

WEST HAM UNITED PLC



REPORT AND FINANCIAL STATEMENTS

31 MAY 2005

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WEST HAM UNITED PLC

DIRECTORS AND PROFESSIONAL ADVISERS

Directors	Terence Brown FCIS, ATII, FCCA (Chairman) Charles Warner MA, Notary Nicholas Igoe BA (Hons), ACA Paul Aldridge
Company Secretary	Scott Duxbury LLB
Registered Office	Boleyn Ground Green Street Upton Park London E13 9AZ
Company Registration Number	3407691
Independent Auditors	Deloitte & Touche LLP
Solicitors	Warners 180 High Street Tonbridge Kent TN9 1BD Herbert Smith Exchange House Primrose Street London EC2A 2HS The Simkins Partnership 45-51 Whitfield Street London W1T 4HB
Bankers	Barclays Bank PLC 71 Grey Street Newcastle upon Tyne Tyne and Wear NE99 1JP Bank of Scotland The Mound Edinburgh EH1 1YZ Lombard North Central plc 3 Princess Way Redhill Surrey RH1 1NP
Registrars	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU



CHAIRMAN'S STATEMENT

I am delighted to report to you, once again, as the Chairman of Premier League club West Ham United. We are back where this proud club belongs. I am also pleased to report that we have achieved record season ticket sales for the 2005/06 season and the financial aspects of the club are on a surer footing than in previous years.

The year saw us finish in 6th place in the Coca-Cola Championship and qualify for the divisional play-offs in which we played Ipswich Town in the semi-finals for the second year running. A draw at the Boleyn Ground was followed by an impressive victory at Portman Road and we thus qualified for the divisional play-off final on Monday 30th May at the Millennium Stadium. The team played well and fully deserved the 1-0 victory against Preston North End and I would like to thank all our supporters, who remained so loyal to the club during our two seasons in the Coca-Cola Championship, for enthusiastically driving the team on in Cardiff. As a club we owe our fans an immense debt of gratitude and our players and staff were delighted to bring a most deserved taste of success in the play-off final to those supporters.

We now have a formidable task ahead of us following our return to the Premier League but record season ticket sales confirm the club's tremendous support and, with our solid financial base, we can look forward to the coming season with every confidence.

Operating Results

Despite the financial effects of relegation the group reduced its net bank borrowings by a further £4.4m in the year, bringing the balance at 31 May 2005 down to £29.4m. Once again, Nick Igoe, our Finance Director, has prepared a detailed financial review, which is set out on pages 6-10, and I do hope that both shareholders and supporters will find the additional information helpful.

Football

During the season the team achieved positive results in 31 of our 46 league games. In the last 13 matches, in what our manager calls "the business end of the season", we lost just once and secured the vital play-off position that became the springboard for promotion.

Our 10th manager, Alan Pardew, was appointed on 10th October 2003 and between that time and 5pm on 30 May 2005 the club sold 35 players, signed 26 players, reached two play-off finals, developed some excellent youngsters, dealt with some difficult issues and finally gained promotion back to the Premier League – all within 20 months – a most remarkable achievement. The Coca-Cola Championship is a fiercely competitive environment and our football management team, led by Alan Pardew and Peter Grant, have worked extremely hard to gain promotion and fully deserve the recognition they have received.



WEST HAM UNITED PLC

CHAIRMAN'S STATEMENT (continued)

The backbone of our club remains the youth development policy and we continue to develop junior players at all levels. May I, once again, thank our Academy Director, Tony Carr, our Director of Youth Development, Jimmy Hampson and all their colleagues who have worked so hard to ensure that the reputation built up since our formation in 1895, as a football club able to develop top class young footballers playing the “West Ham way”, remains so firmly intact.

Two players – Anton Ferdinand and Nigel Reo-Coker – were selected for the England under-21 squad, Mark Noble was selected for the England under-19 squad, Kyel Reid was selected for the England under-18 squad and Hogan Ephraim and James Tomkins were both selected for the England under-17 squad.

