

W. W. (1990) LIMITED

Report and Financial Statements

31 May 2004



REPORT AND FINANCIAL STATEMENTS 2004

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REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sir Jack Hayward OBE
D J Harrington CBE
R A Hayward
J G Hemingway
P V S F Manducca
J D Moxey

SECRETARY

R I Skirrow

REGISTERED OFFICE

Molineux Stadium
Waterloo Road
Wolverhampton
WV1 4QR

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

ACTIVITIES

The principal activity of the group during the year was the provision of football and other related activities.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company remains the parent company of the wholly owned subsidiaries Wolverhampton Wanderers FC (1986) Limited and Wolverhampton Wanderers Properties Limited. The directors consider the group financial result for the year to be satisfactory but were very disappointed that the football club failed to retain its Premier League status. The directors regard the group's future prospects as good. The immediate aim is to regain Premier League status as quickly as possible and the directors believe the football club is a strong candidate for promotion back to the Premier League. Details of post year end player trading are set out in note 29 to the accounts.

RESULTS AND DIVIDENDS

The directors do not recommend the payment of a dividend. The profit of the group for the year after taxation of £5,179,233 (2003 – loss of £9,211,539) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS


The directors who served during the year and subsequently are listed below. There directors held no beneficial or family interests in the shares of the company in either the current or prior financial year.

Sir Jack Hayward OBE
D J Harrington CBE
R A Hayward
J G Hemingway
V C M Lister (resigned 17 January 2004)
P V S F Manducca
J D Moxey

AUDITORS

A resolution to reappoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



R I Skirrow

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the group 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
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF W. W. (1990) LIMITED

We have audited the financial statements of W. W. (1990) Limited for the year ended 31 May 2004 which comprise the consolidated profit and loss account, the note of historical cost profits and losses, the balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for 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 United Kingdom 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 circumstances of the company and the group, 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 31 May 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham
23 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 May 2004

	Note	Operations excluding player trading £	Player amortisation and trading £	2004 £	As restated (See note 2) 2003 £
TURNOVER		37,980,318	-	37,980,318	16,266,846
		<u>37,980,318</u>	<u>-</u>	<u>37,980,318</u>	<u>16,266,846</u>
Operating expenses (net)	5	(26,122,134)	(6,729,372)	(32,851,506)	(25,843,321)
OPERATING PROFIT/(LOSS)	6	11,858,184	(6,729,372)	5,128,812	(9,576,475)
Profit on disposal of players' registrations		-	218,361	218,361	632,737
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION		<u>11,858,184</u>	<u>(6,511,011)</u>	5,347,173	(8,943,738)
Interest receivable				16,531	186
Interest payable and similar charges	7			(184,471)	(267,987)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION				5,179,233	(9,211,539)
Tax on profit/loss on ordinary activities	8			-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR				5,179,233	(9,211,539)
Profit and loss account brought forward	20			(44,336,286)	(35,318,632)
Transferred from revaluation reserve	20			193,885	193,885
Profit and loss account carried forward	20			<u>(38,963,168)</u>	<u>(44,336,286)</u>

All the above results derive from continuing operations.

The accompanying notes are an integral part of this consolidated profit and loss account.

There are no recognised gains and losses other than the loss for the financial years. Accordingly, no statement of total recognised gains and losses is given.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 May 2004

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	5,179,233	(9,211,539)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year	<u>193,885</u>	<u>193,885</u>
Historical cost profit/(loss) on ordinary activities before taxation being retained historical cost loss for the year	<u><u>5,373,118</u></u>	<u><u>(9,017,654)</u></u>

CONSOLIDATED BALANCE SHEET
31 May 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Intangible assets	9	8,968,337	9,596,844
Tangible assets	10	29,256,665	29,220,487
		<u>38,225,002</u>	<u>38,817,331</u>
CURRENT ASSETS			
Stocks	12	145,748	197,046
Debtors	13	2,706,128	1,336,735
		<u>2,851,876</u>	<u>1,533,781</u>
CREDITORS: amounts falling due within one year	14	<u>(8,119,054)</u>	<u>(14,454,805)</u>
NET CURRENT LIABILITIES		<u>(5,267,178)</u>	<u>(12,921,024)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		32,957,824	25,896,307
CREDITORS: amounts falling due after more than one year	15	<u>(1,387,458)</u>	<u>(39,222,410)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(73,500)</u>	<u>(78,750)</u>
		31,496,866	(13,404,853)
DEFERRED INCOME	17	<u>(9,972,040)</u>	<u>(8,249,554)</u>
		<u>21,524,826</u>	<u>(21,654,407)</u>
CAPITAL AND RESERVES			
Called up share capital	19	48,000,000	10,000,000
Revaluation reserve	20	12,487,994	12,681,879
Profit and loss account - deficit	20	<u>(38,963,168)</u>	<u>(44,336,286)</u>
EQUITY SHAREHOLDERS' SURPLUS/ (DEFICIT)	21	<u>21,524,826</u>	<u>(21,654,407)</u>

The accompanying notes are an integral part of this consolidated balance sheet.

