

**Southampton Football Club Limited**

**Report and Financial Statements**

**31 May 2004**

**Deloitte & Touche LLP  
Southampton**



**REPORT AND FINANCIAL STATEMENTS 2004**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the accounts</b>	<b>7</b>

## **REPORT AND FINANCIAL STATEMENTS 2004**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R J G Lowe (Chairman)  
B H D Hunt (Vice Chairman)  
A E Cowen  
I L Gordon  
M R Richards, FCA  
K St John Wiseman, MA  
R M Withers

#### **SECRETARY**

E S Coley

#### **TEAM MANAGER**

Harry Redknapp (appointed 8 December 2004)

#### **REGISTERED OFFICE**

The Friends Provident St Mary's Stadium  
Britannia Road  
Southampton  
SO14 5FP

#### **BANKERS**

Barclays Bank PLC  
Southampton City Branch  
Southampton  
SO14 2ZP

#### **SOLICITORS**

Paris, Smith & Randall  
1 London Rd  
Southampton  
SO15 2AE

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Southampton

## DIRECTORS' REPORT (continued)

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

### PRINCIPAL ACTIVITY

The company is a football club, which participates in the FA Premier League, other leagues and cup competitions.

### RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The profit and loss account is set out on page 5 and shows a profit before tax for the year of £3,079,242 (2003: loss of £413,975). No dividend (2003: £nil) is proposed. The directors believe that the club is well placed both financially and in terms of its playing squad and remain optimistic about the future for the Company, always aware of the volatile nature of the football industry.

### DIRECTORS AND THEIR INTERESTS

A list of the present directors of the company is given on page 1.

The directors had no interests in the share capital of the company or any other group company, other than the parent undertaking at the year end.

The directors' interests in the share capital of the parent undertaking, Southampton Leisure Holdings PLC, are disclosed in the accounts of that company. In addition I L Gordon had an interest in 848,000 5p ordinary shares in Southampton Leisure Holdings PLC at the beginning and end of the year and R M Withers had an interest in 1,120,000 5p ordinary shares at the beginning and end of the year.

### PLAYERS' REGISTRATION

As stated in accounting policy note 1, the cost of acquired players is reflected in the accounts in order to comply with FRS 10 Goodwill and intangible assets.

### POLICY ON PAYMENT OF CREDITORS

The company values its relationship with its many suppliers. As part of meeting its obligations under each purchase transaction, the company's policy is to pay amounts due for settlement in accordance with the negotiated terms of trade.

Trade creditors at 31 May 2004 represented 31 days of annual purchases (2003: 33). This figure excludes creditors in respect of player purchases which are paid on the date when payment is contractually due.

### AUDITORS

Under sections 252 and 386 of the Companies Act respectively, a resolution has been passed dispensing with the holding of annual general meetings and with the annual appointment of auditors. Accordingly, Deloitte & Touche LLP are deemed to continue as auditors.

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

  
E S Coley  
Secretary

3<sup>rd</sup> Nov 2005

## **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 as at the end of the financial year and of the profit or loss of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHAMPTON FOOTBALL CLUB LIMITED**

We have audited the financial statements of Southampton Football Club Limited for the year ended 31 May 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

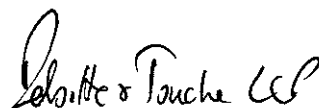
### **Basis of audit opinion**

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**DELOITTE & TOUCHE LLP**

Chartered Accountants and Registered Auditors  
Southampton

11 March 2005

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 May 2004**

	Note	Operations excluding player trading 2004 £	Player trading* 2004 £	Continuing operations 2004 £	2003 £
<b>TURNOVER</b>	2	44,401,489	-	44,401,489	44,130,761
Cost of sales		(34,424,879)	(9,118,563)	(43,543,442)	(41,020,132)
<b>Gross profit/(loss)</b>		9,976,610	(9,118,563)	858,047	3,110,629
Administrative expenses (including exceptional pension contribution of £nil (2003:£204,533), see note 5		(4,057,048)	-	(4,057,048)	(3,049,773)
<b>Operating profit/(loss)</b>	3	5,919,562	(9,118,563)	(3,199,001)	60,856
Profit/(loss) on disposal of players and manager		-	6,311,886	6,311,886	(295,690)
<b>Profit/(loss) before interest and taxation</b>		5,919,562	(2,806,677)	3,112,885	(234,834)
Income from shares in group undertakings				1,154	-
Net interest payable	6			(34,797)	(179,141)
<b>Profit/(loss) on ordinary activities before taxation</b>				3,079,242	(413,975)
Tax on profit/(loss) on ordinary activities	7			(903,763)	362,890
<b>Retained profit/(loss) for the financial year</b>	19			2,175,479	(51,085)

