Celtic PLC
16 August 2004

CELTIC plc

Preliminary Results for the year ended 30 June 2004

HIGHLIGHTS OF THE RESULTS

- Winners of the Bank of Scotland Premierleague, the Tennents' Scottish Cup and UEFA Cup Quarter Finalists.
- Turnover increased by 14.0% to £69.02m.
- Operating expenses increased by 19.2% to £64.15m.
- Profit from operations of £4.87m (2003: £6.73m)
- Loss after taxation of £7.47m (2003: £11.66m).
- Year end debt of £15.80m (2003: £17.78m).
- Extended contracts have been awarded to Chris Sutton, Alan Thompson, Jackie McNamara, Stanislav Varga and a number of the younger first team players.

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CHAIRMAN'S STATEMENT

The last twelve months at Celtic were marked by outstanding success on the football field and further progress in building the Celtic brand and the business. Participation in European competition was essential to our financial performance. Endeavouring to sustain our footballing success without running excessive risks with our finances remains the principal challenge looking ahead.

Conditions for Scottish football clubs remained very difficult and, indeed, several SPL clubs either went into administration or came close to doing so. The measures taken to deal with this situation were severe and in some cases drastic, involving the reduction of playing squads, outward transfers of players and reductions and delays in players' wages. It is too early to say what the effects of this crisis management will have on the longer-term quality of Scottish football. But clubs have faced up to the need to take these difficult decisions which, over time, should go a considerable way to restoring equilibrium and, one hopes, greater competitiveness to the domestic game. The current imbalance in Scottish football competition may work to Celtic's short-term advantage, but has reduced the economic value of the local football product, with predictable effects on all sources of income.

In these circumstances Celtic has worked hard to remain on course to achieve a sustainable balance between football progress and financial stability. Let me emphasise how difficult it can be to achieve those objectives. Success may or may not generate further success in football; but it certainly feeds expectations among supporters and demands by the media. Those expectations and demands have to be managed in a climate in which public focus on finances becomes important only when serious problems arise. Many are guilty of assuming that these problems only happen to others.

That said, Celtic supporters have again shown themselves to be quite extraordinary in their loyalty and commitment. During the year the Presidents of FIFA and UEFA came to Celtic Park to present awards to our supporters, a unique accomplishment. It is a matter of great pride that our supporters have drawn attention to themselves in a wholly positive way. At a time when attendances in Scotland have been falling, our sales of season tickets have been maintained at the highest level in the UK. The average paid league attendance at Celtic Park last season rose to 58,420 with over 1.75 million supporters attending the 31 home matches played.

On the field, Celtic recorded a number of achievements. The Bank of Scotland Premierleague was won by a margin of 17 points and the title secured in mid April while the team was still unbeaten. All four league games against our closest and oldest rivals were won; and victories were posted in 25 consecutive games, breaking a Scottish record of some 40 years standing. Celtic also won the Tennents' Scottish Cup for the 39th time; making it the 13th time we have won the double.

In Europe, Celtic was again unbeaten at home in both the UEFA Champions' League and the UEFA Cup. Narrow defeats away from home in Munich and Lyon meant that the team did not go on to the knockout stage of the UEFA Champions' League; but it did reach the quarter-final of the UEFA Cup after a memorable victory over Barcelona. Deprived through injury of 3 of our 4 recognised strikers, Celtic went out to Villarreal. Once again Martin O'Neill, supported by his very able staff, has given the team great leadership and drive. He has also introduced several members of our Youth Team to the first team squad. Celtic's under 19 and under 21 squads both won their league championships last season, a very important development looking ahead to our fortunes on and off the field. The departure of Henrik Larsson after 7 marvellous seasons at Celtic cannot, of course, be seen as anything other than a matter of great regret. We will miss him, no doubt, and wish him every success at Barcelona.

Total turnover rose for the 10th successive year to £69.02m, an increase of 14%. Revenues from football also rose by some 14%, while merchandising again grew strongly, recording a 17% increase to £13.42m. Indeed revenues rose in almost all areas of the Company's business including this year's European campaign, which generated a contribution to operating profit of £11.50m in comparison to £10.23m last year.