These financial statements were approved by the Board of Directors on 21 March 2005.

Signed on behalf of the Board of Directors



JD Moxey

Director

COMPANY BALANCE SHEET
31 May 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	11	<u>14,659,997</u>	<u>14,659,997</u>
CURRENT ASSETS			
Debtors	13	270	270
CREDITORS: amounts falling due within one year	14	<u>(309,060)</u>	<u>(8,210)</u>
NET CURRENT LIABILITIES		<u>(308,790)</u>	<u>(7,940)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,351,207	14,652,057
CREDITORS: amounts falling due after more than one year	15	<u>(655,615)</u>	<u>(38,705,615)</u>
		<u>13,695,592</u>	<u>(24,053,558)</u>
CAPITAL AND RESERVES			
Called up share capital	19	48,000,000	10,000,000
Profit and loss account - deficit	20	<u>(34,304,408)</u>	<u>(34,053,558)</u>
EQUITY SHAREHOLDERS' SURPLUS/ (DEFICIT)		<u>13,695,592</u>	<u>(24,053,558)</u>

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 21 March 2005.

Signed on behalf of the Board of Directors



J D Moxey

Director

CONSOLIDATED CASH FLOW STATEMENT**Year ended 31 May 2004**

	Note	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	22	9,129,539	(3,938,341)
Returns on investments and servicing of finance	23	(167,940)	(267,801)
Capital expenditure and financial investment	23	(7,068,066)	(826,956)
		<u>1,893,533</u>	<u>(5,033,098)</u>
Cash inflow/(outflow) before use of liquid resources and financing			
Financing	23	<u>125,502</u>	<u>3,734,021</u>
Increase/(decrease) in cash in the year		<u><u>2,019,035</u></u>	<u><u>(1,299,077)</u></u>

Reconciliation of net cash flow to movement in net debt	2004 £	2003 £
Increase/(decrease) in cash in the year	2,019,035	(1,299,077)
Cash inflow from change in debt and lease financing	<u>(125,502)</u>	<u>(3,734,021)</u>
Change in net debt resulting from cash flows	1,893,533	(5,033,098)
Capitalisation of loan payable to ultimate parent company	38,000,000	-
New finance leases	<u>(33,700)</u>	<u>(13,800)</u>
Movement in net debt	39,859,833	(5,046,898)
Net debt at 1 June 2003	<u>(42,915,604)</u>	<u>(37,868,706)</u>
Net debt at 31 May 2004	24 <u><u>(3,055,771)</u></u>	<u><u>(42,915,604)</u></u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 May 2004****1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for turnover which is explained in note 2.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the stadium redevelopment, and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 May each year.

Turnover

Turnover represents match receipts and other income associated with the principal activity of running a professional football club and excludes value added tax. Due to the introduction of application note G to FRS5, revenue collected by the group when acting as an agent on behalf of third parties is not recognised in the profit and loss account. This represents a change in accounting policy this year and is described further in note 2. All turnover is derived from activities in the UK.

Deferred income

Revenues received in advance are credited to deferred income and released to the profit and loss account over the period to which they relate.

Grants received in respect of safety work and ground improvements are credited to deferred grant income and are released to the profit and loss account over the anticipated useful life of the assets to which they relate.

Depreciation and tangible fixed assets

Depreciation of tangible fixed assets is calculated to write off their cost or valuation less any residual value on a straight line basis over their estimated useful lives at annual rates as follows:

Stadium development	2%
Training facilities	2%
Plant and equipment	10%
Motor vehicles	20%
Fixtures and fittings	12.5%

The group has entered into a policy of regular revaluation of the stadium development. This is deemed to be a separate class of asset from training facilities which are carried at historical cost.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 May 2004****Intangible fixed assets and goodwill**

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised, in equal annual instalments, over the period of the respective players' contracts. Provision for impairment is made when it becomes apparent that any diminution in value is permanent.