Carl Fletcher, Andy Melville and Gavin Williams represented Wales, Trent McClenahan was selected for the Australian under-20 squad and Sergei Rebrov represented Ukraine.

Supporter Relations

Our bondholders meet at the club every month. Either a director or senior manager attends on a quarterly basis to discuss issues raised by the group. Directors and members of the football management team attend the bondholders' AGM.

This season saw the introduction of monthly Fans' Forums where groups of supporters met Paul Aldridge, our Managing Director, and Nick Igoe, our Finance Director. The series of meetings culminated in a larger gathering in early August when all those who had attended earlier forums were invited. This meeting was also attended by the Team Manager and Assistant Manager. The Fans' Forums have been well received by the supporters who attended and we intend to continue with the meetings in the coming season.

As a club we appreciate the contribution made by our supporters and we recognise the importance of communicating with supporters on a regular basis and we will continue to introduce initiatives which we believe will assist this process.

Prospects

In last year's Chairman's Statement I said I understood that in footballing terms the club had fallen a long way in a short time but that the situation could change quickly. I pointed out that when we were promoted we would return to the Premier League in far better financial shape than when we left and with greatly reduced debts. The fact that we are now in such good financial shape is because we took the financial pain early doing what was necessary and, in effect, changed the financial position of the company, which is now vastly different to that of two years ago.



CHAIRMAN'S STATEMENT (continued)

Acknowledgements

I would like to thank Robbie Cowling and his colleagues at Jobserve for their sponsorship of the club and Reebok, our kit and technical sponsor, for their support and assistance during the season.

We continue to work closely with the London Borough of Newham and I would like to thank the councillors and officers of Newham for their advice and assistance during the year. I would also like to offer the congratulations of the club and its supporters to Sir Robin Wales and his colleagues who have worked so strenuously to bring the Olympic Games to East London in 2012.

May I also thank my fellow group directors, our management team and all our staff who, with their unshakable belief that success was attainable, have worked tirelessly to steer the club back to the Premier League.

Finally, may I thank all those who have supported our commercial activities and, once again, our remarkable supporters. Both the club and its supporters have been subjected to a rollercoaster ride during the last five seasons. In our own way the West Ham United "family" has suffered greatly during that time. Heads dropped (some quicker than others) and turning around the negativity which seemed to attach itself to the club became extremely difficult. As I said in my report in 2003, I know we sometimes test the patience of our loyal and passionate supporters and I do apologise for that but, collectively, we still have a great institution that is special to so many. We must never take for granted the West Ham United "family" and remember to support each other during the bad times and celebrate together in the good.

A handwritten signature in blue ink, appearing to read 'TW Brown', with a flourish underneath.

TW Brown
Chairman

9 September 2005



FINANCIAL REVIEW

The group has recorded an operating loss before player trading of £1.9m and a pre-tax loss of £5.1m in the year to 31 May 2005. Paradoxically, had the club lost the play off final at Cardiff, the group would have recorded an operating profit before player trading. Provision has been made for bonuses and other promotion related payments of £1.6m together with the customary promoted club's waiver of its share of the play off final gate receipts, estimated at £0.8m.

In a season when the group had to balance the financial risk of a prolonged period in the Championship with the huge financial rewards which would accrue from promotion a modest operating profit would have represented a satisfactory result.

However, victory in the play off final has transformed the group's financial prospects. Even if the club should be relegated back to the Championship at the end of the current campaign, promotion to The FA Premier League will have yielded a minimum of £30-35m of incremental television and central sponsorship income over the next three seasons, comprising approximately £20m for the current season and two years' parachute money at an estimated £6-7m per annum.

Net bank borrowings reduced by a further £4.4m in the year, bringing the balance at 31 May 2005 down to £29.4m. In the club's two seasons outside the top flight the group has managed to reduce its bank borrowings by one third.

