AFCW PLC - BUDGET FOR 2004/05

	Unaudited profit for 2003/04	Full year budget for 2004/05
Football gate & prize money		
- League	302,274	303,160
- Cup	50,426	12,760
Total football income	**352,700**	**315,920**
Football Costs	(214,249)	(257,734)
FOOTBALL PROFITS	138,451	58,186
Programme	(7,112)	(3,050)
Merchandise	35,729	50,075
Bar	109,235	93,270
Teabar	11,186	7,657
Functions	18,550	25,636
Commercial	84,476	97,849
Donations	29,964	15,000
Sundry income	11,482	10,000
Total income	431,961	354,623
Overheads & salaries	(260,357)	(231,784)
Profit before dep'n and int	**171,604**	**122,839**
Depreciation		25,431
Finance charges		80,994
Profit before tax		**16,414**

AFCW PLC – The profit for 2003/04 is taken from draft management accounts for the 12 months ended 30/6/04
These accounts are unaudited and are subject to revision following management review

AFCW PLC

BUDGET FOR 2004-05

The attached budget for 2004-05 has been discussed by both the PLC and Dons Trust boards and has been adjusted to reflect comments raised during those discussions. It was submitted in the Summer, since when some of the proposed changes have already happened.

This document sets out a brief summary of:

- the key issues we face;
- the assumptions underlying the budget;
- comments on some of the budget areas;
- the choices we faced and the specific actions we took to reduce costs.

Summary

The budget shows a profit of just over £16,000 for the year. Compared to the previous year, 2003/04, there are planned increases in income from merchandise, functions and commercial activities as well as an aim to increase bar sales from non-football days. The achievement of budgeted profit depends substantially on the board devising and implementing plans to increase income in all the areas listed above, while keeping tight control of spending.

As is usual when developing a budget, the football club board prepared a long "wish list" of projects and expenditures. Much of this expenditure cannot be afforded in this budget and it has been put on a reserve list. If we are confident that we will beat the budget, we will return to the list and implement some of the projects.

Assumptions

This section explains some of the assumptions underlying the budget and looks at the sensitivity of some of them in terms of how the profit and loss account might be affected by changes in, for example, attendances.

- Attendances are assumed to be the same as last season. We believe this is a prudent assumption and hope that AFCW being in a better-known league will attract more casual spectators, some of whom may become regulars. Also, while other clubs' attendances in this league aren't massive, we can expect more away fans than last season.
- The revenue per person attending and per season ticket, the bar spending per fan, the programme sales per fan, etc., are based on last season's actual figures
- To be prudent, we have budgeted to be drawn away in all cup games and also assume that we will lose in the first game in each of the cup competitions. Since the budget was produced, we've had the draw for the FA Cup and Trophy. However, we are not amending it and so we have a little bit of good news up our sleeves.

- The players and first team management will get a bonus for success in the FA Cup and Trophy. This cost is not in the budget because we will fund the additional expense from prize money.
- Players' and first team management's pay includes a bonus per point won. The budget assumes that we will achieve 84 points this season.
- We have assumed that the DT Bond will raise £300k and replace the much higher interest costs of the loan from the Khoslas. To 27 September, we have received £195k.
- We assume that DT fundraising will reduce the Khosla loan by £5k per month, on average, i.e. £60k in the year.
- Finally, while it is not an assumption, it is worth pointing out that there are 21 home league games this season

The effect of changes in some of these key numbers includes the following:

- For every increase or decrease of 100 people on the average attendance for the season, our income is likely to be affected (for better or worse) by £12,000 - £15,000. If our average gate rose to 3,000 (the same as our first season) then the additional profit should be £35,000 - £45,000. These figures take into account bar and programme sales as well as gate money.
- If we had, say, three home cup games, two on a Saturday and one midweek, the extra income should be over £20,000

Comments on the budget itself

Note that these comments include references to the draft results for 2003-04 which are unaudited and subject to change following management review.

The budget shows a profit for the year of £16,414. Key figures are as follows:

Football income:

2004-05 budget	2003-04 budget	Estimate for 2003-04
League - £303k Cup - £13k	League - £309k Cup - £8k	League - £302k Cup - £51k

League income includes income from friendly games. We have assumed that league match attendances will be the same as last season, but for two fewer games; this is counteracted by increased budgeted income from pre-season friendly games. As mentioned above, to be prudent, we've not budgeted for any success in the cup.

Football costs:

2004-05 budget	2003-04 budget	Estimate for 2003-04
£258k	£187k	£214k

Football costs are budgeted to be about £71k higher than last year's budget and £44k higher than our estimate of last year's actual result. The main cause of this is an increase in wages from £116k for 03-04 to £166k budget for 04-05. This reflects the following:

- Increased player wages following our promotion into Ryman Division one
- Increased management costs following the introduction of a more traditional management team for the first team and reserves, and the introduction of a new U-18 team.

The board believes that this expenditure is necessary to ensure (as far as possible) that we are promoted from this division at the first attempt and that the foundation is built for a stronger reserve team, fed by a powerful youth team. The total costs are almost exactly in line with the profit forecast in the share prospectus last year.