The higher level of activity during the year had its effect on operating expenditures, which rose by over 19% to £64.15m, with increases in the cost of sales, labour costs and other overheads. The increase in professional and youth football costs, at 20%, reflected primarily contractual salary payments and bonuses payable in respect of football success domestically and in Europe.

As a consequence, profit from operations declined from £6.73m to £4.87m and, taking account of amortisation and other operating expenses, pre-tax losses increased from £5.79m to £7.47m.

There was no tax charge this year. Interest payments on debt rose from £1.21m to £1.33m as interest rates rose steadily during the year. However, with total debt falling to £15.80m, compared to £17.78m a year ago, these costs were lower than would otherwise have been the case.

Looking ahead, there are some other significant positive points to make. We have taken steps to improve our infrastructure, with the quality of the players' facilities at Celtic Park materially enhanced and further improvements in entertainment and corporate facilities under way. A rationalisation programme to reduce non-football costs will yield further savings going forward. Pressure on retail merchandise margins, which is general in football, should be offset by the modernisation of the Celtic Superstore and the opening of new stores.
Equally, the decision to retain the conference and banqueting business in-house should bring additional financial benefits.

The biggest test is to control football costs, while meeting our objective of maintaining the quality of the football squad. In the short term this is proving a taxing challenge to the Company. As I pointed out in previous Annual Reports, contractual commitments entered into when conditions were quite different, together with the bonuses necessary to reward success in domestic and European football, have pushed up football costs this year by an amount that cannot be sustained without additional revenues. Total labour costs, at 58.7% of turnover have moved up by over

4%. As players' contracts expire and the current deceleration in contracts feeds into our cost base, we should be able to look forward to recovering lost ground; but in the meantime we will have to continue to seek economies in this crucial area of the business.

The arrival of Peter Lawwell at the end of October of last year as Executive Director, Head of Operations is already showing welcome and positive results. He has tackled the issues facing us with vigour and sensitivity. He and Martin O'Neill have worked closely together during the year to manage our affairs on and off the field.

The Celtic name and the Celtic brand, our reputation for good football and careful management of our business, and our standing in European and global football have, I believe, been enhanced in the last twelve months. It is no exaggeration to state that this is a continuing struggle, given the issues confronting football clubs in Scotland and abroad. Your Board and management give their time and energies tirelessly to keeping Celtic moving forward. We look for your continuing support in the year ahead.

Brian Quinn CBE 16 August 2004

OPERATING REVIEW

Introduction

The last 12 months have seen Celtic record a series of notable on-field successes, including reclaiming the Bank of Scotland Premierleague title, winning the Tennents' Scottish Cup and, for the second year in succession, delivering a very strong run in the UEFA Cup after narrowly missing out on the knockout stage of the UEFA Champions' League.

After such a historic European run the previous year, it is to the great credit of everyone involved with the Club that high standards have been maintained in the past season, perhaps most notably in the two emotionally-charged matches against Barcelona.

Automatic qualification for the group stage of the UEFA Champions' League for the first time ever is a tangible reward for the superb efforts of the team under the inspirational leadership of Martin O'Neill and his two assistants, John Robertson and Steve Walford.

Off the field, a comprehensive business review was conducted leading to a revised 5-year plan, designed to achieve improved levels of financial performance, efficiency and customer service at the Club. The overall objective is to support our main business driver - a winning team on the field.

The review identified the need for a number of changes, which resulted in the implementation of several revenue generating initiatives and a rationalisation programme that will improve the Club's cost base going forward.

Given the excellent football achievements of the past few seasons, there is undoubtedly a strong degree of anticipation for the season ahead, and the changes we have implemented are designed to help ensure, wherever possible, that our fans, investors and all those associated with Celtic have further cause to celebrate.

Financial Performance

For the tenth consecutive year, the Group has recorded increased turnover, up by £8.45m, 14%, to £69.02m. This is particularly encouraging as the team played 31 home games in the year, in comparison with 32 home games and a UEFA Cup final the previous year.

Operating expenses increased by 19.2% to £64.15m, primarily due to the increased business activity, particularly in merchandising and catering, and the increase in investment in football salaries and bonuses. This increase is net of the initial overhead savings achieved through the cost rationalisation programme.

The amortisation charge was £10.77m, 4% up on last year. The pre-tax loss of £7.47m reflects the fact that, despite excellent on field performances and success, there are still significant challenges in balancing the costs of achieving football success with long term financial stability.
Total debt fell from £17.78m to £15.80m.

