

**Preston North End Limited (formerly known as
Preston North End plc)**

**Directors' report and consolidated
financial statements**

Registered number 1621060

30 June 2010

WEDNESDAY



AV4TLQCP

A08

29/12/2010

117

COMPANIES HOUSE

Contents	Page No
Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report to the members of Preston North End Limited (formerly known as Preston North End plc)	5
Consolidated Statement of Comprehensive Income	7
Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes	11

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2010

Principal activities and business review

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

Change of Control

On 14 May 2010, the Company received notice of a Winding-Up Petition by Her Majesties Revenue and Customs (HMRC). This prompted suspension of trading in the Company's shares with effect from 17 May 2010.

The Winding-Up Petition reflected the Company's on-going cashflow issues and the Board discussed the future plans for the Company and the Football Club with the Company's main shareholders.

On 4 June 2010, the Company announced that Deepdale PNE Holdings Limited ('DPNE'), a company ultimately controlled by Mr Trevor Hemmings, had acquired 51.41% of the shares in the Company at a price of 5p per share. Under Rule 9 of the City Code, this resulted in a mandatory offer for the remaining shares in the Company.

Accordingly, on 16 June 2010, an Offer Document was dispatched to shareholders which confirmed this offer. DPNE committed to funding the short term cashflow requirements of the Company.

On 21 June 2010, Guild Ventures Limited, a company also ultimately controlled by the family interests of Mr Trevor Hemmings, advanced funds to the Company to allow it to settle the debt with HMRC which had been the subject of the Winding-Up Petition.

On 22 June 2010, Mr Derek Shaw stood down as Chairman of the Company and Mr Maurice Lindsay was appointed in his place.

On 8 September 2010, the Company announced that the offer to shareholders had closed and that DPNE held 91.02% of the shares in the Company.

On 21 September 2010 at a General Meeting of the Company, shareholders voted in favour of resolutions to cancel the admission of the Company's securities to trading on AIM and to re-register the Company as a private limited company. A further approved resolution authorised the sub-division and reclassification of the Company's £1 ordinary shares into 1p ordinary shares plus a deferred 99p share. A resolution was also passed to create a new class of A Ordinary Shares of 1p each which rank *pari passu* with the new ordinary shares.

Following the General Meeting, the Company confirmed on 28 September 2010 the cancellation of admission of its securities to trading on AIM.

Change of name

Following the cancellation of the AIM listing, the Company changed its name to Preston North End Limited on 5 October 2010.

Key performance indicators

Revenue for the year was £10.8m which was £2.29m higher than the previous year. This was mainly due to increased distribution payments receivable from the Premier and Football League.

Average attendances were 13,202 for 2009/10 compared to 13,481 in 2008/09. Season ticket numbers were 7,787 in 2009/10 compared to 8,164 holders for 2008/09.

Cashflow continues to be tight as the Club carries a squad with wages which far outweigh its revenue. In previous years, the resulting operating losses have been balanced to varying degrees by profits on player sales. However, in the year to 30 June 2010, profits were only £2.02m against an operating loss of £4.44m. The Group has therefore been very reliant on the financial support of its main shareholder.

Away from the football trading, the rental income stream from Central Lancashire Primary Care Trust in respect of the Health Centre under the new Invincibles Pavilion is now established and is an important element of the servicing of the debt incurred to construct the stand. In addition, our on-going relationships with Heathcotes and Fitness First also continue to generate additional income for the Club.

Directors Report (continued)

Principal risks and uncertainties

There are clearly a number of potential risks and uncertainties which could have a material impact on the Company's long term performance. The directors consider the key risks to be the retention of the Club's divisional status in the Championship together with the Group's continued ability to secure sufficient finance to fund its cashflow projections (see basis of preparation in note 1). These and other risks and uncertainties are monitored by the Board on a regular basis.

Proposed dividend

The directors do not recommend the payment of a dividend (2009 £nil).

Directors and their interests

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

	As at 30 June 2010 No of shares	As at 30 June 2009 No of shares
MP Lindsay, Chairman (appointed 22 June 2010)	-	-
D Shaw (resigned 16 November 2010)	-	737,607
K Abbott	-	-
DW Taylor	-	1,000
AS Hughes	-	-
P Newsham	-	-
D Robinson (appointed 18 January 2010)	-	3,100

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

Corporate governance

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

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

Internal control

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

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

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

Capital management

The Board regards the capital of the Group to be the external funding required to continue in operation as set out in notes 18 and 19. In making this assessment the Board considers that there are no externally imposed capital requirements other than the facilities and terms attached to external funding. See the Basis of Preparation in note 1 for details of expected funding requirements in the 12 months following the approval of these accounts.

Directors' report *(continued)*

Treasury policy and financial risk management

Treasury policies are subject to Board approval and are implemented by the Company's Finance function. The Group uses financial instruments, comprising loans, cash and other liquid resources and various other items such as trade debtors, creditors and lease arrangements arising directly from operations.

All Group borrowings are in pounds sterling and predominantly comprise borrowing facilities at floating rates. The outlook for UK interest rates is regularly monitored and borrowing decisions are adapted to suit prevailing conditions. The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by negotiating adequate facilities from the Group's bankers and other lenders.

On 31 March 2009 the Group originally entered into an interest rate swap arrangement to manage its exposure to interest rate movements on its bank borrowings. Contracts covering notional amounts equivalent to two tranches of the bank loan restrict interest payments at rates of between 3.275% and 3.53%. The fair value of the interest rate swap is reflected in the Group Statement of Financial Position under the derivative financial instrument heading (note 15).

Charitable and political donations

Charitable contributions during the period totalled £6,069 (2009: £1,868). No political contributions were made.

Employee involvement

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

Disabled employees

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

Health and safety

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

Payment to suppliers

The Group supports the CBI initiative to address the problem of delayed payments to suppliers. Consequently, it is the Group's policy to settle the terms of payment with suppliers when business is agreed, to ensure that suppliers are made aware of them and to pay bills in accordance with these terms. The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers and the amount owed to its trade creditors at the end of the year was 80 (2009: 59). This was relatively high at both year ends due to the high value of agreed deferred payments outstanding on financial agreements with other clubs for the purchase of players at that time.

Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the board



MP Lindsay
Chairman

Sir Tom Finney Way
Deepdale
PRESTON
PR1 6RU
22nd December 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Independent auditors' report to the members of Preston North End Limited (formerly known as Preston North End plc)

We have audited the financial statements of Preston North End Limited (formerly known as Preston North End plc) for the year ended 30 June 2010 set out on pages 7 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2010 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of Preston North End Limited (formerly known as Preston North End plc) (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group incurred a net loss of £7,427,000 during the year ended 30 June 2010 and, at that date, the Group had net current liabilities of £27,243,000. The Group's bank overdraft and bank loan expire in June 2011, and the shareholder loans expire in January 2011. Whilst the bank and shareholder have indicated these facilities will be extended, no formal agreement has yet been obtained. The Group's cash flow forecasts show that it requires a further additional funding of up to £4,000,000 by November 2011. This will need to be financed by shareholder facilities or through future asset sales and/or the selling of future income entitlements, all of which are uncertain. These conditions, along with the other matters set out in note 1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



23rd DECEMBER 2010

Nick Plumb (Senior Statutory Auditor),
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edward VII Quay
Navigation Way
Preston
PR2 2YF

Consolidated Statement of Comprehensive Income
for year ended 30 June 2010

	<i>Note</i>	2010 £000	2009 £000
Revenue	<i>13</i>	10,797	8,507
Staff costs	<i>6</i>	(11,627)	(11,243)
Other expenses, excluding player trading and amortisation		(3,609)	(3,202)
		<hr/>	<hr/>
Loss from operations before player trading and amortisation		(4,439)	(5,938)
Depreciation and amortisation of player registrations	<i>11,12</i>	(3,482)	(2,712)
Profit on disposal of player registrations	<i>4</i>	2,019	312
		<hr/>	<hr/>
Loss from operations		(5,902)	(8,338)
Financial income	<i>8</i>	-	300
Financial expenses	<i>8</i>	(1,826)	(1,128)
		<hr/>	<hr/>
Loss before tax		(7,728)	(9,166)
Taxation	<i>9</i>	301	75
		<hr/>	<hr/>
Loss for the year attributable to equity holders of the parent		(7,427)	(9,091)
		<hr/>	<hr/>


All the results are from continuing operations

The notes on pages 11 to 35 form part of the financial statements

Statement of Financial Position
at 30 June 2010

	Note	Group		Company	
		2010 £000	2009 £000	2010 £000	2009 £000
Non-current assets					
Property, plant and equipment	11	27,886	28,504	27,886	28,504
Intangible assets	12	2,491	3,050	-	-
Investments in subsidiaries	13	-	-	289	289
Derivative financial instruments	15	-	300	-	300
		<u>30,377</u>	<u>31,854</u>	<u>28,175</u>	<u>29,093</u>
Current assets					
Inventories	16	310	340	310	340
Trade and other receivables	17	928	1,506	13,910	21,645
		<u>1,238</u>	<u>1,846</u>	<u>14,220</u>	<u>21,985</u>
Total assets		<u>31,615</u>	<u>33,700</u>	<u>42,395</u>	<u>51,078</u>
Current liabilities					
Bank overdraft	18	(5,626)	(4,330)	(5,626)	(4,330)
Other interest-bearing loans and borrowings	19	(16,473)	(467)	(16,473)	(467)
Trade and other payables	20	(4,477)	(4,925)	(2,064)	(1,911)
Deferred income	21	(1,905)	(2,580)	(1,902)	(2,570)
		<u>(28,481)</u>	<u>(12,302)</u>	<u>(26,065)</u>	<u>(9,278)</u>
Non-current liabilities					
Other interest-bearing loans and borrowings	19	(8,230)	(18,490)	(8,230)	(18,490)
Trade and other payables	20	(167)	(343)	(167)	(336)
Deferred income	21	(2,496)	(2,924)	(2,496)	(2,924)
Deferred tax liabilities	14	(1,433)	(1,734)	(1,433)	(1,734)
Derivative financial instruments	15	(328)	-	(328)	-
		<u>(12,654)</u>	<u>(23,491)</u>	<u>(12,654)</u>	<u>(23,484)</u>
Total liabilities		<u>(41,135)</u>	<u>(35,793)</u>	<u>(38,719)</u>	<u>(32,762)</u>
Net (liabilities)/assets		<u>(9,520)</u>	<u>(2,093)</u>	<u>3,676</u>	<u>18,316</u>
Equity attributable to equity holders of the parent					
Share capital	22	3,296	3,296	3,296	3,296
Share premium	22	7,051	7,051	7,051	7,051
Revaluation reserve	22	6,556	6,737	6,556	6,737
Retained earnings	22	(26,423)	(19,177)	(13,227)	1,232
Total equity		<u>(9,520)</u>	<u>(2,093)</u>	<u>3,676</u>	<u>18,316</u>

These financial statements were approved by the board of directors on ~~22nd December~~ 2010 and were signed on its behalf by


MP Lindsay
Chairman

Registered number 1621060

Consolidated Statement of Changes in Equity

for year ended 30 June 2010

Group	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 1 July 2008	3,296	7,051	-	(10,086)	261
Loss for the period	-	-	-	(9 091)	(9 091)
Other comprehensive income					
Revaluation of property, plant and equipment	-	-	6 737	-	6,737
Total other comprehensive income	-	-	6,737	-	6 737
Total comprehensive income for the period	-	-	6 737	(9 091)	(2 354)
Balance at 30 June 2009	3,296	7,051	6,737	(19,177)	(2,093)
Loss for the period	-	-	-	(7,427)	(7,427)
Other comprehensive income					
Reserves transfer	-	-	(181)	181	-
Total other comprehensive income	-	-	(181)	181	-
Total comprehensive income for the period	-	-	(181)	(7 246)	(7 427)
Balance at 30 June 2010	3,296	7,051	6,556	(26,423)	(9,520)

Company	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 1 July 2008	3,296	7,051	-	2,503	12,850
Loss for the period	-	-	-	(1,271)	(1 271)
Other comprehensive income					
Revaluation of property, plant and equipment	-	-	6 737	-	6 737
Total other comprehensive income	-	-	6 737	-	6 737
Total comprehensive income for the period	-	-	6 737	(1 271)	5 466
Balance at 30 June 2009	3,296	7,051	6,737	1,232	18,316
Loss for the period	-	-	-	(14 640)	(14 640)
Other comprehensive income					
Reserves transfer	-	-	(181)	181	-
Total other comprehensive income	-	-	(181)	181	-
Total comprehensive income for the period	-	-	(181)	(14 459)	(14 640)
Balance at 30 June 2010	3,296	7,051	6,556	(13,227)	3,676

Statement of Cash Flows
for year ended 30 June 2010

	<i>Note</i>	Group		Company	
		2010	2009	2010	2009
		£000	£000	£000	£000
Cash flows from operating activities					
Loss for the year		(7,728)	(9 166)	(14,941)	(1,346)
Adjustments for					
Depreciation, amortisation and impairment		3,482	2 712	781	632
Net financial expense		1,826	828	1,826	888
Gain on sale of intangible assets		(2,019)	(312)	-	-
Deferred grants		(56)	(56)	(56)	(56)
		(4,495)	(5,994)	(12,390)	118
Decrease/(Increase) in trade and other receivables		578	(221)	7,794	(3 907)
Decrease/(Increase) in inventories		30	(63)	30	(63)
(Decrease)/Increase in trade and other payables		(1,695)	3,592	(1,133)	2,453
		(5,582)	(2 686)	(5,699)	(1,399)
Interest paid		(653)	(787)	(653)	(787)
Net cash from operating activities		(6,235)	(3 473)	(6,352)	(2,186)
Cash flows from investing activities					
Proceeds from sale of intangible assets		2,019	3 985	-	-
Acquisition of property, plant and equipment		(163)	(5 093)	(163)	(5 093)
Acquisition of intangible assets		(2,136)	(2,698)	-	-
Net cash from investing activities		(280)	(3,806)	(163)	(5 093)
Cash flows from financing activities					
Proceeds from new loans		5,336	13 435	5,336	13 435
Repayment of borrowings		(80)	(250)	(80)	(250)
Payment of finance lease liabilities		(37)	(26)	(37)	(26)
Net cash from financing activities	26	5,219	13,159	5,219	13,159
Net (decrease)/increase in cash and cash equivalents		(1,296)	5 880	(1,296)	5,880
Cash and cash equivalents at 1 July		(4,330)	(10 210)	(4,330)	(10 210)
Cash and cash equivalents at 30 June	18	(5,626)	(4 330)	(5,626)	(4,330)