Goodwill amounting to £1,659,999 (2003 - £1,659,999) relating to prior periods was historically written off against the profit and loss reserve as a matter of accounting policy and remains eliminated against that reserve. This amount will be charged or credited in the profit and loss account on any subsequent disposal of the associated business. Any future goodwill, will be capitalised in the balance sheet and amortised over its useful life.

Signing-on fees

Signing-on fees payable to players are charged, as part of operating expenses, to the profit and loss account over the period of the player's contract. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against profit or loss on disposal of players' registrations.

Contingent appearance fees

Where the directors consider the likelihood of a player meeting future performance and appearance criteria laid down in the transfer agreement of that player to be probable, provision for this cost is made (see note 16). If the likelihood of meeting these criteria is not probable no provision is made (see note 26).

Pensions

Defined contribution arrangements are made to eligible employees of the company. The pension cost charged in the year represents contributions payable by the company.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are written off to the profit and loss account as incurred.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

2. RESTATEMENT OF COMPARATIVES

Revenue Recognition

In accordance with a change in accounting policy due to the introduction of application note G to FRS5, revenue collected by the group on behalf of third parties has been derecognised from both turnover and operating expenses. There is no impact on the current or prior year balance sheet as the adjustment does not affect the overall result for the current or prior year. The prior year's results have been restated as shown below

Profit and loss account – Year ended 31 May 2003

	Turnover	Operating Expenses
	£	£
As previously reported	16,996,879	(26,573,354)
Adjustment for change in revenue recognition policy	(730,033)	730,033
As restated	<u>16,266,846</u>	<u>(25,843,321)</u>

3. CONSOLIDATED FINANCIAL STATEMENTS

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss (see note 20) for the financial year amounted to £250,850 (2003 - £3,836,000). The company's loss for the year was decreased by £3,585,150 (2003 - increased by £3,858,235) due to movements in provisions which are made against intercompany receivables.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 May 2004

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004	2003
	£	£
Directors' emoluments		
Remuneration	485,878	285,552
Pension contributions	26,797	26,000
	<u>512,675</u>	<u>311,552</u>
Highest paid director		
Remuneration	477,878	277,552
Pension contributions	26,797	26,000
	<u>504,675</u>	<u>303,552</u>
	No	No
Average number of persons employed		
Administration staff	159	139
Playing staff	57	54
	<u>216</u>	<u>193</u>

Included in the above are an average of 62 (2003 – 52) members of staff who were employed on a part time basis.

	2004	2003
	£	£
Staff costs during the year (including directors)		
Wages and salaries	17,197,612	13,619,550
Social security costs	2,015,958	1,502,858
Pension costs - including exceptional pension charges of £Nil (2003 - £30,550)	65,275	88,700
	<u>19,278,845</u>	<u>15,211,108</u>

The number of directors who were members of a defined contribution scheme in the year was one (2003 – one).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 May 2004

5. OPERATING EXPENSES (NET)

Operating expenses (net) comprise:	2004 £	As restated (See note 2) 2003 £
Other operating income	(311,498)	(432,000)
Staff costs (note 4)	19,278,845	15,211,108
Depreciation of owned assets	764,924	770,252
Depreciation of leased assets	55,712	53,609
Amortisation of players' registrations	6,729,372	4,492,119
Provision for impairment of players' registrations	-	369,805
Deferred grant income	(64,578)	(58,799)
Depreciation, provision for impairment and other amortisation of tangible and intangible fixed assets	7,485,430	5,626,986
Other operating charges	6,398,729	5,437,227
Operating expenses	32,851,506	25,843,321

Included in other operating income above is £211,498 in respect of early settlement discounts for player related payments (2003: £nil).

6. OPERATING PROFIT/(LOSS)

Operating profit / (loss) is stated after charging/(crediting):	2004 £	2003 £
Auditors' remuneration		
Audit fees - Group	22,500	22,500
Audit fees - Company	1,000	1,500
Non-audit fees	21,550	10,425
Operating leases		
Hire of plant and machinery	10,072	8,107
Hire of assets other than plant and machinery	83,259	72,636
Profit on sale of tangible fixed assets	(150)	(855)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Bank interest	115,036	238,473
On finance leases	69,435	29,514
	184,471	267,987

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

8. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

The group has no liability for taxation owing to the availability of tax losses carried forward. The tax losses carried forward, subject to the agreement of the tax authorities, amount to approximately £33.0 million (2003 - £38.6 million).

