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ANNUAL REPORT & ACCOUNTS

2003.04



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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 2003-04.

We had a season that promised much but was ultimately disappointing as we finished mid-table and suffered early exits from both the FA and Carling Cup competitions.

The financial climate has continued to be challenging. There have been numerous stories in the press during the last year regarding the financial difficulties of many clubs. Despite generating a loss for the year, the Board has taken steps to ensure that the Club is financially stable. We are continually aware of the challenge of balancing our income and expenditure.

Turnover for the year of £6.58m was 15% higher than last year (2003: £5.73m). The Group generated an operating loss (before depreciation and amortisation) of £1.32 million (2003: £2.59 million) and a loss before taxation of £2.59 million (2003: £1.99 million). The increased loss at the pre-tax level is a direct reflection of a lower profit on the sale of players of £543,000 (2003: £1.3 million) and the prior year profit on sale of fixed assets (2003: £1.2 million from the sale of the National Football Museum lease). The cash generated from these disposals has funded the Group through difficult trading times. However, in the absence of similar disposals this year the Board has endeavoured to control the Club's cost base as far as possible. We will also be assisted at the end of this season when a number of high-value player contracts, negotiated when ITV Digital funds were available, finally come to an end.

The balance sheet remains strong with net assets of £6.46m (2003: £8.95m).

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 £1.4 million. The Board and the football management team believe the true value to be significantly in excess of this.

Off the field we have completed a number of initiatives. Most notably we completed the acquisition of our Springfields training ground from BNFL under a 99 year lease. In addition we completed the changing and medical facilities under the Alan Kelly Town End.

We have recently submitted plans for an indoor 'Soccer Dome' at the training ground. If the planning application is successful this will provide all-weather training facilities using the latest technology in artificial surfaces. In addition to the benefits to both our first and youth teams, this will enable the Club to take a significant step towards achieving Academy status.

Football

The Board has continued to manage the level of the squad wage bill. For the 2003-04 season, the Club's wage bill was 67% of turnover (2003: 74%).

A number of players left the Club during, or at the end of last season. Michael Jackson, Lee Briscoe, Jeff Smith, George Koumantarakis and Rob Edwards reached the end of their contracts and these were not renewed. In addition David Lucas joined Sheffield Wednesday, Pawel Abbott moved to Huddersfield Town, Michael Keane was sold to Hull City, and Ricardo Fuller was sold to Portsmouth.

Since the end of the 2003-04 season, we have signed a number of new players including Youl Mawene, Callum Davidson, Andy Smith, Omar Daley and Gavin Ward. We now have a 21 man squad, supported by a further 8 junior players who have demonstrated strong potential in both our friendly matches and early games of the 2004-05 season.

Average attendances for the 2003-04 season were 13,640 (2003: 13,888) which is a reflection of our mid-table performance. On behalf of the Board I would like to thank those fans who have continued to support the club during the more difficult periods.

We continually seek to increase our crowds. It is increasingly difficult to maintain a commercially viable club whilst our attendances are reducing. We cannot hope to compete with the better-supported clubs or indeed reach our ultimate Premiership ambition without healthy attendances.

Youth Development

The Youth Development Centre has continued to deliver quality players for the Club. Most notably, first team contracts have been signed with Kelvin Langmead, Darran Kempson, Michael Brown and Mark Jackson. We are also pleased with the performance of Andrew Lonergan who has emerged as a regular first team player and regular member of the England Under 21 squad.

During the year, Dave Elebert and Ciaran Lyng have both achieved international recognition with the Under 19 Republic of Ireland team.

Commercial Activities

Commercial activities continue to provide significant income for the Club principally through advertising, sponsorship and hospitality.

The Club shop continues to grow and, with expanding product lines, continues to generate a substantial income for the Group with development of a very strong brand in 'Admiral'.

The Club continues to explore other commercial income streams and has entered into a number of strategic partnerships. These include those with Thomas Cook (travel) and Streetwise Sports (additional retail outlets in Preston and Chorley). The Club's credit card has also been re-launched. The main benefits of these arrangements will not be felt until next year. We are continuing to explore new ideas that can generate income and profit.