Notes

(forming part of the financial statements)

1 Accounting policies

Preston North End Limited (formerly known as Preston North End plc) (the "Company") is a Company incorporated and domiciled in the UK

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") The parent company financial statements present information about the Company as a separate entity and not about its group

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes that form a part of these approved financial statements

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28

New standards and interpretations

A number of new standards, amendments to standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC which have been adopted by the Group

International Accounting Standards and Interpretations	Effective date
IAS 1 Amendment - Presentation of financial statements	1st January 2009
IAS 23 Amendment - Borrowing Costs	1st January 2009
IAS 32 Amendment - Financial Instruments Presentation	1st January 2009
IAS 39 Amendment - Financial Instruments Recognition and Measurement	1st July 2009
IFRS 1 and IAS 27 Amendment - Cost of an investment in a subsidiary	1st July 2009
IFRS 8 Operating Segments	1st January 2009
IFRS 2 Amendment - Share Based Payments	1st January 2009

The financial statements are presented in sterling, rounded to the nearest thousand The financial statements have been prepared under a historical costs basis, as modified for financial assets and liabilities at fair value through the consolidated statement of comprehensive income

IFRS 3 Revised – Business Combinations	1 July 2009
IAS 27 Amendment – Consolidated and Separate Financial Statements	1 July 2009
IAS 38 Amendment – Intangible Assets	1 July 2009
IFRS 9 Financial instruments	1 January 2013

These standards and interpretations have not been adopted in these financial statements It is not anticipated that the adoption of these standards and interpretations will have a significant impact on the Group's financial statement on initial adoption

Basis of preparation

The Group has net liabilities at the balance sheet date of £9,520,000 and net current liabilities of £27,243,000 (2009 net liabilities of £2,093,000 and net current liabilities of £10,456,000) The financial statements have been drawn up on a going concern basis which the directors believe to be appropriate for the following reasons

The directors acknowledge that, in common with many clubs in the Championship, the club is likely to continue making operating losses and suffering net cash outflows Therefore the Group and Company remain reliant on the Company's ability to secure appropriate financing The Group and Company are funded through a bank overdraft, bank loans and shareholder loans

The bank overdraft facility is £6,000,000 at 30 June 2010 and £6,000,000 at 23 November 2010 The bank loans are £9,300,000 at 30 June 2010 and £9,300,000 at 23 November 2010 The bank overdraft and £1,000,000 of the bank loans are renewable annually and an extension to June 2011 has been agreed in principal with the bank The facilities will require a further extension from June 2011 and the Bank has indicated it will continue to provide these facilities, however no formal extensions have yet been granted either to June 2011 or from that date The remaining bank loans of £8 300,000 are due for final repayment in 2028

Notes (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

The shareholder loans are £15,000,000 at June 2010 and £17,700,000 at 23 November 2010. These loans have been committed until January 2011 and the shareholders have indicated that they may be extended thereafter if necessary. The support of the Company's shareholders has been evident for many years.

As explained in the Directors' report on page 1, the Company experienced a period of financial uncertainty which culminated in the receipt of a Winding-Up Petition by Her Majesty's Revenue and Customs (HMRC) on 14 May 2010. Deepdale PNE Holdings Limited ("DPNE"), a company ultimately controlled by Mr Trevor Hemmings, announced on 4 June 2010 that it had acquired 51.41% of the shares in the Company. This included the shares formerly held by Guild Ventures Limited, previously the Company's largest shareholder and also a company ultimately controlled by the family interests of Mr Trevor Hemmings. This resulted in a mandatory offer for the remaining shares in the Company. This offer led to DPNE owning 91.02% of the shares in the Company. The Offer Document to shareholders confirmed DPNE's commitment to fund the Company's short term cash requirements. Prior to the offer being made, Guild Ventures had already advanced a further £4.3m in shareholder loans in the financial year to 30 June 2010.

The Company has prepared detailed cash flow forecasts to June 2012. Those forecasts currently show that the Group and Company do not currently have facilities in place to fund all of the projected cash requirements over the next twelve months with the shortfall rising to £4.0m by November 2011. As in previous years those forecasts have been prepared on a prudent basis such that a good performance in the league, a player sale, a cup run or increased TV coverage will significantly increase projected income and therefore reduce the deficit. Conversely the club may choose to make additional signings in the January and/or August 2011 transfer windows if this is considered to be in its best interests and this could increase the deficit.

As in the previous financial year the Company has not sought to secure guaranteed finance to fund its cash flow projections in full for the forthcoming twelve months, given the high level of variables involved and the cost of securing additional facilities that may not be required. The directors are confident that sufficient additional funds will be available from the shareholders and shareholder related parties should they be required.

The combination of these circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern and therefore the Group and Company may be unable to continue to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Measurement convention

The financial statements are prepared on the historical cost basis, as modified by the revaluation of land and buildings.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes (continued)

I Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Loans and other borrowings

All borrowings (both interest and non-interest bearing) are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. Hedge accounting has not been applied.

Property, plant and equipment

Property, plant and equipment (with the exception of the football stadium) is stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. During the prior year the accounting policy changed such that the football stadium is now carried at valuation. In the Directors' opinion this represents a truer reflection of the value of the stadium, following its now completed development and therefore of the asset base of the Group. Revaluations of fixed assets are carried out on a rolling 5 year programme. Material changes to asset valuations will be adjusted as they occur.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 50 years
- Plant and equipment 4 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

Notes (continued)

1 Accounting policies (continued)

Intangible assets

Player registrations and signing on fees

Transfer fees and amounts paid to third parties for player registrations are capitalised as intangible fixed assets and are amortised on a straight line basis over the period of the respective player's initial contract. Any transfer fees payable as a result of the occurrence of one or more uncertain future events are capitalised based on management's assessment of the amount likely to be payable.

Player registrations are assessed on an annual basis and impairment losses arising are charged to the Statement of Comprehensive Income in the period in which they arise. Any surpluses arising are not accounted for.

Player signing on fees have been expensed to the Statement of Comprehensive Income as wages and salaries over the period to which they relate, which is considered to be the length of the player's initial contract with the club.

