's Square
Manchester
M2 6WH

Stockbroker

W H Ireland
11 St James's Square
Manchester
M2 6WH

Registrars and Transfer Office

Lloyds TSB, Registrars Scotland
The Causeway
Worthing
West Sussex
BN99 6DA

Roll of Honour

Founder Member of the English Football League	1888
League Champions	1889,1890
FA Cup Winners	1889, 1938
War Cup Winners	1941
Marsden Lancashire Challenge Cup Winners	1887, 1893, 1895, 1900, 1996
FA Cup Finalists	1888, 1922, 1937, 1954, 1964
Division One Runners-up	1891, 1892, 1893, 1906, 1953, 1958
Division One (Championship) Play-Off Finalists	2001, 2005
Division Two Champions	1904, 1913, 1951, 2000
Division Three Champions	1971, 1996

PRESTON NORTH END PLC
Sir Tom Finney Way, Deepdale, Preston, PR1 6RU.
Tel: 0870 442 1964 Fax: 01772 693366
Email: enquiries@pne.com Websites: www.pne.com mypne.com