Football Investment

The current financial climate in football remains extremely difficult, with clubs in Scotland, England and indeed worldwide experiencing major challenges in balancing financial stability with football success. However, I believe that our recent fiscal policies place us in a better position to deal with these challenges than many of our competitors.

Total football labour costs rose from £27.9m to £33.5m, predominantly due to success bonuses and increases in basic salaries to maintain the quality of the squad. This cost reflects a continued and significant investment in the football operation and cannot be sustained, in the long term, without increased revenues.

In previous years Celtic incurred significant levels of investment in transfer fees. This investment has resulted in an amortisation charge in the current year of £10.77m. As player contracts terminate and the value of transfer fees decline the annual amortisation charge is expected to decrease.

Celtic's approach to maintaining the standard of our team combines three elements: new player signings; contract renewals for proven, successful performers at the Club; and, importantly, the development and retention of our exciting young talent.

Stephen Pearson was acquired from Motherwell in January 2004 on a four and a half year contract and played a meaningful role in the successes of last season. Since the year end Henri Camara has been acquired from Wolverhampton Wanderers on a loan agreement with an option to acquire the player's registration.

In addition, a sizeable investment has been made in retaining the services of a number of key players who have been central to the success of the club in recent seasons. In all, 17 players were given contract extensions, including core team members such as Alan Thompson, Chris Sutton, Jackie McNamara, Stanislav Varga, Shaun Maloney, David Marshall and John Kennedy. Notwithstanding the difficult football market, retention of such talented players is not achieved without financial impact.

Maloney, Marshall and Kennedy are excellent examples of the benefits now being realised from Celtic's strong investment in youth development in recent years, and in addition, exciting young players such as Aiden McGeady, Michael McGovern, Kevin McBride and Gary Irvine have agreed extended contracts.

In total, Celtic's first team squad includes 15 full internationalists and 4 current Under 21 internationalists.

The requirement to improve the level of training facilities has long been recognised. A number of options have been considered and narrowed. Negotiations with interested parties are being conducted and we hope to make a decision in the course of the current year.

Football Operations

Revenues from Football Operations increased by £4.25m, 13.9% from £30.48m to £34.73m, despite one less home game being played in the year. This uplift in turnover was largely as a result of the continued high take-up of standard season tickets following a price increase of approximately 3%, together with the revenues generated from participation in the group stage of the UEFA Champions' League and success both domestically and in reaching the quarter-final of the UEFA Cup.

Ticket demand during season 2003/04 was unprecedented. The ticket office sold 50,618 Standard Season Tickets and 2,540 Premium Season Tickets. In addition to season tickets, a total of 631,726 match tickets were sold for the season's 31 home matches and a further 168,000 tickets were sold for away matches which meant the Club handled 86,000 more tickets than the previous season.

Increased ticket sales were largely as a result of qualification for the group stage of the UEFA Champions' League, which provided 174,000 sales and saw the Club effectively achieve capacity attendances for all three home matches.

During March, the Club was drawn at home against Rangers in the Tennents' Scottish Cup and Barcelona in the UEFA Cup, meaning over 113,000 tickets were sold for both matches within a two-week period. Demand at these levels brought into focus the need to improve customer service in this crucial area, and two major initiatives have been launched to make it more convenient for fans to purchase tickets in future.

An online ticket sales option was introduced which has proved highly successful, enabling season ticket holders, for the first time ever, to use the Internet to purchase tickets for their regular seats for non-season ticket matches. This option was also available for season ticket renewals and almost 7,000 supporters renewed their season tickets in this way.

For the forthcoming season, the ticket office has selected Ticketmaster, an experienced business partner, to handle all telephone ticket sales for home matches, a move which will greatly reduce waiting times and offer a significantly improved service to supporters.

Youth Development

The Club is now beginning to reap the rewards of increased investment in identifying and nurturing some of the best young talents in the UK. This is testament to a combination of hard work and commitment by our youth development team and suitable provision of funding.

Whilst the quality and number of home-grown players making an impact on the first team will always be the most important determining factor in the success of the Club's youth development programme, the sterling achievements of our youth sides give much cause for confidence. Both the Under 21s and the Under 19s won their respective League Championships and the Under 17s enjoyed an unbeaten season at home and abroad, including matches against Liverpool, AC Milan, Arsenal and Brescia.