Amounts receivable and payable under player transfer agreements are often deferred over more than one season. Where this is the case the directors believe it is appropriate to classify transfer fees as current on the basis of this normal operating cycle despite the fact that the amount is not always due to be paid or received within 12 months of the Statement of Financial Position date. Amounts receivable are discounted to present value where the amounts are considered material.

Government grants

Government grants that compensate the Group for the cost of an asset are included within deferred income in the Statement of Financial Position and credited to the Statement of Comprehensive Income over the estimated useful economic lives of the assets to which they relate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Impairment excluding inventories

The carrying amounts of the Group's assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Employee benefits - defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue

Revenue comprises income from television rights, gate receipts, merchandising sales, rental income, sponsorships and other commercial activities, exclusive of value added tax. Season ticket, sponsorship income received and other commercial activities prior to the year end in respect of the following football season is recognised over the season to which it relates. Where such income is in respect of future seasons it is treated as deferred income. Fixed elements of FL Championship television rights are recognised in the period July to June in the relevant football season. Merchandising sales are recognised on the date the goods and services are supplied to the customer. Revenue from rental income is recognised on a straight line basis over the life of the contract.

Notes (continued)

1 Accounting policies (continued)

Expenses

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable and unwinding of the discount on provisions that are recognised in the Statement of Comprehensive Income. In respect of non-interest payable borrowings, financing expenses include the effective interest rate. Finance income comprises increases in the fair value of derivative financial instruments.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Operating segments

The segments disclosed in Note 2 reflect the Group's management and internal reporting structure and the trading subsidiary of the Group.

The Group comprises the following main business segments:

- | | | |
|---------------------------------|---|---|
| <i>Football</i> | - | This operating segment reflects income received from season and matchday ticket sales and distributions and broadcasting income from the Football and Premier Leagues. The main element of its cost base is the football playing and backroom staff salaries, together with the associated costs of training and playing matches. |
| <i>Stadium & Commercial</i> | - | This operating segment relates to the ancillary activities within the football club including commercial and hospitality income, club shop sales and stadium rentals, less the costs associated with operating such activities and maintaining the stadium. |

Notes (continued)

2 Operating segments

The Group has adopted IFRS 8 Operating Segments for the first time and disclose two main reporting segments, being Football and Stadium and Commercial activities. This disclosure correlates to the internal reporting performance information that Operational Management and the Board of Directors review to operating profit level. The categories also correlate with the business activities of the trading subsidiary company of the Group.

Certain overheads of the Group, financial income/expenses and taxation are only accounted for and reported at Group level and these expenses have not been allocated to a segment.

All assets are located in the UK.

Segmental information for year ended 30 June 2010

	<i>Football</i>	<i>Stadium & Commercial</i>	<i>Total</i>
	2010	2010	2010
	£000	£000	£000
Total revenue	7,431	3,366	10,797
Segment (loss)/profit	(4,570)	131	(4,439)
Central costs			(1,463)
Operating loss			(5,902)
Net financing costs			(1,826)
Taxation			301
Loss for the period			(7,427)

Segmental information for year ended 30 June 2009

	<i>Football</i>	<i>Stadium & Commercial</i>	<i>Total</i>
	2009	2009	2009
	£000	£000	£000
Total revenue	5,450	3,057	8,507
Segment loss	(5,114)	(824)	(5,938)
Central costs			(2,400)
Operating loss			(8,338)
Net financing costs			(828)
Taxation			75
Loss for the period			(9,091)

Notes (continued)

3 Revenue

	2010 £000	2009 £000
Season and match day ticket sales (including cup games)	3,209	3,413
Football League distributions and televised games	4,222	2,036
Rental income	1,241	788
Commercial and media revenue	1,449	1,636
Merchandising	676	634
Total revenues	<u>10,797</u>	<u>8,507</u>

The Group's revenue was from its operations noted above, and was derived entirely within the United Kingdom

Release of deferred capital grants

An amount of £56,000 was released to the Consolidated Statement of Comprehensive Income from deferred capital grants (see note 21)

Operating lease income

During the prior year, the Company granted a lease to Central Lancashire Primary Care Trust for a period of 25 years to occupy a Health Centre building constructed under one of the stands at the Deepdale Stadium. This lease is subject to annual RPI rent reviews. In addition the Company has an existing 25 year lease with Fitness First to occupy a fitness centre constructed under another of the stands at the Deepdale Stadium. This lease is subject to five yearly rent reviews. The future minimum lease rentals under these leases are receivable as follows

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Less than one year	579	565	579	565
Between one and five years	2,198	2,261	2,198	2,261
More than five years	3,906	4,424	3,906	4,424
	<u>6,683</u>	<u>7,250</u>	<u>6,683</u>	<u>7,250</u>

4 Profit on disposal of player registrations

The net profit on disposal of player registrations relates principally to the transfers of Paul McKenna to Nottingham Forest Football Club and a loan fee for the transfer of Sean St Ledger to Middlesbrough Football Club which had been anticipated at the time to become a permanent transfer.

Total cash proceeds of £2.02m were received during the year.

5 Expenses and auditors' remuneration

Auditors' remuneration

	2010 £000	2009 £000
Audit of these financial statements	5	5
Audit of the subsidiary undertakings' financial statements	14	12
Other services relating to taxation	3	3

Amounts paid to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	Number of employees Group		Number of employees Company	
	2010	2009	2010	2009
Players, managerial and training staff	78	83	-	-
Sales, administration and ancillary staff	32	23	32	23
	<u>110</u>	<u>106</u>	<u>32</u>	<u>23</u>

In addition to the above, the Group employed an average of 214 (2009 207) match day staff during the year. The aggregate payroll costs of these persons were as follows

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Wages and salaries	10,278	9,923	652	599
Social security costs	1,316	1,270	84	77
Contributions to defined contribution plans	33	50	7	3
	<u>11,627</u>	<u>11,243</u>	<u>743</u>	<u>679</u>

7 Directors' remuneration

	2010 £000	2009 £000
Directors' emoluments	134	152
Fees payable to related parties	75	75
Company contributions to money purchase pension plans	2	2

Fees payable to related parties were paid to Ribble Valley Shelving Limited in respect of Derek Shaw. The aggregate of emoluments of the highest paid director was £136,000 (2009 £150,000)

	Number of directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under Money purchase schemes	<u>1</u>	<u>1</u>

8 Net finance expense

Recognised in the Statement of Comprehensive Income

	2010 £000	2009 £000
Finance income/(expense) (decrease)/increase in fair value of derivative financial instruments	(628)	300
Finance expense - interest on bank overdraft	(220)	(238)
Finance expense - interest on other loans	(978)	(890)
	<u>(1,826)</u>	<u>(828)</u>

Notes (continued)

9 Taxation

Recognised in the Statement of Comprehensive Income

	2010 £000	2009 £000
Current tax expense	-	-
Deferred tax income		
Origination and reversal of temporary differences	301	75

Reconciliation of effective tax rate

	2010 £000	2009 £000
Loss for the year	(7,427)	(9,091)
Total tax income	(301)	(75)
Loss excluding taxation	(7,728)	(9,166)
Tax using the UK corporation tax rate of 28% (2009 28 %)	(2,164)	(2,566)
Non-deductible expenses	29	3
Non taxable income	(16)	(17)
Difference between depreciation and capital allowances for the period	218	190
Current year losses for which no deferred tax asset was recognised	1,958	2,443
Other timing differences	(25)	(53)
Movement on deferred taxation in the period	301	75
Total tax income	301	75

10 Company result for the financial year

Preston North End Limited (formerly known as Preston North End plc) has not presented its own Statement of Comprehensive Income as permitted by section 408 of the Companies Act 2006. The loss for the financial year as dealt with in the accounts of the Company is £14,640,000 (2009 £1,271,000).