Community

The Club continues to develop strong links with the local community through coaching schemes and its successful Learning Centre. The Club also launched a free Under 8's Season Ticket as part of its strategy to encourage the 'fans of tomorrow'. Over 400 young fans have so far joined this scheme which is now being reviewed by the Football League as a possible model for the whole League.

PNE Womens Football Team has also continued to go from strength to strength.

Board Composition

Since the end of the season there have been a number of changes to the Board.

Simon Beard left the Company on 28 May 2004. I would like to record my thanks to Simon for his contribution to the Club during his employment.

On 29 June 2004, we further strengthened our Board with the appointments of Paul Newsham and Anthony Hughes. Paul is managing partner of Haines Watts Chartered Accountants and Anthony is managing partner of Ricksons Solicitors. We consider that these appointments will greatly enhance the Board's expertise.

Also on 29 June 2004, existing director Steve Jackson was appointed as the Club's Chief Executive which we considered a logical step following Steve's hands-on role at the Club over the last two years.

Future Prospects

Naturally, we would have liked to achieve a better league position at the end of the season and this remains our future priority and ambition.

We have continued to invest in the playing squad within our financial constraints and have improved the playing, training and commercial facilities at the Club. We therefore consider we have given ourselves the best affordable platform to compete in the new season.

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

Derek Shaw
Chairman



Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

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 6. The loss for the financial year after tax amounted to £2,492,000 (2003: £1,790,000).

Proposed dividend

The directors do not recommend the payment of a dividend (2003: *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 start and end of the year in the ordinary share capital of the Company were as follows:

	As at 1 July 2003/appointment date No of shares	As at 30 June 2004 No of shares
D Shaw, Chairman	911,192	952,858
ST Jackson	861,082	902,748
SM Beard (resigned 31 May 2004)	-	-
DW Taylor	1,000	1,000
AS Hughes (appointed 29 June 2004)	-	-
PC Newsham (appointed 29 June 2004)	-	-

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 ST Jackson retires by rotation and, being eligible, offers himself for re-election.

Also in accordance with the Company's Articles of Association AS Hughes and PC Newsham, each of whom was appointed since the Company's last annual general meeting, retire at this year's annual general meeting and, being eligible, offer themselves for re-election.

The mid market price at 30 June 2004 was 125p. During the year the highest mid market price was 125p 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 on a day to day basis by the Finance Director.

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 £6,000 (2003: £2,000), which included a contribution from the FA Community Shield. 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.

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 68 (2003: 66).

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



21 September 2004

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.



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

We have audited the financial statements on pages 6 to 18.

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 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 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 2004 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

21 September 2004

Consolidated profit and loss account

for the year ended 30 June 2004

	Note	2004 £000	2003 £000
Turnover	2	6,577	5,733
Staff costs – normal	5	(6,006)	(5,892)
– exceptional		-	(576)
		(6,006)	(6,468)
Other operating charges		(1,895)	(1,855)
Group operating loss before depreciation and amortisation of player registrations		(1,324)	(2,590)
Depreciation and amortisation of player registrations	3	(1,694)	(1,876)
Total operating loss		(3,018)	(4,466)
Profit on sale of fixed assets	4	543	2,573
Other interest receivable and similar income	7	19	38
Interest payable and similar charges	8	(130)	(136)
Loss on ordinary activities before taxation		(2,586)	(1,991)
Tax on loss on ordinary activities	9	94	201
Retained loss for the year		(2,492)	(1,790)
Loss per share (basic and diluted)	10	(75.6)p	(54.3)p

All amounts in 2003 and 2004 relate to continuing operations.