\*Player trading represents the amortisation and the profit or loss on disposal of player registrations.

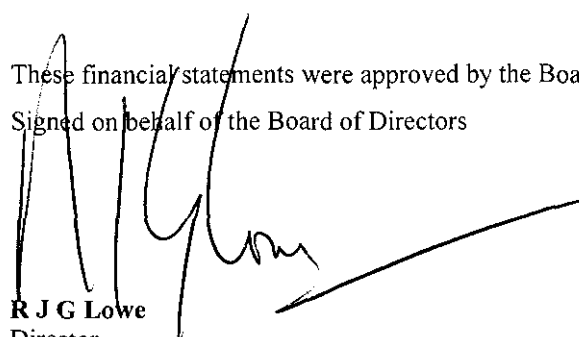
There are no recognised gains or losses for the current financial year or preceding financial year other than as stated above. Accordingly a statement of total recognised gains and losses has not been presented.

**BALANCE SHEET**  
**31 May 2004**

	Note	2004 £	2003 £
<b>FIXED ASSETS</b>			
Intangible assets	8	13,006,415	14,508,780
Tangible assets	9	717,798	786,316
Investments	10	1,000	1,000
		<u>13,725,213</u>	<u>15,296,096</u>
<b>CURRENT ASSETS</b>			
Stocks	11	528,777	269,853
Debtors	12	7,385,329	5,240,283
Cash and bank balances		3,575,753	3,275
		<u>11,489,859</u>	<u>5,513,411</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(17,282,684)</u>	<u>(14,112,203)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(5,792,825)</u>	<u>(8,598,792)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,932,388	6,697,304
<b>CREDITORS: amounts falling due after more than one year</b>	14	(1,411,000)	(2,125,511)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	17	<u>(442,335)</u>	<u>(668,219)</u>
<b>NET ASSETS</b>		<u>6,079,053</u>	<u>3,903,574</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	52,570	52,570
Profit and loss account	19	6,026,483	3,851,004
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	<u>6,079,053</u>	<u>3,903,574</u>

These financial statements were approved by the Board of Directors on 8<sup>th</sup> April 2005

Signed on behalf of the Board of Directors

  
R J G Lowe  
Director



**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Consolidated accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company is a wholly owned subsidiary undertaking of Southampton Leisure Holdings PLC and so it is exempt from preparing group accounts under section 228 of the Companies Act 1985.

**Turnover**

Turnover represents the total amount receivable from the principal activities of the company, excluding transfer fees receivable, and is stated net of value added tax. Income from broadcasting, match days, and those elements of commercial activities relating to matches is recognised when related matches are played; income from advance ticket sales is deferred accordingly. Other commercial income is recognised on a receivable basis.

**Intangible assets**

The element of each player's transfer fee which relates to his registration is capitalised as an intangible asset and amortised over the period of his contract including any agreed extensions, subject to any provision for impairment. Contingent fees payable, which are dependent upon the number of first team appearances and international debuts made, are capitalised in the period when it is considered probable that the conditions of the contract will be satisfied.

**Investments**

Investments that are held for the long term are included in the balance sheet as fixed assets at cost. Provision is made where in the opinion of the directors, an impairment in value has occurred.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation less any provision for impairment. Depreciation is provided on all tangible fixed assets other than assets under development, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Equipment	-	over 4 to 10 years
Motor vehicles	-	over 4 to 5 years

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

**Signing on fees**

Signing on fees are charged to cost of sales over the duration of the player's contract.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**1. ACCOUNTING POLICIES (continued)**

**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 items of income and expenditure in taxation 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 assets and liabilities are not discounted.

**Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**Pensions**

The company makes contributions to the Football League Pension Scheme on behalf of its employees who are members of that scheme. The charge in the accounts represents the premiums due during the year.

**2. TURNOVER**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties excluding transfer fees receivable. Turnover is attributable to one continuing activity, the operation of a professional football club. All amounts are derived in the United Kingdom.

**3. OPERATING PROFIT/(LOSS)**

	2004 £	2003 £
Operating profit/(loss) is stated after charging/(crediting):		
Amortisation of players	9,118,563	6,711,384
Auditors' remuneration		
- audit	14,000	17,000
- other services	15,000	43,500
Depreciation of fixed assets		
- owned	321,816	282,197
- held under finance leases and hire purchase contracts	24,239	24,239
Rentals under operating leases		
- plant and machinery	269,411	252,516
- other	97,738	96,976
Loss/(profit) on fixed asset disposal	31,369	(2,084)

**4. DIRECTORS' REMUNERATION**

Directors' remuneration is borne by the parent company and disclosed in its accounts. B H D Hunt was paid £15,000 (2003: £15,000) by the parent undertaking during the year for consulting services.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**5. STAFF COSTS**

	2004 £	2003 £
Wages and salaries	22,076,407	22,495,994
Social security costs	2,520,869	2,491,700
Pension contributions	102,123	99,928
	<u>24,699,399</u>	<u>25,087,622</u>

The average monthly number of employees employed by the company during the year is as follows:

	2004 No.	2003 No.
Direct	182	170
Administration	49	49
	<u>231</u>	<u>219</u>

In addition the company employs approximately 350 temporary staff on match days (2003: 350).

Certain staff of the company are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS'), a defined benefit scheme. As the company is one of a number of participating employers in the FLLPLAS, the scheme actuary has indicated that it is not possible to allocate any of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and consequently contributions are expensed in the profit and loss account as they become payable. For this reason, under FRS 17, the scheme would be accounted for as if it were a defined contribution scheme. Other than the information below, no information is available about the deficit in the scheme as a whole. The assets of the schemes are held separately from those of the company, being invested with insurance companies.

In August 1999, following an independent actuaries' report commissioned by the Trustees a substantial deficit in the FLLPLAS was identified. The scheme has now closed to new members and Southampton Football Club has made provision for its share of the deficit based on the apportionment at that time, see note 17.

The latest actuarial valuation of the scheme at 31 August 2002 indicated that the Club's provisional share of the deficit increased to £313,533 as at 1 April 2003 due to worsening investment market conditions. The additional provision of £204,533 was charged to the profit and loss account as an exceptional administrative expense in the prior year. The revised allocation is being repaid over a ten year period, initially at a monthly repayment of £6,407.

Contributions payable by the company to employees' (including executive Directors) personal pension schemes are charged to the profit and loss account in the period to which they relate. The schemes are defined contribution schemes, the assets of which are held separately from the Group.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**6. NET INTEREST PAYABLE**

	2004 £	2003 £
Bank overdraft	(95,446)	(176,828)
Finance charges payable under finance leases and hire purchase contracts	(9,739)	(9,739)
Interest payable	(105,185)	(186,567)
Bank deposit interest receivable	70,388	7,426
	<u>(34,797)</u>	<u>(179,141)</u>

**7. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

The taxation charge/(credit) is made up as follows:

	2004 £	2003 £
Current tax:		
United Kingdom corporation tax at 30% (2003: 30%)	876,745	-
Adjustment in respect of prior years	-	(219,973)
Total current tax charge/(credit)	876,745	(219,973)
Deferred tax		
Timing differences, origination and reversal	28,738	(126,044)
Adjustment in respect of prior years	(1,720)	(16,873)
Total deferred tax charge/(credit)	27,018	(142,917)
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>903,763</u>	<u>(362,890)</u>

**Factors affecting tax charge for the current period**

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

The differences are explained below:

	2004 %	2003 %
Standard tax rate for period as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	1	(6)
Capital allowances in excess of depreciation	1	(1)
Utilisation of tax losses	(2)	(4)
Movement in short term timing differences	(1)	(15)
Group relief not paid for	(2)	-
Other deferred tax movements	1	(4)
Prior period adjustments	-	(53)
Current tax rate for period as a percentage of profits	<u>28</u>	<u>(53)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**7. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (CONTINUED)**

	2004 £	2003 £
<b>Analysis of deferred tax balance (see also note 12)</b>		
Capital allowances in excess of depreciation	59,549	40,449
Short term timing differences	63,581	116,876
Losses	-	17,921
Player registrations	(7,231)	(32,329)
	<u>115,899</u>	<u>142,917</u>

**8. INTANGIBLE FIXED ASSETS**

	<b>Player registrations £</b>
<b>Cost</b>	
At 1 June 2003	30,390,258
Additions	7,666,790
Disposals	(5,776,656)
At 31 May 2004	<u>32,280,392</u>
<b>Accumulated amortisation</b>	
At 1 June 2003	15,881,478
Charge for the year	9,118,563
Disposals	(5,726,064)
At 31 May 2004	<u>19,273,977</u>
<b>Net book value</b>	
At 31 May 2004	<u>13,006,415</u>
At 31 May 2003	<u>14,508,780</u>

Amortisation of player registrations is normally calculated on a straight line basis. Where appropriate, adjustments are made to reflect the specific circumstances of individual players. The accounts include additional charges on this basis of £1,969,000 (2003: £1,033,000).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**9. TANGIBLE FIXED ASSETS**

	<b>Equipment</b> <b>£</b>	<b>Motor</b> <b>vehicles</b> <b>£</b>	<b>Total</b> <b>£</b>
<b>Cost</b>			
At 1 June 2003	1,556,170	105,401	1,661,571
Additions	280,679	28,482	309,161
Disposals	(199,398)	(46,451)	(245,849)
At 31 May 2004	1,637,451	87,432	1,724,883
<b>Depreciation</b>			
At 1 June 2003	780,808	94,447	875,255
Provided during the year	332,789	13,266	346,055
Disposals	(167,774)	(46,451)	(214,225)
At 31 May 2004	945,823	61,262	1,007,085
<b>Net book value</b>			
At 31 May 2004	691,628	26,170	717,798
At 31 May 2003	775,362	10,954	786,316

The net book value for equipment includes £nil (2003: £24,239) relating to assets acquired under hire purchase contracts and finance leases.

**10. FIXED ASSET INVESTMENTS**

	<b>£</b>
<b>Ordinary shares in subsidiary at cost:</b>	
At 1 June 2003 and 31 May 2004	1,000

Details of the investment in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<b>Name of company</b>	<b>Holding</b>	<b>Proportion held</b>	<b>Nature of business</b>
Saints Supporters Club Limited	Ordinary shares	100%	Dormant

The above company is incorporated in Great Britain.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**11. STOCKS**

	2004 £	2003 £
Consumable stocks	528,777	269,853

There is no material difference between the balance sheet values of stock and their replacement cost.

**12. DEBTORS**

	2004 £	2003 £
Trade debtors	2,567,151	2,423,411
Amounts due from parent company	3,367,405	448,861
Amounts due from group undertakings	998,976	1,803,480
Deferred taxation (see note 7)	115,899	142,917
Other debtors	21,184	35,261
Prepayments and accrued income	314,714	386,353
	<u>7,385,329</u>	<u>5,240,283</u>

All amounts are due within one year.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004 £	2003 £
Bank loan (see note 15)	100,000	100,000
Obligations under finance leases and hire purchase contracts (see note 15)	8,932	35,726
Trade creditors	2,653,242	4,287,183
Amounts due to group undertaking	6,447,911	3,227,049
Corporation tax	876,745	-
Other taxation and social security	2,442,668	1,945,098
Accruals and deferred income	4,753,186	4,517,147
	<u>17,282,684</u>	<u>14,112,203</u>

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2004 £	2003 £
Bank loan (see note 15)	725,000	825,000
Obligations under finance leases and hire purchase contracts (see note 15)	-	8,931
Trade creditors	686,000	1,167,500
Accruals and deferred income	-	124,080
	<u>1,411,000</u>	<u>2,125,511</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**15. BORROWINGS**