Notes (continued)

11 Property, plant and equipment – Group and Company

	Land and buildings £000	Plant and equipment £000	Under construction £000	Total £000
Cost				
Balance at 1 July 2008	9,623	5,504	6,917	22,044
Additions	2,750	493	-	3,243
Reclassifications	6,917	-	(6,917)	-
Revaluations	6,993	1,177	-	8,170
Balance at 30 June 2009	26,283	7,174	-	33,457
Balance at 1 July 2009	26,283	7,174	-	33,457
Additions	19	144	-	163
Reclassifications	(605)	605	-	-
Balance at 30 June 2010	25,697	7,923	-	33,620
Depreciation				
Balance at 1 July 2008	1,791	2,530	-	4,321
Depreciation charge for the year	381	251	-	632
Balance at 30 June 2009	2,172	2,781	-	4,953
Balance at 1 July 2009	2,172	2,781	-	4,953
Depreciation charge for the year	537	244	-	781
Balance at 30 June 2010	2,709	3,025	-	5,734
Net book value				
At 1 July 2008	7,832	2,974	6,917	17,723
At 30 June 2009 and 1 July 2009	24,111	4,393	-	28,504
At 30 June 2010	22,988	4,898	-	27,886

Leased plant and equipment

At 30 June 2010 the net carrying amount of leased plant and equipment was £145,000 (2009: £163,000). The leased equipment secures lease obligations (see note 19).

Security

The bank loans and overdrafts of the Group and Company are secured by a first legal mortgage over the football stadium at Deepdale, Preston, and a debenture over the Group's fixed and floating assets.

Plant and equipment

Included within plant and equipment are fixed and freestanding assets within the individual stands making up the Deepdale Stadium. In addition, there are motor vehicles, IT equipment and other miscellaneous fixtures and fittings.

Revaluations

The Deepdale Stadium was revalued as at 30 June 2009 by Eckersley Chartered Surveyors (RICS), an independent valuer, at an amount of £26,625,000 on a depreciated replacement cost basis. The resulting surplus on revaluation was transferred to reserves. The carrying value of the land and buildings if they were stated at cost less accumulated depreciation would have been £16,737,000. The carrying value of the plant and equipment if it was stated at cost less accumulated depreciation would have been £3,160,000.

Notes (continued)

12 Intangible assets – Group

	Player registrations £000
Cost	
Balance at 1 July 2008	6,881
Acquisitions – externally purchased	1,313
Disposals	(1,044)
	<hr/>
Balance at 30 June 2009	7,150
	<hr/>
Balance at 1 July 2009	7,150
Acquisitions – externally purchased	2,142
Disposals	(1,107)
	<hr/>
Balance at 30 June 2010	8,185
	<hr/>
Amortisation and impairment	
Balance at 1 July 2008	3,064
Amortisation for the year	2,080
On disposals	(1,044)
	<hr/>
Balance at 30 June 2009	4,100
	<hr/>
Balance at 1 July 2009	4,100
Amortisation for the year	2,041
Impairment charge	660
On disposals	(1,107)
	<hr/>
Balance at 30 June 2010	5,694
	<hr/>
Net book value	
At 1 July 2008	3,817
	<hr/>
At 30 June 2009 and 1 July 2009	3,050
	<hr/>
At 30 June 2010	2,491
	<hr/>

Impairment loss

The impairment loss of £660,000 in the year ended 30 June 2010 relates to the write down of the value of certain player registrations. The amount of the loss represents the difference between the carrying value of player registrations and the realised sale value in the period since the year end.

Factors taken into account that may indicate potential impairment would include any long term injuries to the player, failure to reach the standard required to play in the division in which the Club is competing and a general assessment by the Board of Preston North End Limited (formerly known as Preston North End plc) and/or football manager as to whether the player would be likely to command a transfer fee below their carrying amount in the transfer market existing at the year end. For the purposes of impairment reviews, players' registrations are assigned to a single cash generating unit to assess for impairment.

Notes (continued)

13 Investment in subsidiary

Company	Shares in Group undertakings £000
Cost and net book value At 1 July 2009 and 30 June 2010	289

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

The Company has the following investment in its subsidiary

Company	Country of Incorporation	Class of shares held	Ownership 2010	2009
Preston North End Football Club Limited	UK	Ordinary	100%	100%

The Group's share of post-acquisition total recognised profit or loss in the above subsidiary for the year ended 30 June 2010 was a loss of £5,454,000 (2009 loss of £7,821,000)

14 Deferred tax assets and liabilities – Group and Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Liabilities 2010 £000	2009 £000
Property, plant and equipment	1,433	1,734
Net tax liabilities	1,433	1,734

At 30 June 2010 the Group's subsidiary undertaking, Preston North End Football Club Limited, had tax losses carried forward of £21,800,000 (2009 £16,300,000). A deferred tax asset has not been recognised in respect of these losses.

Movement in deferred tax liability during the year

	1 July 2009 £000	Recognised in Statement of Comprehensive Income £000	Recognised in Statement of Changes in Equity £000	30 June 2010 £000
Property, plant and equipment	301	(301)	-	-
On revaluation	1,433	-	-	1,433
	1,734	(301)	-	1,433

Movement in deferred tax liability during the prior year

	1 July 2008 £000	Recognised in Statement of Comprehensive Income £000	Recognised in Statement of Changes in Equity £000	30 June 2009 £000
Property, plant and equipment	376	75	-	301
On revaluation	-	-	1,433	1,433
	376	75	1,433	1,734

Notes (continued)

15 Derivative financial instruments

	Group and company	
	Assets	
	2010	2009
	£000	£000
Interest rate swaps	-	300
	<u> </u>	<u> </u>
	Liabilities	
	2010	2009
	£000	£000
Interest rate swaps	328	-
	<u> </u>	<u> </u>

On 31 March 2009 the Group entered into an interest rate swap arrangement to manage its exposure to interest rate movements on its bank borrowings. Contracts covering notional amounts equivalent to two tranches of the bank loan restrict interest payments at varying rates. On the first tranche of £4,000,000 the interest rate has been fixed at 3.53% until 31 December 2018 and will revert to the floating LIBOR rate at that date. On the second tranche of £3,000,000 the interest rate has been fixed at 3.275% until 31 December 2015 and will revert to the floating LIBOR rate at that date.