The financial prudence exercised during those two seasons has enabled the club to make a substantial investment in the first team squad to meet the challenge of Premier League football.

Profit & Loss Account

The table below summarises the group's trading results over a five year period.

	Total £m	2004/05 £m	2003/04 £m	2002/03 £m	2001/02 £m	2000/01 £m
Turnover	205.0	31.8	35.1	51.7	48.4	38.0
Wages & salaries	(141.4)	(20.2)	(23.2)	(33.3)	(33.1)	(31.6)
Other administrative expenses	(71.2)	(13.5)	(14.5)	(15.5)	(14.4)	(13.3)
Operating profit/(loss) before player trading	(7.6)	(1.9)	(2.6)	2.9	0.9	(6.9)
Interest payable	(9.5)	(1.9)	(2.2)	(2.3)	(1.8)	(1.3)
Profit/(loss) before player trading & after interest	(17.1)	(3.8)	(4.8)	0.6	(0.9)	(8.2)
Player amortisation	(39.2)	(5.2)	(5.2)	(6.4)	(13.6)	(8.8)
Profit on disposal of players	55.2	3.9	21.8	0.5	11.0	18.0
Exceptional write off on demolition of west stand	(5.7)	-	-	-	-	(5.7)
Profit/(loss) before taxation	(6.8)	(5.1)	11.8	(5.3)	(3.5)	(4.7)

The reduction of almost 10% in turnover, which is discussed in greater detail in the next section, was predictable in the club's second season in the Championship. The group has balanced this with further savings in wages and salaries, which totalled £18.8m before promotion related bonuses of £1.4m, and other overheads where, excluding depreciation, savings of almost 10% were achieved.



FINANCIAL REVIEW (continued)

The group has sought to achieve an orderly reduction in player and staff wages and other overheads in each successive year in the Championship and yet to maximise, so far as turnover would permit, direct and indirect expenditure on the first team squad. Had the club failed to achieve promotion, contingency plans were already in place to implement further cost savings to take account of the loss of the Premier League parachute payment and a possible further decline in gate and commercial revenue.

Most significantly, as a result of the expiry of a number of contracts, the annual wage bill for players under contract would have fallen to below £8m with effect from 1 June. Forecasts indicated the club could have sustained a player wage budget of £7-8m in the forthcoming season although perhaps one player sale would have been needed in order to generate funds to create the necessary depth to the squad.

Information obtained on player wages in the Championship in season 2004/05 indicated that only five other clubs were maintaining player wage bills in excess of £8m in that season suggesting the club would have been in a position to once again challenge strongly for promotion in 2005/06.

Turnover

The table below shows a five year summary of group turnover.

	Total	2004/05	2003/04	2002/03	2001/02	2000/01
	£m	£m	£m	£m	£m	£m
Match receipts & other football income	67.8	12.7	14.0	14.6	13.3	13.2
Broadcast & central sponsorship distributions	74.9	8.3	9.2	21.1	21.6	14.7
Commercial activities	30.8	4.2	5.0	9.1	7.4	5.1
Retail & merchandising	18.3	2.7	3.5	3.5	4.4	4.2
Catering & hospitality	13.2	3.9	3.4	3.4	1.7	0.8
	205.0	31.8	35.1	51.7	48.4	38.0

Notwithstanding the drop of almost 10% on 2003/04 it seems likely that the group will have recorded the highest turnover in the Championship in 2004/05. This financial strength will have contributed to the successful promotion campaign and will help the club to compete effectively on its return to the Premiership.

The club recorded average league attendances of 27,500 against 31,300 in the preceding season, a drop of approximately 12% but still the third highest in the league. Despite this, after eliminating the £0.8m received from last season's play off final, total match income fell by less than 4%.

Broadcast and central sponsorship distributions included the final year of The FA Premier League parachute payment of just under £7m. The £0.9m reduction against 2003/04 was a consequence of a slight decline in the parachute payment, reduced Football League distributions and less income from televised cup ties.