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2004

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 2004

	2004 £000	2003 £000
Reported loss on ordinary activities before taxation	(2,586)	(1,991)
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	(2,564)	(1,969)
Historical cost loss on ordinary activities after taxation	(2,470)	(1,768)

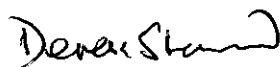
Consolidated balance sheet

at 30 June 2004

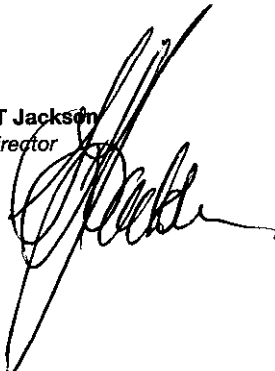
	Note	2004 £000	2003 £000
Fixed assets			
Intangible assets	12	1,383	2,467
Tangible assets	13	12,118	11,536
		<u>13,501</u>	<u>14,003</u>
Current assets			
Stocks	15	216	52
Debtors	16	733	1,600
Cash at bank and in hand		-	1,843
		<u>949</u>	<u>3,495</u>
Creditors: amounts falling due within one year	17	<u>(3,547)</u>	<u>(3,488)</u>
Net current (liabilities)/assets		<u>(2,598)</u>	<u>7</u>
Total assets less current liabilities		<u>10,903</u>	<u>14,010</u>
Creditors: amounts falling due after more than one year	18	<u>(3,680)</u>	<u>(4,201)</u>
Provisions for liabilities and charges	19	<u>(762)</u>	<u>(856)</u>
Net assets		<u>6,461</u>	<u>8,953</u>
Capital and reserves			
Called up share capital	21	3,296	3,296
Share premium account	22	7,051	7,051
Revaluation reserve	22	954	976
Profit and loss account	22	<u>(4,840)</u>	<u>(2,370)</u>
Equity shareholders' funds	23	<u>6,461</u>	<u>8,953</u>

These financial statements were approved by the Board on 21 September 2004 and were signed on its behalf by:

D Shaw
Chairman



ST Jackson
Director



Company balance sheet

at 30 June 2004

	Note	2004 £000	2003 £000
Fixed assets			
Tangible assets	13	12,118	11,536
Investments	14	289	289
		<u>12,407</u>	<u>11,825</u>
Current assets			
Stocks	15	216	52
Debtors	16	9,990	9,250
Cash at bank and in hand		-	1,843
		<u>10,206</u>	<u>11,145</u>
Creditors: amounts falling due within one year	17	<u>(3,171)</u>	<u>(3,018)</u>
Net current assets		<u>7,035</u>	<u>8,127</u>
Total assets less current liabilities		<u>19,442</u>	<u>19,952</u>
Creditors: amounts falling due after more than one year	18	(3,680)	(4,201)
Provisions for liabilities and charges	19	(762)	(856)
Net assets		<u>15,000</u>	<u>14,895</u>
Capital and reserves			
Called up share capital	21	3,296	3,296
Share premium account	22	7,051	7,051
Revaluation reserve	22	954	976
Profit and loss account	22	3,699	3,572
Equity shareholders' funds		<u>15,000</u>	<u>14,895</u>

These financial statements were approved by the Board on 21 September 2004 and were signed on its behalf by:

D Shaw
Chairman



ST Jackson
Director



Consolidated cash flow statement

for the year ended 30 June 2004

	Note	2004 £000	2003 £000
Net cash outflow from operating activities	24	(1,262)	(2,201)
Return on investments and servicing of finance	25	(96)	(98)
Capital expenditure	25	(387)	2,427
Cash (outflow)/inflow before financing		(1,745)	128
Financing	25	(557)	(564)
Decrease in cash in the year	26	(2,302)	(436)

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2004

	2004 £000	2003 £000
Decrease in cash in the year	(2,302)	(436)
Cash outflow from change in debt	557	564
Movement in net debt in the year	(1,745)	128
Net debt at beginning of year	(587)	(715)
Net debt at end of year	(2,332)	(587)

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 consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 30 June 2004. 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.

c) **Investments**

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

d) **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 players' initial 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.

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.

e) **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.

f) **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.

g) **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.

h) **Stocks**

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

i) **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.

j) **Turnover**

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

k) **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.

Notes (continued)

l) 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.