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. The potential deferred tax asset of approximately £10.0 million (2003: £11.6 million), which arises substantially in respect of losses carried forward, has not been recognised as it is not expected that there will be taxable profits available in the foreseeable future against which the losses may be offset. In addition, deferred tax has not been provided on revaluations of fixed assets. This tax, estimated at £2.9 million (2003 - £2.9 million) will only be payable if the assets are sold and rollover relief is not obtained.

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK of 30% (2003:30%).

The differences are explained below:

	2004 £	2003 £
Profit / (loss) on ordinary activities before tax	5,179,233	(9,211,539)
Tax on (profit) / loss on ordinary activities at standard rate of 30% (2003 - 30%)	(1,553,770)	2,763,462
Factors affecting charge:		
Expenses not deductible for tax purposes	(192,972)	(289,069)
Non-taxable income	19,372	23,150
Capital allowances in excess of depreciation	37,077	20,442
Utilisation of tax losses	1,699,426	(2,511,543)
Movement in short term timing differences	(9,133)	(6,442)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 May 2004

9. INTANGIBLE FIXED ASSETS

The Group	Players' registrations £
Cost	
At 1 June 2003	19,141,738
Additions	6,839,520
Disposals	(8,247,895)
At 31 May 2004	<u>17,733,363</u>
Amortisation	
At 1 June 2003	9,544,894
Charge for the year	6,729,372
Disposals	(7,509,240)
At 31 May 2004	<u>8,765,026</u>
Net book value	
At 31 May 2004	<u>8,968,337</u>
At 31 May 2003	<u>9,596,844</u>

10. TANGIBLE FIXED ASSETS

The Group	Stadium development £	Training facilities £	Plant, equipment and motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 June 2003	27,625,984	1,217,855	1,852,581	1,984,157	32,680,577
Additions	303,709	77,769	240,496	234,840	856,814
Disposals	-	-	(18,900)	-	(18,900)
At 31 May 2004	<u>27,929,693</u>	<u>1,295,624</u>	<u>2,074,177</u>	<u>2,218,997</u>	<u>33,518,491</u>
Accumulated depreciation					
At 1 June 2003	544,778	71,930	1,153,525	1,689,857	3,460,090
Charge for the year	557,808	25,535	128,214	109,079	820,636
Disposals	-	-	(18,900)	-	(18,900)
At 31 May 2004	<u>1,102,586</u>	<u>97,465</u>	<u>1,262,839</u>	<u>1,798,936</u>	<u>4,261,826</u>
Net book value					
At 31 May 2004	<u>26,827,107</u>	<u>1,198,159</u>	<u>811,338</u>	<u>420,061</u>	<u>29,256,665</u>
At 31 May 2003	<u>27,081,206</u>	<u>1,145,925</u>	<u>699,056</u>	<u>294,300</u>	<u>29,220,487</u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 May 2004****10. TANGIBLE FIXED ASSETS (continued)**

Included within training facilities are long term leases with a net book value of £452,500 (2003: £462,500).

The net book value of plant, equipment and motor vehicles includes £395,023 (2003 - £422,476) in respect of assets held under finance leases and hire purchase contracts.

The stadium development was valued at £27.15 million, on a depreciated replacement cost basis, by Dunlop Heywood Lorenz, Consultant Surveyors, at 31 May 2002. This valuation has been incorporated in these accounts. At 31 May 2004 the carrying value determined according to the historical cost convention is £13,574,002 (cost of £17,455,750 less accumulated depreciation of £3,881,748). The directors are of the opinion that there has been no material change to the value of the stadium development and therefore no interim valuation has been performed, as at 31 May 2004.

All other tangible fixed assets are stated at historical cost.

11. INVESTMENTS HELD AS FIXED ASSETS

The Company	Shares in subsidiaries £
Cost and net book value	
At 1 June 2003	14,659,997
Capital contribution to subsidiaries	32,703,015
Provision for impairment of investment	(32,703,015)
	<hr/>
At 31 May 2004	<u>14,659,997</u>

Pursuant to the restructuring of share capital described in note 19, the company has waived the intercompany loans receivable from subsidiaries. This has led to an investment in the form of a capital contribution in the subsidiary companies which was fully provided against, given the uncertainty over its recoverability.

The company wholly owns the following subsidiaries, both of which are incorporated in England.