	2004 £	2003 £
Amounts payable:		
Within one year or on demand	108,932	135,726
Between one and two years	100,000	108,931
Between two and five years	300,000	300,000
After five years	325,000	425,000
	<u>833,932</u>	<u>969,657</u>

A bank loan of £1,000,000 was taken out during the year ended 31 May 2003. The loan is repayable in quarterly instalments over a ten year period at an interest rate of 2% over the bank base rate. The bank borrowings are secured upon group freehold properties. Obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

**16. FINANCIAL COMMITMENTS**

At 31 May 2004, the company was committed to making the following annual payment under non-cancellable operating leases to 31 May 2004.

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
<b>Leases which expire:</b>				
Within one year	-	10,050	1,440	35,603
Within two to five years	-	206,193	-	194,571
Five years or more	92,488	-	97,738	-
	<u>92,488</u>	<u>216,243</u>	<u>99,178</u>	<u>230,174</u>

**17. PROVISION FOR LIABILITIES AND CHARGES**

	2004 £	2003 £
Contingent transfer fees payable	218,500	367,500
Pensions	223,835	300,719
	<u>442,335</u>	<u>668,219</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**17. PROVISION FOR LIABILITIES AND CHARGES (continued)**

	2004 £	2003 £
<b>Contingent transfer fees</b>		
Opening balance	367,500	110,250
Capitalised in the year	218,500	367,500
Reclassified to creditors	(367,500)	(110,250)
Closing balance	<u>218,500</u>	<u>367,500</u>

The Directors have made provision for contingent transfer fees where they consider it probable that the contingency will occur and the contractual amount will become payable.

	2004 £	2003 £
<b>Pension provision</b>		
Opening balance	300,719	199,953
Charge to the profit and loss account	-	204,533
Utilised in the year (see note 5)	(76,884)	(103,767)
Closing balance	<u>223,835</u>	<u>300,719</u>

**18. SHARE CAPITAL**

	2004 £	2003 £
<b>Authorised:</b>		
Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	<u>52,570</u>	<u>52,570</u>

**19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share capital £	Profit and loss account £	2004 Total £	2003 Total £
At 1 June	52,570	3,851,004	3,903,574	3,954,659
Profit/(loss) for the year	-	2,175,479	2,175,479	(51,085)
At 31 May	<u>52,570</u>	<u>6,026,483</u>	<u>6,079,053</u>	<u>3,903,574</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2004**

**20. CONTINGENT LIABILITIES**

Excluding items provided in the balance sheet, at 31 May 2004 Southampton Football Club had a liability to pay up to £3,045,000 (2003: £1,485,000) to other clubs in respect of players under contract, dependent upon the number of first team appearances and international debuts made.

There are unlimited cross guarantees between Southampton Football Club Limited, Saints Supporters Club Limited and Dell Estates Limited, given to Barclays Bank PLC, to secure the bank borrowings of the group.

**21. ULTIMATE PARENT UNDERTAKING**

The company is a wholly owned subsidiary undertaking of Southampton Leisure Holdings PLC, which is also the ultimate parent undertaking and controlling party and is incorporated in Great Britain. The consolidated accounts of Southampton Leisure Holdings PLC are those of both the largest and smallest group of which the company is a member and for which group accounts are prepared.

Copies of the group accounts may be obtained from the Company Secretary, Southampton Leisure Holdings PLC, The Friends Provident St Mary's Stadium, Britannia Road, Southampton, SO14 5FP.

**22. RELATED PARTY TRANSACTIONS**

The company has utilised the exemption given under Financial Reporting Standard No.8 paragraph 3(c) as a wholly owned subsidiary not to disclose transactions with other entities that are part of, or investees in, the Southampton Leisure Holdings PLC group. Disclosure of transactions with other related parties has been made in note 4.

**23. POST BALANCE SHEET EVENTS**

Since the end of the financial year, the company has contracted for the purchase and sale of various players. The net cost of these transfers, taking into account the applicable levies but excluding value added tax, is approximately £3.4m. These transfers will be accounted for in the year ended 31 May 2005.