3. Loss on ordinary activities before taxation

	2004 £000	2003 £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	7
Amortisation of player registrations (Note 12)	1,257	1,451
Depreciation (Note 13)	437	425
Release of grants	(56)	(41)
Profit on disposal of player registrations (Note 4)	543	1,299
Profit on disposal of tangible fixed assets (Note 4)	-	1,274
Operating lease rentals	27	42
	<u> </u>	<u> </u>

Auditors remuneration for the audit of the parent company is £10,000 (2003: £10,000).

4. Profit on sale of fixed assets

The net profit on disposal of player registrations relates principally to additional money receivable on prior year sales of Sean Grogan to West Bromwich Albion and Jonathan Macken to Manchester City. These amounts are receivable as the players have exceeded the required number of appearances specified in their transfer agreements. A further profit on disposal was generated by the transfer of David Lucas to Sheffield Wednesday.

In the prior year the net profit on disposal of player registrations also related principally to the profit on sale of Sean Grogan but also to the cancellation of Iain Anderson's registration

The prior year net profit on disposal of intangible fixed assets of £1,299,000 related principally to the sale of the National Football Museum lease.

5. Staff numbers and costs

Staff costs, including directors, comprised:

	2004 £000	2003 £000
Wages and salaries	5,352	5,283
Social security costs	626	570
Other pension costs	28	39
	<u>6,006</u>	<u>5,892</u>

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

	2004 Number	2003 Number
Players, managerial and training staff	78	80
Sales, administration and ancillary staff	22	19
	<u>100</u>	<u>99</u>

In addition to the above, the Group employed an average of 190 (2003: 202) match-day staff during the year.

Notes (continued)

6. Directors' emoluments

	2004 £000	2003 £000
Emoluments payable to directors	100	135
Fees payable to related parties	45	8
Pension contributions	7	11
Compensation for the loss of office	-	97
	<u>152</u>	<u>251</u>

At the year end, no directors (2003: one) are accruing retirement benefits under personal money purchase pension schemes to which the Company makes contributions.

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

	2004 £000	2003 £000
On bank deposits	<u>19</u>	<u>38</u>

8. Interest payable and similar charges

	2004 £000	2003 £000
On bank loans and overdrafts	105	100
On hire purchase contracts	25	36
	<u>130</u>	<u>136</u>

9. Taxation

	2004 £000	2003 £000
<i>Taxation on the profit for the year</i>		
Current year tax charge at 30%	-	-
Movement on deferred taxation - current year	76	64
- prior year	18	137
	<u>94</u>	<u>201</u>
Loss on ordinary activities before taxation	<u>(2,586)</u>	<u>(1,991)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(776)	(597)
Effects of:		
Non-taxable income	(62)	-
Expenses not deductible for tax purposes	2	9
Difference between depreciation and capital allowances for the period	133	129
Trading losses carried forward	703	641
Difference between capital gain and profit on disposal	-	(182)
Current tax charge for the period	<u>-</u>	<u>-</u>

The corporation tax charge for the year is lower than expected due to the availability of tax losses brought forward. These losses were not recognised as a deferred tax asset (see note 19).

Notes (continued)

10. Earnings per share

The calculation of loss per share is based on a loss of £2,492,000 (2003: £1,790,000) and on ordinary shares of 3,295,679 (2003: 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 profit for the financial year as dealt with in the accounts of the Company is £105,000 (2003: £1,136,000).

12. Intangible fixed assets

Group	Player registrations £000
Cost	
At 1 July 2003	5,130
Additions	297
Disposals	(399)
At 30 June 2004	5,028
Amortisation	
At 1 July 2003	2,663
Charge for the year	1,257
On disposals	(275)
At 30 June 2004	3,645
Net book value	
At 30 June 2004	1,383
At 30 June 2003	2,467