Former youth players Craig Beattie, Ross Wallace, David Marshall, Stephen McManus, Aiden McGeady, John Kennedy, Liam Miller and Shaun Maloney continued to contribute significantly to the success of the first team, making 141 appearances in total.

Continued investment in the Club's Youth Academy, of £1.5m per annum, together with ground-breaking structural improvements in coaching, scouting and sports science have seen the set-up at Celtic rightly regarded as one of the most advanced and successful in Europe, which certainly bodes well for the future of the first team in the years ahead.

Donations from Celtic Development Pools continue to provide much of the funding for the youth development operation noted above. Operating in a mature market place Celtic Pools, primarily through its weekly lottery and the match day lottery the 'Paradise Windfall', has once again donated more than any other football lottery operator in Britain. The weekly pool operation involves around 1,000 agents collecting lottery stakes from 38,000 stakeholders around the country. The Paradise Windfall pays out the largest single cash prize in UK football. The development income for the year was £1.36m, which was slightly down on the previous year due to one less home game.

Merchandising

Merchandising again reported significant revenue growth in the year of £1.97m, 17.2%, following the successful away kit launches in August 2003 and May 2004 together with sales of Seville and Larsson merchandise remaining extremely buoyant throughout the year. In addition, the '100 Years of the Hoops' home strip is now the most successful ever, with sales of approximately 100,000 units from Celtic's retail outlets alone prior to 30 June 2004. The green away kit launched in May 2004 also reached record levels and surpassed the highly successful black away kit.

The superstore at Celtic Park was refurbished in February and this has resulted in a significant uplift in revenues. The opening of the new store at Glasgow Airport in June 2004 increased the number of Celtic merchandise stores to ten.

During the year additional concession stores were opened within Debenhams in Inverness, East Kilbride, Stirling and Dundee. Further investment is planned in new units and to improve distribution and the home shopping operation that has seen e-commerce revenues increase by 61.5% in the last year.

Multimedia

The Club's multimedia division has benefited from the impact of the first team's on-field performance. Multimedia revenues at £16.06m are up by £462,000, 3%, on the £15.60m achieved in 2003 with all major revenue streams at or in excess of last year.

Income from the sale of television rights continued to benefit significantly from European progression and was comparable with that reported last year. The Scottish Premier League Limited has sold the live television rights to domestic league games to Setanta Sport for 4 years commencing in season 2004/05 on a subscription basis, the success of which will be based on the number of subscribers secured.

During the year, progress was achieved in the development of Celtic TV as a pay per view product. Improvements in the quality of production and presentation resulted in approximately 150,000 purchases in respect of the eight matches screened. This represents an uplift of over 100% on the customer levels achieved in the previous year.

Advances were also made in respect of internet broadcasting with the launch of Celtic Live in November 2003, running in parallel with the popular Celtic Replay. As a result our increasing number of subscribers had access to either match highlights or live Bank of Scotland Premierleague action via the internet. This subscriber base is anticipated to grow as the availability of broadband becomes more widespread and plans are currently being advanced to supplement the content currently available such that the service to subscribers is enhanced.

The development of Celtic TV including the successful pay per view events initiated further discussions regarding the concept of a club channel. Plans were formulated to enhance Celtic's broadcasting capability and in June 2004 a joint venture was agreed with Setanta Sport (PPV) Limited creating a dedicated Celtic TV channel.

A further development of multimedia was the in-house production of 3 DVDs 'The Bhoy Who Would be King', 'The Beating of Barca' and 'In a League of Their Own'. Given the success of the DVDs it is planned to continue this initiative.

It was also encouraging that publishing income, represented mainly by the Celtic View and matchday programme, was maintained at levels consistent with last year despite the multitude of competitive information channels.

Partner Programme

The partner programme, established during the 2002/03 season continued to go from strength to strength during 2003/04. Last year saw the introduction of Coors Brewers Limited as our shirt sponsor with their Carling brand, T-Mobile as the official mobile communications network for the Club and MBNA as the Club's official credit card partner. These three joined our long-standing partners Umbro and Phoenix.