Merchandise profits:

2004-05 budget	2003-04 budget	Estimate for 2003-04
£50k	£31k	£36k

The merchandise target looks difficult but we believe it is achievable for several reasons:

- The budget for 04-05 is for sales of £100k. Given that there are two new team shirts for sale in this year, the board thinks that this justifies increasing budgeted sales to a higher level, although still below the sales in our first season. The balance feels about right
- The "shop" will be open, which will help to increase sales
- Margins are budgeted to improve. There is scope for improvement, not least in the allocation of the cost of kit taken by the team where, in the past, this has not been as tightly controlled as we now plan

Bar profits

2004-05 budget	2003-04 budget	Estimate for 2003-04
£93k	£46k	£109k

Bar profits are projected to decrease from the estimated result for 03-04. This is entirely a result of assuming no home cup games and no repeat of the "one-off" games such as the very successful Wallingford away fixture that was played at Kingsmeadow. Nonetheless, the targeted profit is over double the previous year's budget.

We plan to maintain high bar profits by increasing the number of functions at the stadium - if successful this will lead to higher bar sales. We also plan to take advantage of sporting occasions (as we did successfully with Euro 2004) and to promote other events to our fanbase, to Kingstonian supporters and to the local community. Having the Under-18s playing at the stadium increases the opportunities in this area.

Tea bar

2004-05 budget	2003-04 budget	Estimate for 2003-04
£8k	£13k	£11k

The tea bar profit is budgeted to fall by over £3k. This is a result of having the service provided by outside caterers. The board believes that this will lead to a more reliable service, with better quality and will have the benefit of releasing Ivor Heller to concentrate on commercial matters; the tea bars took up a disproportionate amount of Ivor's time last season for limited financial reward to the club

Functions

2004-05 budget	2003-04 budget	Estimate for 2003-04
£26k	£19k	£19k

The functions budget assumes:

- An increase in the number of functions
- A margin on the provision of catering to such functions

We will take steps to increase the number of functions by promoting and selling the function rooms differently, by altering the pricing structure and by improving the offering through in-house catering.

Commercial profits:

2004-05 budget	2003-04 budget	Estimate for 2003-04
£98k	£88k	£84k

The budget for sales in the commercial area (which includes shirt sponsors, corporate sponsors, player kit sponsorships, mascots, the Dons Directory, etc) is £115k. We are budgeting to spend about £9k on marketing which will help to increase our presence in the marketplace. After deducting other amounts, such as the costs of hoardings, the budgeted profit is still over 15% higher than the current year's draft result.

Donations:

2004-05 budget	2003-04 budget	Estimate for 2003-04
£15k	£28k	£30k

Donations are a legacy of the appeal for advance season ticket payments when the club started; we subsequently found that we'd asked for more than the cost of an ST so we invited people to give the balance as a donation.

As time goes on, we expect the amounts to fall and £15k looks like a reasonable, if slightly conservative, budget.

Overheads and salaries:

2004-05 budget	2003-04 budget	Estimate for 2003-04
£232k	£231k	£260k

The decrease in overheads and salaries reflects the net of various increases and decreases, as follows:

- The budget for rates and utilities is £8k lower than for 03-04. This is partly due to an overestimate of the rates in the 03 - 04 budget but it also reflects some cost savings that are being implemented (for example, taking advantage of various schemes for reducing water charges).
- Phone and postage are £6k higher than for the 03-04 budget. This is designed to reflect the likely actual costs for 2003-04 more closely.
- Legal and professional costs are about £6k higher than the 03-04 budget. This is mainly due to registrars' costs for the share register and the costs of printing and mailing the annual PLC report
- Repairs and renewals are, at £22k, over £30k below the actual expenditure for 03-04. This reflects the decision, mentioned in the report on the draft actual results for 2003/04, to bring repair expenditure forward from 2004/05. The budget is also lower because we believe that much of the investment into the ground should now be of a capital nature (see below)
- We do not expect a repeat of the one-off cost of the advertisement
- Most other costs remain much the same as the budget for 03-04

Depreciation:

2004-05 budget	2003-04 budget	Estimate for 2003-04
£25k	£11k	£18k

The estimated depreciation charge for 03-04 is very uncertain as we have quite a large degree of flexibility in how we calculate it. We expect it to increase in 2004/05.

Finance costs:

2004-05 budget	2003-04 budget	Estimate for 2003-04
£81k	£116k	£118k

Finance costs principally comprise the loan from Mr Khosla. Bank charges and Securicor costs make up the balance. We have been very successful in reducing the Khosla loan from a budgeted average debt of £1.4m during 03-04 to a budgeted average debt of £0.75m in 04-05. Despite the increasing interest cost from late September 2004, the effect is to reduce finance costs substantially.

Capital expenditure

The board has had to make some very difficult decisions about where to spend available cash on capital projects. As a result of our analysis, many projects have been postponed, including:

- Pigeon-proofing the roof in the Main Stand and also in the John Smith's Stand
- Building a first aid room to cater for crowd injuries. For now, emergency cases will continue to be taken to the players' treatment room
- Improving the PA system
- Making changes to the main stand to incorporate a ticket office and reception area
- Building a roof on the Athletics End
- Refurbishment of the toilets

We do, however, plan expenditure on a number of improvements, while sticking to our policy of putting safety matters first, followed by "self-funding" improvements such as the shop. These include:

- repairs to the drains to reduce problems with toilets
- building the shop, which we expect to pay for itself in less than a year through extra profits from being a better facility sited in a better location
- repainting the main bar
- repair of the back of the John Smith's stand
- internal improvements to flooring for safety reasons
- new equipment for the bar