The fall in commercial revenue was a result of the lower occupancy of commercial facilities on match days.



FINANCIAL REVIEW (continued)

The reduction in retail and merchandising income was predictable in the second year of the home kit cycle and following further store closures. That said, the cost savings from the store closures enabled West Ham United Sportswear Limited to record an improved trading profit for the period notwithstanding the decline in turnover.

Catering and hospitality continued to perform encouragingly, with West Ham United Hospitality Limited recording an increased trading profit largely due to a 31% rise in non match day revenue.

Cash Flow & Borrowings

The table below reconciles profit/(loss) before player trading and after interest to movements in borrowings over the period.

	Total £m	2004/05 £m	2003/04 £m	2002/03 £m	2001/02 £m	2000/01 £m
Profit/(loss) before player trading and after interest	(17.1)	(3.8)	(4.8)	0.6	(0.9)	(8.2)
Depreciation & disposal of fixed assets	11.0	2.7	2.7	2.6	1.9	1.1
Working capital movements	0.4	1.6	(2.2)	(3.3)	0.7	3.6
Net cash flow from operations (after interest)	(5.7)	0.5	(4.3)	(0.1)	1.7	(3.5)
Transfer fees received/(paid)	24.5	4.1	14.8	(8.6)	6.3	7.9
Capital expenditure (net)	(29.9)	(0.2)	(0.2)	(2.7)	(15.6)	(11.2)
Share repurchase	(1.3)	-	-	-	-	(1.3)
Net movements	(12.4)	4.4	10.3	(11.4)	(7.6)	(8.1)
Opening bank borrowings	(17.0)	(33.8)	(44.1)	(32.7)	(25.1)	(17.0)
Closing bank borrowings	(29.4)	(29.4)	(33.8)	(44.1)	(32.7)	(25.1)

The modest cash inflow from operations results from the favourable movement on working capital, principally accrued promotion related bonuses and other payments which will have been paid after the year end.

The decrease in net borrowings is largely a consequence of the £4.1m net transfer fee income, discussed in greater detail in the following section.

There has been much media speculation about the scale of group borrowings in the last two years. In reality the bulk of this figure is the £26.3m long term loan which is repayable in twelve annual instalments of £2.2m. Interest is currently approximately £1.6m per annum. With turnover likely to be in the region of £50m in the forthcoming year the cost of servicing this debt is not onerous.

Had the club failed to achieve promotion, the group had obtained agreement in principle from the syndicate of banks who advanced the loan to reduce annual repayments to £1m while the club remained in the Championship; evidence of the excellent level of support which the group has enjoyed from its lenders.

As at 31 August 2005, net bank borrowings were below £20m.



FINANCIAL REVIEW (continued)

Player Trading

The table below shows player trading activity for the five year period, highlighting the often significant timing differences between the year in which a player is purchased or sold and the associated cash flows.

	Total £m	2004/05 £m	2003/04 £m	2002/03 £m	2001/02 £m	2000/01 £m
Player purchases	(38.6)	(1.6)	(5.1)	(1.6)	(16.2)	(14.1)
Adjustment for prior year purchases	4.4	-	-	4.4	-	-
Player sale proceeds	64.8	4.6	24.8	1.9	11.6	21.9
	30.6	3.0	19.7	4.7	(4.6)	7.8
Cash paid/(received)	(24.5)	(4.1)	(14.8)	8.6	(6.3)	(7.9)
Opening net debtor/(creditor)	(3.7)	3.5	(1.4)	(14.7)	(3.8)	(3.7)
Closing net debtor/(creditor)	2.4	2.4	3.5	(1.4)	(14.7)	(3.8)

The main player sale in the period was Michael Carrick but the group also sold Jobi McAnuff and Adam Nowland as well as receiving further appearance related fees for a number of former players.