13. Tangible fixed assets

Group and company	Freehold buildings £000	Long leasehold land and buildings £000	Plant and Equipment £000	Total £000
Cost or valuation				
At 1 July 2003	46	8,727	4,827	13,600
Additions	-	104	915	1,019
At 30 June 2004	46	8,831	5,742	14,619
Accumulated depreciation				
At 1 July 2003	4	770	1,290	2,064
Charge for year	1	186	250	437
At 30 June 2004	5	956	1,540	2,501
Net book value				
At 30 June 2004	41	7,875	4,202	12,118
At 30 June 2003	42	7,957	3,537	11,536
Historical cost at 30 June 2004				
Historical cost	46	7,729	5,742	13,517
Accumulated depreciation	(5)	(666)	(1,540)	(2,211)
Net historical cost	41	7,063	4,202	11,306

Notes (continued)

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 £1,199,000 (2003: £1,221,000), 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 £681,000 (2003: £702,000) in respect of assets held under hire purchase contracts. Depreciation charged for the year on these assets was £21,000 (2003: £14,000).

14. Investments

	Shares in Group undertakings £000
Cost and net book value	
At 1 July 2003 and 30 June 2004	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	
	2004	2003
	£000	£000
Goods for resale	169	-
Consumables	47	52
	<u>216</u>	<u>52</u>

16. Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	342	319	342	319
Amounts owed by subsidiary undertakings	-	-	9,471	8,831
Other debtors	323	1,223	109	47
Prepayments and accrued income	68	58	68	53
	<u>733</u>	<u>1,600</u>	<u>9,990</u>	<u>9,250</u>

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

17. Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loans and overdrafts	737	278	737	278
Football Foundation loans	-	108	-	108
Obligations under hire purchase contracts	155	146	155	146
Trade creditors	445	260	445	260
Other taxation and social security	408	517	34	47
Other creditors	16	8	16	8
Accruals and deferred income	1,786	2,171	1,784	2,171
	<u>3,547</u>	<u>3,488</u>	<u>3,171</u>	<u>3,018</u>

Notes (continued)

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans	1,250	1,528	1,250	1,528
Football Foundation loans	-	25	-	25
Obligations under hire purchase contracts (within five years)	190	345	190	345
Accruals and deferred income	2,240	2,303	2,240	2,303
	<u>3,680</u>	<u>4,201</u>	<u>3,680</u>	<u>4,201</u>

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:

	2004 £000	2003 £000
<i>Instalments payable:</i>		
Within one year	278	278
Between one and two years	278	278
Between two and five years	834	834
After five years	138	416
	<u>1,528</u>	<u>1,806</u>

The Group and Company has a bank loan of £1,528,000 (2003: £1,806,000), which was repayable by January 2010. The loan is repayable in quarterly instalments of £69,444 (excluding interest) and attracts interest at 1.25% over the bank base rate.

Since the year end the Board has re-negotiated this bank loan facility. A total loan facility of £2,500,000 is now available. A repayment holiday of two years has also been agreed, following which the quarterly installments of £69,444 will recommence. Any additional borrowings drawn down against this agreed facility will attract an interest rate of 2% above the bank base rate.

Football Foundation loans

Football Foundation loans of £nil (2003: £8,000) and £nil (2003: £125,000) were interest free and have been repaid in full during the year.

Accruals and deferred income

Accruals and deferred income include capital grants of £2,016,000 (2003: £2,043,000) which is to be released to the profit and loss account in more than five years.

19. Provisions for liabilities and charges

	Group and Company	
	2004 £000	2003 £000
Deferred taxation		
At beginning of year	856	1,057
Credit to the profit and loss account	(94)	(201)
At end of year	<u>762</u>	<u>856</u>

The elements of deferred taxation are as follows:

	Group and Company	
	2004 £000	2003 £000
Accelerated capital allowances	<u>762</u>	<u>856</u>

At 30 June 2004 the Group's subsidiary undertaking, Preston North End Football Club Limited, had tax losses carried forward of £4.9 million (2003: £2.5 million). 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 4 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:

	2004 Sterling £000	2003 Sterling £000
Financial liabilities:		
Fixed rate	345	491
Floating rate	1,987	1,806
No interest paid	-	133
	2,332	2,430
Fixed rate weighted average interest rate at 30 June	6.5%	6.5%

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

The Group has no derivative financial instruments at 30 June 2004 (2003: £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:

	2004 £000	2003 £000
Due within one year	892	532
Due between one and two years	442	458
Due between two and five years	860	1,024
After five years	138	416
	2,332	2,430

21. Called up share capital

	Group and Company 2004 £000	2003 £000
Authorised		
8,000,000 (2003: 8,000,000) ordinary shares of £1 each	8,000	8,000
Allotted, issued and paid		
3,295,679 (2003: 3,295,679) ordinary shares of £1 each	3,296	3,296

Notes (continued)

22. Share premium and reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
Group			
At 1 July 2003	7,051	976	(2,370)
Retained loss for year	-	-	(2,492)
Transfer	-	(22)	22
At 30 June 2004	7,051	954	(4,840)
Company			
At 1 July 2003	7,051	976	3,572
Retained profit for year	-	-	105
Transfer	-	(22)	22
At 30 June 2004	7,051	954	3,699

23. Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Loss for the financial year	(2,492)	(1,790)
Net reduction to shareholders' funds	(2,492)	(1,790)
Opening shareholders' funds	8,953	10,743
Closing shareholders' funds	6,461	8,953

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

Group	2004 £000	2003 £000
Operating loss	(3,018)	(4,466)
Depreciation	437	425
Amortisation of player registrations	1,257	1,451
Release of grants	(56)	(41)
Increase in stocks	(164)	(14)
Decrease/(increase) in debtors	867	(105)
(Decrease)/increase in creditors	(585)	549
Net cash flow from operating activities	(1,262)	(2,201)

Notes (continued)

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

Group	2004 £000	2003 £000
Returns on investments and servicing of finance		
Interest received	19	38
Interest paid	(90)	(100)
Interest element of hire purchase payments	(25)	(36)
Net cash outflow from returns on investment and servicing of finance	(96)	(98)
Capital expenditure		
Payments to acquire tangible fixed assets	(757)	(367)
Payments to acquire intangible fixed assets	(297)	(1,480)
Receipts from sales of tangible fixed assets	-	1,788
Receipts from sales of intangible fixed assets	667	2,486
Net cash outflow/(inflow) from capital expenditure	(387)	2,427
Financing		
Repayment of loans	(411)	(427)
Capital element of hire purchase payments	(146)	(137)
Net cash outflow from financing	(557)	(564)

26. Reconciliation of net debt to the amounts shown in the balance sheet

Group	At 1 July 2003 £000	Cash flow £000	Non cash movement £000	At 30 June 2004 £000
Cash at bank and in hand	1,843	(2,302)	-	(459)
Debt due within 1 year	(386)	386	(278)	(278)
Debt due after 1 year	(1,553)	25	278	(1,250)
Hire purchase	(491)	146	-	(345)
Total Debt	(2,430)	557	-	(1,873)
Net Debt	(587)	(1,745)	-	(2,332)

27. Leasing commitments

The Group has annual commitments under operating leases in respect of plant and equipment expiring within three years amounting to £27,000 (2003: £18,000).

28. Related party disclosures

Friends of Preston North End Limited (FPNE)

As at 30 June 2004 FPNE owns 27.4% of the ordinary share capital of the Company (30 June 2003: 26.1%).

Derek Shaw and Steve Jackson are Directors of FPNE.

Preston North End plc leases the Club retail outlet and offices from FPNE. During the year Preston North End plc made payments amounting to £55,000 (2003: £17,500).

Directors

Derek Shaw **aged 47**
Chairman

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 **aged 54**
Deputy Chairman

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.

Steven T Jackson **aged 38**
Chief Executive

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. On 29 June 2004 Steve was appointed to the role of Chief Executive to the Group.

Paul Newsham **aged 39**
Non-executive Director

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

Anthony Hughes **aged 36**
Non-executive Director

Anthony Hughes is the Managing Partner of Ricksons Solicitors.

Advisors

Bankers:

The Governor and the 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:

W H 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
17 Dundas Street
Edinburgh
EH3 5ED

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 play-off finalists	2001
Division Two Champions	1904, 1913, 1951, 2000
Division Three Champions	1971, 1996

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