This season we have added three new partners to the programme: Lonsdale Travel Group as the official travel partner, Primus for fixed line telecoms and Ladbrokes.com for online betting.

Stadium

The Stadium Division reported an uplift in income in the year of 109.8% to £3.45m, largely as a result of changes to catering and hospitality noted below. This year catering generated sales of £2.96m in comparison to fee income of £1.09m last year. Income from external security and stewarding contracts awarded to Protectevent Limited was down on last year.

Catering and Corporate Hospitality

Season 2003/04 was a period of significant change for retail and concourse catering and corporate hospitality. The conclusion of the previous arrangements with Sodexho in summer 2003 meant that all catering services were once again based in house. We have seen significant improvements in quality, service and financial performance.

In addition, as part of the rationalisation programme, non-profit making areas were closed. However, in keeping with the objectives of greater company efficiency and financial performance, we have decided to sub-contract out the concourse catering operation on a five-year contract to Lindley Catering Limited from Season 2004/05.

Stadium Development

Season 2003/04 saw the completion of the dressing rooms, players' facilities and on site medical treatment facilities within the South Stand. Further internal refurbishment works, primarily to the main reception, corporate entertainment areas and public corridors and stairwells commenced at the start of the close season.

These works, together with the formation of a new 'Champions' Club' lounge facility within the North Stand are part of the Club's Five Year Stadium Refurbishment Plan and will ensure that we remain on track to achieve UEFA's five star stadium status.

To maintain the operational integrity of the facility and to ensure ongoing compliance with the requirements of the Stadium Safety Certificate, a number of system improvements are being carried out, most notably the installation of full-height turnstiles, the upgrading of key life support systems and the re-routing of the Celtic Walkway due to the ongoing housing construction works around the stadium.

Supporter Relations

Once again our fans have surpassed themselves with their financial and emotional commitment to the Club. This is recognised and appreciated and I would like to take this opportunity to thank them.

A key element of my role at Celtic is to help ensure the relationship between the fans and the Club is as strong and mutually beneficial as possible.

With that in mind, it has been a priority since I joined at the end of October 2003 to increase regular contact with supporters' representatives in Scotland, Ireland and the USA. I have instigated monthly rather than quarterly meetings and it has been extremely encouraging to witness the positive and constructive nature of these sessions and to see the strengthened connections with supporters at this crucial level.

Detailed feedback on a range of issues affecting our supporters has been received, and in response I believe that real progress has been made in improving customer service levels in a number of areas such as ticket sales, merchandising and catering.

Celtic Charity Fund

2003/04 was a particularly special one for the Celtic Charity Fund, the charitable arm of Celtic Football Club. The Fund reached the fantastic milestone of £1m in funds raised since its formation in 1995. A more detailed report on their activities is contained in the Annual Report.

The Club would like to thank all those who have contributed to the success of the Celtic Charity Fund including supporters, players, and all those people who make up the Celtic Charity Fund Trustees and Fund-raising action groups.

Community Work

2003/04 saw the launch of the Celtic Education Programme initiative in partnership with Glasgow City Council and local schools. The programme uses the focus of Celtic Football Club to develop the skills, motivation and confidence of young people who have faced challenges at school.

As well as educational work carried out at Celtic Park, the programme also included sporting activities, with coaching in football and other sports available. Over 90% of pupils responded with an increase in their perceived level of fitness and health.

Human Resources

I would like to thank all Celtic staff both on and off the field for their contribution to what was another successful year on the pitch.

For the non-football staff it was a particularly difficult year with the implementation of the rationalisation plan and resultant redundancies, but we will put these difficulties behind us and look ahead with confidence.

Summary

Following on from what was a memorable season in 2002/03, Celtic maintained its European progress in 2003/04 by achieving qualification for the UEFA Champions' League group stage and progressing to the quarter final of the UEFA Cup. The Tennents' Scottish Cup was secured in addition to winning the Bank of Scotland Premierleague, which provides direct entry into the group stage of the UEFA Champions' League in season 2004/05. This entry provides a meaningful revenue stream that will assist with trading activities next year.

It is clearly recognised that the football sector remains under severe financial pressure largely as a result of wage inflation in a period when media revenue values continue to soften. Celtic is not immune to this and our task is to achieve a sustainable balance between football progress and financial stability.