The year end net debtor principally comprised the balance of the fee receivable for Jermain Defoe, paid in August 2005. Had promotion not been achieved, this income would have been a major source of funds to sustain a promotion challenge in 2005/06.

The play off final victory triggered £0.4m of additional transfer fees payable for players brought to the club in recent seasons, and this amount was a creditor at the year end.

Capital Expenditure

The table below summarises capital expenditure for the last five years and reconciles this figure to net cash flow.

	Total £m	2004/05 £m	2003/04 £m	2002/03 £m	2001/02 £m	2000/01 £m
Land & stadium redevelopment	24.2	-	(0.1)	1.3	12.0	11.0
Academy	1.6	0.1	-	1.1	0.4	-
	25.8	0.1	(0.1)	2.4	12.4	11.0
Plant, equipment & vehicles	5.9	0.1	0.1	0.8	2.6	2.3
Total	31.7	0.2	-	3.2	15.0	13.3
Accrued stadium costs	(0.7)	-	0.2	0.2	0.6	(1.7)
Sale proceeds & grants	(1.1)	-	-	(0.7)	-	(0.4)
Cash flow on capital expenditure	29.9	0.2	0.2	2.7	15.6	11.2



FINANCIAL REVIEW (continued)

Capital expenditure has been limited as much as possible during the two years in which the club was in the Championship. As a result, this table is mainly of historical relevance, demonstrating the scale of recent investment in the west stand redevelopment and the Academy both of which, readers will recall, were funded by the long term loan now standing at £26.3m.

Note 28 discloses capital commitments for the forthcoming year of £145,000 as at 31 May 2005. Following promotion the group will undertake a modest capital expenditure programme to address areas of the business which need upgrading.

Financial Prospects

This review has sought to demonstrate that, had the club failed to achieve promotion via the play offs, the group would nevertheless have been on a sound financial footing for the forthcoming season. Eliminating the costs (including income foregone and contingent transfer fees payable) associated with promotion would have improved the results presented in these accounts by some £2.8m. Material wage savings would have accrued from player contracts which expired in June 2005 while transfer fee debtors would have generated a net cash inflow of £2.8m. These factors, together with the commitment from the group's bankers, in principle, to sanction a reduction in annual loan repayments while the club remained in the Championship, gave the club every chance of challenging strongly in a league in which, in the recent close season, the majority of clubs have been net sellers in the transfer market.

The club's prospects in the Championship are of course only of academic interest now although readers may nevertheless find this brief insight helpful. As a result of the victory in Cardiff the club faces the challenge of Premiership football once again in a very strong financial position. Player wage savings meant that the club started the new financial year with an annual wage bill in respect of contracted players of around £8m. Added to this is the prospect of a minimum of £20m central broadcast and sponsorship revenue together with an expectation that gate and commercial revenue will conservatively generate an additional £5m. This has enabled the group to invest a net £9m to date in the playing squad, as disclosed in note 32, with £7m being added to player wages. This includes the cost of renegotiating terms for certain out of contract players and current members of the playing squad.

The Deloitte 2005 Annual Review of Football Finance discloses that West Ham United generated the 10th highest non-television revenue in England in 2003/04 despite participating in the Championship. The club's debt also ranked only 9th highest. These factors are indicative of the group's potential financial strength if Premier League status can be secured on a long term basis.

N Igoe
Finance Director

9 September 2005



STATEMENT ON SOCIAL RESPONSIBILITY

Charities Policy

The club supported three charities during the year, all of which received money from our Charity Shield fund:

- Richard House Trust Children's Hospice
- Winged Fellowship – a local charity for disabled people
- Leukaemia Busters Charity

This year's Football Aid match on 2nd May 2005 raised £12,033 for Field of Dreams.

We have also provided match tickets and signed memorabilia for numerous charitable organisations, local schools and youth teams.

Community Involvement

We see ourselves as more than a football club and business; we are an integral part of our local community. The club is not only a place where local people come together to watch football in a safe and friendly environment but we consider it to be an important means of delivering community and education work.