The fair value of the interest rate swap on the first tranche is estimated at a liability of £178,425 and the fair value of the interest rate swap on the second tranche is estimated at a liability of £149,501. Fair value is calculated by discounting future receipts and payments to present value using current interest rates. The main assumption impacting on the future profile of receipts and payments under the swap arrangement is that relating to future movements in LIBOR.

16 Inventories

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Goods for resale	310	340	310	340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The amount of inventories recognised as an expense in the period is £420,000 (2009: £412,000).

17 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade receivables due from subsidiary	-	-	13,000	20,456
Other trade receivables	312	692	277	647
Prepayments	520	717	421	385
Other tax and social security	-	-	129	70
Other debtors	96	97	83	87
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	928	1,506	13,910	21,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Group trade receivables include transfer and loan fees receivable from other clubs of £34,000 (2009: £45,000).

Notes (continued)

18 Cash and cash equivalents/bank overdrafts

	Group and Company	
	2010	2009
	£000	£000
Bank overdrafts	5,626	4,330
Cash and cash equivalents per cash flow statement	5,626	4,330

19 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 25.

Group and company	2010	2009
	£000	£000
Non-current liabilities		
Secured bank loans	8,180	8,260
Finance lease liabilities	50	92
Other loans	-	10,138
	8,230	18,490
Current liabilities		
Secured bank loans	1,100	80
Finance lease liabilities	42	37
Other loans	15,331	350
	16,473	467

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2010	Carrying amount 2010	Face value 2009	Carrying amount 2009
				£000	£000	£000	£000
Secured bank loan	GBP	LIBOR +1.5%	2028	8,260	8,260	8,340	8,340
Secured bank loan	GBP	LIBOR +8%	2010	1,020	1,020	-	-
Finance lease liabilities	GBP	13%	2012	79	79	108	108
Finance lease liabilities	GBP	15.3%	2011	13	13	21	21
Other loans	GBP	LIBOR + 3%	2011	10,503	10,503	10,138	10,138
Other loans	GBP	LIBOR + 8%	2011	4,478	4,478	-	-
Other loans	GBP	Bank of England Base Rate+1.5%	On demand	250	250	250	250
Other loans	GBP	Interest free	On demand	100	100	100	100
				24,703	24,703	18,957	18,957

Notes (continued)

19 Other interest-bearing loans and borrowings (continued)

Group and company

Finance lease liabilities are payable as follows

	Minimum lease payments 2010 £000	Interest 2010 £000	Principal 2010 £000	Minimum lease payments 2009 £000	Interest 2009 £000	Principal 2009 £000
Less than one year	52	10	42	52	15	37
Between one and five years	54	4	50	106	14	92
	<u>106</u>	<u>14</u>	<u>92</u>	<u>158</u>	<u>29</u>	<u>129</u>

20 Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Current				
Trade payables	2,411	1,886	1,426	1,192
Non-trade payables and accrued expenses	877	1,248	382	460
Interest payable	27	9	27	9
Other tax and social security	994	1,615	61	83
Other payables	168	167	168	167
	<u>4,477</u>	<u>4,925</u>	<u>2,064</u>	<u>1,911</u>
Non-current				
Non-trade payables and accrued expenses	-	7	-	-
Other payables	167	336	167	336
	<u>167</u>	<u>343</u>	<u>167</u>	<u>336</u>

Group trade payables includes transfers and loan fees and other associated costs in relation to the acquisition of players' registrations of £985,000 (2009 £577,000)

Defined contribution plans

The Group operates a defined contribution pension plan

The total expense relating to these plans in the current year was £33,000 (2009 £50,000)

Notes (continued)

21 Deferred income

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Current				
Deferred capital grants	57	57	57	57
Other deferred income	1,848	2,523	1,845	2,513
	<u>1,905</u>	<u>2,580</u>	<u>1,902</u>	<u>2,570</u>
Non current				
Deferred capital grants	1,900	1,956	1,900	1,956
Other deferred income	596	968	596	968
	<u>2,496</u>	<u>2,924</u>	<u>2,496</u>	<u>2,924</u>

Deferred capital grants were received towards development of the various stages of the Deepdale Stadium. They are released to the Consolidated Statement of Comprehensive Income to match the depreciation on the assets to which they relate.

Other non-current deferred income relates principally to advance rents received in respect of the Health Centre constructed under one of the stands at the Deepdale Stadium together with advance rentals received for executive boxes relating to future football seasons.

22 Capital and reserves

Reconciliation of movement in capital and reserves – Group

	Share capital £000	Share premium £000	Revaluation Reserve £000	Retained Earnings £000	Total equity £000
Balance at 1 July 2008	3,296	7,051	-	(10,086)	261
Loss for the year	-	-	-	(9,091)	(9,091)
On revaluation in the year	-	-	6,737	-	6,737
Balance at 30 June 2009	<u>3,296</u>	<u>7,051</u>	<u>6,737</u>	<u>(19,177)</u>	<u>(2,093)</u>
Balance at 1 July 2009	3,296	7,051	6,737	(19,177)	(2,093)
Loss for the year	-	-	-	(7,427)	(7,427)
Reserves transfer	-	-	(181)	181	-
Balance at 30 June 2010	<u>3,296</u>	<u>7,051</u>	<u>6,556</u>	<u>(26,423)</u>	<u>(9,520)</u>

Reconciliation of movement in capital and reserves – Company

	Share capital £000	Share premium £000	Revaluation Reserve £000	Retained Earnings £000	Total parent equity £000
Balance at 1 July 2008	3,296	7,051	-	2,503	12,850
Loss for the year	-	-	-	(1,271)	(1,271)
On revaluation in the year	-	-	6,737	-	6,737
Balance at 30 June 2009	<u>3,296</u>	<u>7,051</u>	<u>6,737</u>	<u>1,232</u>	<u>18,316</u>
Balance at 1 July 2009	3,296	7,051	6,737	1,232	18,316
Loss for the year	-	-	-	(14,640)	(14,640)
Reserves transfer	-	-	(181)	181	-
Balance at 30 June 2010	<u>3,296</u>	<u>7,051</u>	<u>6,556</u>	<u>(13,227)</u>	<u>3,676</u>

Notes (continued)

22 Capital and reserves (continued)

Revaluation reserve

Where property, plant and equipment is revalued, the cumulative increase in the fair value of the property at the date in excess of any previous impairment losses is included in the revaluation reserve

23 Share capital

	2010 £000	2010 No	2009 £000	2009 No
<i>Authorised</i>				
Ordinary shares of £1 each	8,000	8,000,000	8 000	8 000 000
<i>Allotted called up and fully paid</i>				
Ordinary shares of £1 – classified as shareholders funds	3,296	3,296,000	3 296	3 296 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