Peter T Lawwell — 16 August 2004
Executive Director, Head of Operations

GROUP PROFIT & LOSS ACCOUNT

		2004			2003
		Operations excluding player trading	Player trading	Total	
		£000	£000	£000	£000
	Notes				
TURNOVER	2	69,020	-	69,020	60,569
OPERATING EXPENSES		(64,150)	-	(64,150)	(53,839)
PROFIT FROM OPERATIONS		4,870	-	4,870	6,730
EXCEPTIONAL OPERATING EXPENSES	3	(390)	-	(390)	(872)
AMORTISATION OF INTANGIBLE FIXED ASSETS		-	(10,770)	(10,770)	(10,332)
OPERATING PROFIT/(LOSS)		4,480	(10,770)	(6,290)	(4,474)
PROFIT / (LOSS) ON DISPOSAL OF INTANGIBLE FIXED ASSETS		-	306	306	(70)
LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS			(150)	-	(150)
(41)					
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION		4,330	(10,464)	(6,134)	(4,585)
NET INTEREST PAYABLE				(1,337)	(1,209)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(7,471)	(5,794)
TAX CHARGE ON ORDINARY ACTIVITIES	4			-	(5,865)
LOSS FOR THE YEAR				(7,471)	(11,659)
DIVIDENDS - non equity	5			(1,455)	(1,457)
RETAINED LOSS FOR THE YEAR				(8,926)	(13,116)
LOSS PER ORDINARY SHARE	6			(29.15p)	(42.91p)
DILUTED LOSS PER SHARE	6			(29.15p)	(42.91p)

All amounts relate to continuing operations.
There were no gains or losses recognised in 2004 other than the loss for the year.

GROUP BALANCE SHEET

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
FIXED ASSETS					
Tangible assets			48,428		48,564
Intangible assets			12,032		20,513
			60,460		69,077
CURRENT ASSETS					
Stocks		1,763		2,059	
Debtors		5,317		4,660	
Cash at bank and in hand		371		753	
		7,451		7,472	
CREDITORS - Amounts falling due within one year		(15,610)		(11,760)	
Income deferred less than one year		(10,908)		(10,826)	
		(26,518)		(22,586)	
NET CURRENT LIABILITIES			(19,067)		(15,114)
TOTAL ASSETS LESS CURRENT LIABILITIES			41,393		53,963
CREDITORS - Amounts falling due after more than one year			(16,000)		(19,644)
NET ASSETS			25,393		34,319
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)			29,405		29,405
Other reserve			21,222		21,222
Profit and loss account			(25,234)		(16,308)
SHAREHOLDERS' FUNDS	7		25,393		34,319

Approved by the Board on 16 August 2004

GROUP CASH FLOW STATEMENT

	2004 £000	2003 £000
RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating loss	(6,290)	(4,474)

Depreciation	1,371	1,405
Amortisation of intangible fixed assets	10,770	10,332
Provision for impairment of intangible fixed assets	-	475
Grants release	-	(1)
Decrease/(increase) in stocks	296	(801)
Increase in debtors	(333)	(1,853)
Increase in creditors	2,921	1,611
Net cash inflow from operating activities	8,735	6,694

CASH FLOW STATEMENT

Net cash inflow from operating activities	8,735	6,694
Returns on investments and servicing of finance (Note 9)	(1,893)	(1,767)
Capital expenditure and financial investment (Note 9)	(4,865)	(6,236)
Cash inflow/(outflow) before financing	1,977	(1,309)
Financing (Note 9)	(2,359)	1,529
(Decrease)/increase in cash	(382)	220

RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET DEBT (Note 8)

(Decrease)/increase in cash in the period	(382)	220
Cash outflow/(inflow) from decrease/(increase) in debt	2,359	(1,529)
Change in net debt resulting from cash flows	1,977	(1,309)
Movement in net debt in the period	1,977	(1,309)
Net debt at 1 July	(17,782)	(16,473)
Net debt at 30 June	(15,805)	(17,782)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Details of the main accounting policies adopted by the Group are consistent with last year. The Group's Profit and Loss Account follows the Financial Reporting Guidance for Football Clubs issued in February 2003 by The Football League, The FA Premier League and the FA, although the turnover within Note 2 continues to be analysed in accordance within the headings of the business operations of the Group.