Subsidiary undertakings	Activity
Wolverhampton Wanderers F.C. (1986) Limited	Football Club
Wolverhampton Wanderers Properties Limited	Property company

12. STOCKS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Goods held for resale	<u>145,748</u>	<u>197,046</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

13. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	364,288	424,618	-	-
Other debtors	91,791	352,461	270	270
Prepayments and accrued income	2,250,049	559,656	-	-
	<u>2,706,128</u>	<u>1,336,735</u>	<u>270</u>	<u>270</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank overdraft (secured)	1,887,603	3,906,638	-	-
Amounts owed to ultimate parent undertaking	300,000	-	300,000	-
Obligations under finance leases (note 18)	110,786	111,059	-	-
Trade creditors	677,342	602,866	-	-
Other taxation and social security	1,741,109	1,100,402	-	-
Other creditors	2,658,409	4,708,391	-	-
Accruals	743,805	4,025,449	9,060	8,210
	<u>8,119,054</u>	<u>14,454,805</u>	<u>309,060</u>	<u>8,210</u>

The bank overdraft is secured by a fixed and floating charge over certain assets of companies within the Group.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Amounts owed to ultimate parent undertaking	655,615	38,705,615	655,615	38,705,615
Other creditors	571,334	250,000	-	-
Accruals	58,742	74,503	-	-
Obligations under finance leases (note 18)	101,767	192,292	-	-
	<u>1,387,458</u>	<u>39,222,410</u>	<u>655,615</u>	<u>38,705,615</u>

The amounts due to the ultimate parent undertaking are interest free and repayable on demand. However, the directors have confirmed the terms of the support by group companies and therefore the loans are treated as long-term liabilities.

The reduction in the amount owed to the ultimate parent undertaking is due to the refinancing of the company's debt (see note 18).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

16. PROVISIONS FOR LIABILITIES AND CHARGES

The Group

<i>Contingent appearance fees (see note 1)</i>	£
Balance at 1 June 2003	78,750
Utilised in the year	(5,250)
	<hr/>
Balance at 31 May 2004	73,500
	<hr/>

17. DEFERRED INCOME

The Group	Advance revenue £	Deferred grant income £	Total £
At 1 June 2003	6,290,523	1,959,031	8,249,554
Amounts received in the year	4,721,571	202,935	4,924,506
Transfer to profit and loss account	(3,137,442)	(64,578)	(3,202,020)
	<hr/>	<hr/>	<hr/>
At 31 May 2004	7,874,652	2,097,388	9,972,040
	<hr/>	<hr/>	<hr/>

18. BORROWINGS

Borrowings are repayable as follows:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank overdraft:				
In one year or less or on demand	1,887,603	3,906,638	-	-
Amounts owed to ultimate parent undertaking:				
In one year or less or on demand	300,000	-	300,000	-
In more than one year but not more than two years	655,615	38,705,615	655,615	38,705,615
Obligations under finance leases:				
In one year or less or on demand	110,786	111,059	-	-
In more than one year but not more than two years	60,958	102,342	-	-
In more than two years but not more than five years	40,809	89,950	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,055,771	42,915,604	955,615	38,705,615
	<hr/>	<hr/>	<hr/>	<hr/>

Refinancing

On 21 May 2004, after consultation with representatives from the company's ultimate parent undertaking, a refinancing of the company's debt was undertaken. As part of this refinancing, £38,000,000 of the debt due to the ultimate parent undertaking was converted into 38,000,000 ordinary shares of £1 each. This resulted in the company issuing 38,000,000 shares of £1 each at par.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 May 2004

19. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Called up, allotted and fully paid 48,000,000 ordinary shares of £1 each	48,000,000	10,000,000
Authorised 50,000,000 ordinary shares of £1 each	50,000,000	10,000,000

A further 40,000,000 ordinary shares of £1 each were authorised during the year. Of these, 38,000,000 shares of £1 each were allotted to the company's ultimate parent undertaking at par. These shares were issued as part of the refinancing of the company's debt, as described in note 18 above.