24 Financial instruments

The Group holds or issues financial instruments in order to finance its operations and for trading purposes. In addition, various financial instruments (e.g. trade receivables and trade payables) arise directly from the Group's operations. Transactions in financial instruments result in the Group assuming or transferring to another party one or more of the financial risks as described below

Credit risk

The Group monitors credit risk closely and considers that its current policy meets its objectives for managing exposure to credit risk

Liquidity risk

The Group maintains a mixture of bank overdrafts and shareholder loans in order to meet its commitments as they fall due. These are noted below

Interest rate risk

The Group has a number of loans and an overdraft which incurs a variable interest rate linked to LIBOR and the Bank of England base rate. The Group has also entered into interest rate swap arrangements to manage interest rate risk

Currency risk

The Group and Company does not face significant currency risk since its operations are entirely UK based and the majority of transactions are denominated in Sterling

(a) Fair values

The fair values of financial instruments held by the Group and Company have been calculated as follows

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date if the effect is material

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date

Notes (continued)

24 Financial instruments (continued)

(a) Fair values (continued)

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the Statement of Financial Position date

Interest rate swaps

Fair value is calculated by discounting future receipts and payments to present value using current interest rates. The main assumption impacting on the future profile of receipts and payments under the swap arrangement is that relating to future movements in LIBOR.

Weighted average interest rates

The interest rates used to discount estimated cash flows, where applicable, are based on the weighted average interest rates applicable in the year and were as follows:

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Loans and borrowings	4.43%	5.54%	4.43%	5.54%

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the Statement of Financial Position are as follows:

Group	Carrying amount 2010 £000	Fair value 2010 £000	Carrying amount 2009 £000	Fair value 2009 £000
Financial instruments held at amortised cost				
Non-derivative financial assets				
Trade receivables	312	312	692	692
Derivative financial instruments				
Interest rate swaps	(328)	(328)	300	300
Non-derivative financial liabilities				
Secured bank loan	(8,260)	(8,260)	(8,340)	(8,340)
Secured bank loan	(1,020)	(1,020)	-	-
Finance lease liabilities	(92)	(92)	(129)	(129)
Other loan	(10,503)	(10,503)	(10,138)	(10,138)
Other loan	(4,478)	(4,478)	-	-
Other loan	(250)	(250)	(250)	(250)
Other loan	(100)	(100)	(100)	(100)
Bank overdraft	(5,626)	(5,626)	(4,330)	(4,330)
Trade payables	(2,411)	(2,411)	(1,886)	(1,886)
Total financial instruments	(32,756)	(32,756)	(24,181)	(24,181)

Notes (continued)

24 Financial instruments (continued)

Company	Carrying amount 2010 £000	Fair value 2010 £000	Carrying amount 2009 £000	Fair value 2009 £000
Non-derivative financial assets				
Trade receivables	277	277	647	647
Derivative financial instruments				
Interest rate swaps	(328)	(328)	300	300
Non-derivative financial liabilities				
Secured bank loan	(8,260)	(8,260)	(8,340)	(8,340)
Secured bank loan	(1,020)	(1,020)	-	-
Finance lease liabilities	(92)	(92)	(129)	(129)
Other loan	(10,503)	(10,503)	(10,138)	(10,138)
Other loan	(4,478)	(4,478)	-	-
Other loan	(250)	(250)	(250)	(250)
Other loan	(100)	(100)	(100)	(100)
Bank overdraft	(5,626)	(5,626)	(4,330)	(4,330)
Trade payables	(1,426)	(1,426)	(1,192)	(1,192)
Total financial instruments	(31,806)	(31,806)	(23,532)	(23,532)

(b) Credit risk

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the Statement of Financial Position date was

Group	Gross 2010 £000	Gross 2009 £000
Not past due	140	556
Past due 0-30 days	34	20
Past due 31-120 days	138	116
	312	692
Company	Gross 2010 £000	Gross 2009 £000
Not past due	140	547
Past due 0-30 days	19	20
Past due 31-120 days	118	80
	277	647

All trade receivables at the Statement of Financial Position date are due from customers within the United Kingdom

The Group has no external significant concentrations of credit risk, since all football club debtors are guaranteed by The Football League. The intercompany balances are not considered to represent a significant credit risk by the Directors. Amounts shown in the Statement of Financial Position and the table above represent the maximum credit risk exposure in the event that other parties fail to perform their obligations under financial instruments.

The Group and Company believe that no impairment allowance is necessary in respect of trade receivables.

Notes (continued)

24 Financial instruments (continued)

(c) Liquidity risk

Liquidity risk – Group

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	2010					2009				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to 5 years and over £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to 5 years and over £000
Non-derivative financial assets										
Trade receivables	312	312	312	-	-	692	692	692	-	-
Non-derivative financial liabilities										
Secured bank loan	(8,260)	(12,766)	(452)	(458)	(1,745)	(8,340)	(13,277)	(463)	(474)	(1,562)
Secured bank loan	(1,020)	(1,020)	(1,020)	-	-	-	-	-	-	-
Finance lease liabilities	(92)	(106)	(52)	(44)	(10)	(129)	(158)	(52)	(52)	(54)
Other loans	(10,503)	(10,503)	(10,503)	-	-	(10,138)	(10,138)	-	(10,138)	-
Other loans	(4,478)	(4,478)	(4,478)	-	-	-	-	-	-	-
Other loans	(250)	(250)	(250)	-	-	(250)	(250)	(250)	-	-
Other loans	(100)	(100)	(100)	-	-	(100)	(100)	(100)	-	-
Bank overdrafts	(5,626)	(5,626)	(5,626)	-	-	(4,330)	(4,330)	(4,330)	-	-
Trade payables	(2,411)	(2,411)	(2,411)	-	-	(1,886)	(1,886)	(1,886)	-	-
	(32,428)	(36,948)	(24,580)	(502)	(1,755)	(24,481)	(29,447)	(6,389)	(10,664)	(10,778)

As the bank overdraft and £250,000 (2009 £250,000) other loans are repayable on demand, interest payments have been excluded from the above repayments analysis. As the repayment date is unknown, the interest due cannot be estimated with reasonable accuracy.