2. TURNOVER

Turnover in respect of the five business operations comprised:	2004	2003

	£000	£000
Professional football	34,728	30,480
Multimedia and communications	16,062	15,600
Merchandising	13,425	11,456
Stadium enterprises	3,449	1,644
Youth development	1,356	1,389
	69,020	60,569

3. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £390,000 (2003: £872,000) incorporated in the profit and loss account reflect redundancy and other ancillary costs of the rationalisation programme implemented during the year. Last year's exceptional costs mainly reflected the early termination of Rafael Scheidt's contract and registration.

4. TAXATION

The Group continues to follow the accounting treatment for deferred taxation as prescribed in FRS19. However, given the financial difficulties experienced by the football sector and the uncertainty over the timing of future taxable profits, the Group wrote off the deferred tax and advance corporation tax assets in the year to 30 June 2003 which provided a tax charge of £5.86m. No provision for corporation tax is required in respect of the year ended 30 June 2004. Estimated tax losses available for set-off against future trading profits amount to approximately £35.00m (2003: £33.00m). This estimate is subject to the agreement of the current and prior years' corporation tax computations with the Inland Revenue.

5. DIVIDENDS

The non-equity dividend for the year of £1,454,773 (2003: £1,456,588) comprises the dividend of 6% of £554,151 (2003: £555,966) payable on 31 August 2004 to those holders of Convertible Cumulative Preference Shares on the share register at 6 August 2004, together with the amount due in respect of the Convertible Preferred Ordinary Shares fixed dividend of 4% of £900,622 (2003: £900,622) which is payable on 31 August 2004.

6. LOSS PER SHARE

The loss per share has been calculated by dividing the retained loss for the period of £8.93m (2003: £13.12m) by the weighted average number of Ordinary Shares of 30.62 million (2003: 30.56 million) in issue during the year. The diluted loss per share has been calculated using the same figures as the basic calculation. No account has been taken of share purchase options, as these potential ordinary shares are not considered to be dilutive under the definitions of the applicable accounting standards.

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2004	2003
	£000	£000
At 1 July	34,319	47,435
Movements in year:		
Retained loss for the year	(8,926)	(13,116)

At 30 June	25,393	34,319

At 30 June 2004 Non-Equity Shareholders' Funds, defined in accordance with FRS4, amounted to £31.37m (2003: £30.51m). This relates to the Convertible Preferred Ordinary Shares, the Convertible Cumulative Preference Shares and the associated accrued dividends.

8. ANALYSIS OF NET DEBT

	At 1 July 2003 £000	Cash Flow £000	At 30 June 2004 £000
Cash at bank and in hand	753	(382)	371
	753	(382)	371
Debt due within 1 year	(182)	6	(176)
Debt due after 1 year	(18,000)	2,000	(16,000)
Hire purchase creditor	(353)	353	-
	(18,535)	2,359	(16,176)
Net debt	(17,782)	1,977	(15,805)

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

	2004 £000	2003 £000
Returns on investments and servicing of finance		
Preference dividend paid	(556)	(558)
Interest paid	(1,271)	(1,143)
Interest element of hire purchase payments	(66)	(66)
Net cash outflow from returns on investments and servicing of finance	(1,893)	(1,767)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(1,250)	(2,113)
Payments to acquire intangible fixed assets	(3,765)	(5,738)
Proceeds from sales of tangible fixed assets	-	10
Proceeds from sales of intangible fixed assets	150	1,605
Net cash outflow from capital expenditure and financial investment	(4,865)	(6,236)
Financing		
Loans (paid) / received	(2,000)	2,000
Loan instalments paid	(6)	(29)
Capital element of hire purchase payments	(353)	(442)

Net cash (outflow)/inflow from financing	**(2,359)**	**1,529**

10. ANNUAL REPORT & ACCOUNTS

Copies of the annual report & accounts will be sent to all shareholders in due course.

The financial information set out above was approved by the directors on 16 August 2004 and does not constitute the Company's statutory accounts for the years ended 30 June 2004 or 30 June 2003. The auditors' opinion on the 2004 statutory accounts is unqualified and does not include a statement under Section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for 2003 have been filed and those for 2004 will be delivered to the Registrar of Companies in due course.