20. RESERVES

	Group Revaluation Reserve £	Profit and loss account £	Company Profit and loss account £
At 1 June 2003	12,681,879	(44,336,286)	(34,053,558)
Profit/(loss) for the year	-	5,179,233	(250,850)
Transfer between reserves	(193,885)	193,885	-
At 31 May 2004	12,487,994	(38,963,168)	(34,304,408)

The cumulative amount of goodwill on acquisition written off to reserves is as stated in note 1.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' SURPLUS / (DEFICIT)

	2004 £	2003 £
Opening shareholders' deficit	(21,654,407)	(12,442,868)
Increase in share capital	38,000,000	-
Profit/(loss) for the financial year	5,179,233	(9,211,539)
Closing shareholders' surplus/(deficit)	21,524,826	(21,654,407)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

22. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit / (loss)	5,128,812	(9,576,475)
Depreciation	820,636	823,861
Amortisation of players' registrations	6,729,372	4,492,119
Provision for impairment of players' registrations	-	369,805
Profit on sale of tangible fixed assets	(150)	(855)
Amortisation of deferred grant income	(64,578)	(58,799)
Decrease / (increase) in stocks	51,298	(44,975)
(Increase) / decrease in debtors	(1,369,393)	587,599
(Decrease) / increase in creditors and deferred income	(2,161,208)	(249,746)
(Decrease) / increase in provisions	(5,250)	(280,875)
Net cash inflow / (outflow) from operating activities	9,129,539	(3,938,341)

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest receivable and other similar income	16,531	186
Interest paid	(115,036)	(238,473)
Interest element of finance lease rental payments	(69,435)	(29,514)
Net cash outflow for returns on investments and servicing of finance	(167,940)	(267,801)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(711,898)	(981,462)
Receipts from sale of tangible fixed assets	150	2,161
Payments to acquire intangible fixed assets	(7,371,355)	(91,155)
Receipts from sales of intangible fixed assets	957,017	232,737
Grant income received	58,020	10,763
Net cash outflow from capital expenditure and financial investment	(7,068,066)	(826,956)
Financing		
Increase in loan from ultimate parent company	250,000	3,835,000
Capital element of finance lease rental payments	(124,498)	(100,979)
Net cash inflow from financing	125,502	3,734,021

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

24. ANALYSIS OF NET DEBT

	At 1 June 2003 £	Cash Flow £	Other non cash items £	At 31 May 2004 £
Bank overdraft	(3,906,638)	2,019,035	-	(1,887,603)
Loan from ultimate parent company	(38,705,615)	(250,000)	38,000,000	(955,615)
Finance leases	(303,351)	124,498	(33,700)	(212,553)
	<u>(42,915,604)</u>	<u>1,893,533</u>	<u>37,966,300</u>	<u>(3,055,771)</u>

Other non cash items are represented by the conversion of loan from the ultimate parent company into share capital (note 18) and new finance leases with a capital value at inception of £33,700 (2003: £13,800).

25. FINANCIAL COMMITMENTS

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Capital commitments				
Contracted for but not provided	<u>917,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

Operating lease commitments

At 31 May 2004, the Group was committed to making the following payments during the next year in respect of operating leases:

	Group	
	2004 £	2003 £
Leases which expire:		
Within one to two years	13,267	11,219
Within two to five years	<u>21,817</u>	<u>2,133</u>
	<u>35,084</u>	<u>13,352</u>

26. CONTINGENT LIABILITIES

In addition to amounts provided in note 16, the group may in future be required to pay contingent sums, dependent on the occurrence of future first team and international appearances and on field playing success of £437,500 (2003 - £316,000).

The company is party to an unlimited, supported cross guarantee with its subsidiary undertakings and given in favour of its bankers. The company's potential liability under this cross guarantee at 31 May 2004 is £1,887,603 (2003 - £3,906,638).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

27. PENSIONS

Certain staff of the group are members of either the Football League Limited Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. As the group is one of a number of participating employers in the FLLPLAS, it is not possible to allocate any actuarial surplus or deficit on a 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 group, being invested with insurance companies.

At 1 April 2003, an MFR deficit was identified in the scheme, of which £90,855 was allocated to Wolverhampton Wanderers resulting in an increase in contributions advised by the Actuary. The total pension cost for the year was £65,275 (2003 - £88,700).

28. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company is Wend Investments Limited, a company incorporated in the Bahamas. The ultimate controlling party is the Hayward Family Trust, which controls Wend Investments Limited.

29. POST BALANCE SHEET EVENTS

Since the year end, the group has sold players' registrations recorded as intangible assets with a value at the balance sheet date of £512,281 (2003 - £728,905) resulting in a loss on sale of £133,225 (2003 - profit of £156,014). In addition, the group has acquired players' registrations with a value of £3,943,900 (2003 - £5,007,434) since the balance sheet date.