Notes (continued)

24 Financial instruments (continued)

(c) Liquidity risk (continued)

Liquidity risk – Company

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5 years and over £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to 5years £000	5 years and over £000
Non-derivative financial assets												
Trade receivables	277	277	277	-	-	-	647	647	647	-	-	-
Non-derivative financial liabilities												
Secured bank loan	(8,260)	(12,766)	(452)	(458)	(1,745)	(10,111)	(8,340)	(13,277)	(463)	(474)	(1,562)	(10,778)
Secured bank loan	(1,020)	(1,020)	(1,020)	-	-	-	-	-	-	-	-	-
Finance lease liabilities	(92)	(106)	(52)	(44)	(10)	-	(129)	(158)	(52)	(52)	(54)	-
Other loans	(10,503)	(10,503)	(10,503)	-	-	-	(10,138)	(10,138)	-	(10,138)	-	-
Other loans	(4,478)	(4,478)	(4,478)	-	-	-	-	-	-	-	-	-
Other loans	(250)	(250)	(250)	-	-	-	(250)	(250)	(250)	-	-	-
Other loans	(100)	(100)	(100)	-	-	-	(100)	(100)	(100)	-	-	-
Bank overdrafts	(5,626)	(5,626)	(5,626)	-	-	-	(4,330)	(4,330)	(4,330)	-	-	-
Trade payables	(1,426)	(1,426)	(1,426)	-	-	-	(1,192)	(1,192)	(1,192)	-	-	-
	(31,478)	(35,998)	(23,630)	(502)	(1,755)	(10,111)	(23,832)	(28,798)	(5,740)	(10,664)	(1,616)	(10,778)

As the bank overdraft and £250,000 (2009 £250,000) other loans are repayable on demand interest payments have been excluded from the above repayments analysis. As the repayment date is unknown, the interest due cannot be estimated with reasonable accuracy.

Notes (continued)

25 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Less than one year	54	2	54	2
Between one and five years	39	98	39	98
More than five years	-	-	-	-
	<u>93</u>	<u>100</u>	<u>93</u>	<u>100</u>

26 Analysis of changes in net financial liabilities

Group and Company	At 1 July 2009 £000	Cash flow £000	Non cash movement £000	At 30 June 2010 £000
Bank overdrafts	(4,330)	(1 296)	-	(5,626)
Debt due within 1 year	(467)	(1,005)	(15,001)	(16,473)
Debt due after 1 year	(18 490)	(4 214)	14 474	(8,230)
Total debt	<u>(18 957)</u>	<u>(5,219)</u>	<u>(527)</u>	<u>(24,703)</u>
Net debt	<u>(23 287)</u>	<u>(6 515)</u>	<u>(527)</u>	<u>(30,329)</u>

Notes (continued)

27 Related parties

Group

Identity of related parties with which the Group has transacted

Guild Ventures Limited owned 28.03% of the ordinary share capital of the Company at the start of the financial year.

Guild Ventures Limited is a company ultimately controlled by the family interests of Mr Trevor Hemmings.

As set out in the Directors' Report on page 1, Deepdale PNE Holdings Limited ("DPNE"), a company also ultimately controlled by Mr Trevor Hemmings, announced on 4 June 2010 that it had acquired 51.41% of the shares in the Company. This included the shares previously held by Guild Ventures. This announcement resulted in a mandatory offer for the remaining shares in the Company. The Offer Document was dispatched to shareholders on 16 June 2010.

At the point the offer was closed on 8 September 2010, DPNE held 91.02% of the shares in the Company.

During the financial year Guild Ventures Limited has made further loans to Preston North End Limited (formerly known as Preston North End plc) amounting to £4,340,000. The loan was advanced in various tranches during the year and accrues interest at a rate of 8% over LIBOR. The original loan of £8,540,000 continues to accrue interest at a rate of 3% over LIBOR. The total loan now advanced by Guild Ventures Limited is £12,880,000. As at 30 June 2010, total interest of £983,000 has fallen due and has been added to the total outstanding debt. The loan is repayable on 31 January 2011 unless both parties mutually agree to extend the repayment date.

Friends of Preston North End Limited ("FPNE") owned 20.86% of the ordinary share capital of the Company. This holding was transferred to DPNE on 4 June 2010 under the acquisition referred to above. Derek Shaw is a director of FPNE.

Preston North End Limited (formerly known as Preston North End plc) has made payments amounting to £nil (2009 £28,720) under a lease agreement with FPNE for the buildings which the Club occupies for its retail outlet and offices.

FPNE made a loan to Preston North End Limited (formerly known as Preston North End plc) during the year to 30 June 2008 amounting to £990,000. The loan accrues interest at a rate of 3% over LIBOR. As at 30 June 2010, total interest of £132,000 has fallen due and has been added to the total outstanding debt. The loan is repayable on 31 January 2011 unless both parties mutually agree to extend the repayment date.

Transactions with key management personnel

Key management personnel of the Group were the Directors who served during the year. The compensation of key management personnel (including pension contributions) was as follows:

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Key management emoluments	138	152	138	152
Fees payable to related parties	75	75	75	75
Company contributions to money purchase pension plans	2	2	2	2
	<u>215</u>	<u>229</u>	<u>215</u>	<u>229</u>

Fees payable to related parties are paid to Ribbles Valley Shelving Limited in respect of Derek Shaw.

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2010	2009	2010	2009
	£000	£000	£000	£000
Other related parties	-	-	-	-

Notes (continued)

27 Related parties (continued)

Other related party transactions (continued)

	Receivables outstanding		Payables outstanding	
	2010	2009	2010	2009
	£000	£000	£000	£000
Other related parties				
Guild Ventures Limited	-	-	13,859	9,055
Friends of Preston North End Limited	-	-	1,222	1,183
	<u>-</u>	<u>-</u>	<u>15,081</u>	<u>10,238</u>

Company

Identity of related parties with which the Company has transacted

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2010	2009	2010	2009
	£000	£000	£000	£000
Subsidiaries	-	-	-	-
Other related parties	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Receivables outstanding		Payables outstanding	
	2010	2009	2010	2009
	£000	£000	£000	£000
Subsidiaries	25,657	20,456	-	-
Other related parties	-	-	13,859	9,055
Guild Ventures Limited	-	-	1,222	1,183
Friends of Preston North End Limited	-	-	-	-
	<u>25,657</u>	<u>20,456</u>	<u>15,081</u>	<u>10,238</u>

28 Significant Management judgements and key sources of estimation uncertainty

The Board considers the key judgement that meets the significance thresholds of IAS 1 to be the judgement that the going concern basis is appropriate. It would only be in circumstances where this was not the case that the judgemental areas in the accounts would carry risk of material adjustment in future years. For example the carrying value of the football stadium is supported as long as football league status is maintained and the carrying value of the intangible assets is supported by either the expectation that players will play out their contracts or the knowledge that we would seek appropriate transfer fees where the player is sold before expiry of the initial contract. As the value of players' registrations only reduces significantly towards the end of the contract period, there is usually a recognised surplus of that value over the carrying amount of registrations. The Group has only recorded three impairments over the last 5 years and no losses have been recognised on disposal of players. This issue has therefore not been a source of estimation uncertainty historically. The key area of estimation uncertainty for the Company is the recovery of the intercompany receivable which is itself principally dependent on management's estimate of the value of the playing squad.

See note 1 for consideration of the going concern basis of preparation.

Notes *(continued)*

29 Post Balance Sheet Events

Since the year end the Company has acquired the registration of four football players at an initial cost of £532,000 and disposed of the registrations of players at a profit of £443,000

30 Ultimate parent company

The Company is a subsidiary undertaking of Deepdale PNE Holdings Limited which is the parent company incorporated in the UK. The ultimate parent company is Grovemoor Limited, incorporated in the Isle of Man.

No other group financial statements include the results of the Company