Over the last 10 years our community programme has gone from strength to strength as football has been taken to the wider audience through the media and successful partnerships with sponsors and fund providers have been established. Using football as an educational tool we will continue to provide an opportunity for young people to participate at grass roots level, offer them challenges from which they will develop their social skills and self-esteem and, hopefully, have an impact upon the club as supporters of the future.

Football In The Community

Our Football in the Community scheme is highly regarded by the communities and associations which have benefited from the various programmes. The club has a history of community involvement and whilst the activities on the pitch receive most of the attention the club has been highly praised for taking its social responsibilities very seriously as well.

Thames Gateway Youth Football Project

This project is a unique partnership involving the Government, the private sector and the football club. The project aims to assist the personal development of local young people with emphasis on those absent from school and those at risk of offending. The project reaches thousands of young children, providing opportunities for recreation, high quality fitness training and social education across some of the most deprived areas in east London. With continuing success the Thames Gateway Youth Football Project has been able to expand into eight London boroughs. Our current partners include the Children's Fund (Barking & Dagenham) and New Deal for Communities (West Ham and Plaistow, Newham).

Together with social and educational services, the criminal justice system and the Police the following initiatives have been established:-

- After School Clubs
- Fit for Life Scheme
- Estates Programme
- Healthy Living Programme
- Young Women's Development Programme
- Coach Education Programme

From Offending to Employment (F.O.T.E.)

Now in its 7th year we are currently working with Tower Hamlets' Peoples Referral Unit with a weekly session based at our centre at Beckton. The project aims to provide quality coaching, fitness training, qualifications and social education to young people aged 9 – 35 years who have been involved with probation or the young justice system, are socially excluded or considered to be at risk of offending. The stimulation of constructive and enjoyable physical activities will lead to clients obtaining FA recognised qualifications and training through the Open College Network and the Level 1 and 2 Certificate in Coaching Football which will enhance their prospects of finding suitable training or employment.



STATEMENT ON SOCIAL RESPONSIBILITY (continued)

Girls' and Women's Football

The Girls' and Women's Project aims to build on the solid foundations of projects already established within the community scheme at the club. It aims to encourage participation by girls in football, encouraging a healthy lifestyle and a continued participation in sport when they leave school. It also aims to offer girls equal opportunities to play and coach at whatever level they aspire to and to challenge racism and sexism in football, thus contributing towards an inclusive and united sport.

The FA Women's Cup Final held at the Boleyn Ground on 2nd May 2005 attracted support of over 9,000.

West Ham United Ladies had a successful season in 2004/05. The seniors finished as Champions of the FA South East Combination League, winning promotion to the FA National League. Both the under 13s and under 15s won their respective League titles in the Essex County Girls League as well as their respective Cup Finals.

Learning Through Football

Local Newham schools are benefiting from this initiative which aims to educate children in anti-racist attitudes, integration, fitness, diet and nutrition. The main objective is to encourage integration via participation learning, where football serves as a common ground for young people from various backgrounds.

The format of the day consists of a practical session on the pitch, followed by a visit to the club museum. Lunch is provided followed by a fitness, diet and nutrition talk and, finally, a video and discussion session on 'Show Racism the Red Card'.

The Learning Zone

The third centre to open as part of the DfES 'Playing for Success' initiative now boasts six years of experience offering exciting and stimulating learning opportunities.

The Learning Zone provides a dynamic and motivating learning environment for learners of all ages and features cutting edge ICT equipment including 20 networked PCs, 5 laptops, 9 digital video cameras and a video editing suite. Staffed by qualified teachers, an ICT technician, paid assistants and volunteer learning mentors we are able to offer a variety of programmes.

Playing for Success

This is an after school initiative for Newham pupils in years 5, 6 and 7. Pupils attend for 10 weeks spending two hours a week completing activities designed to improve their skills in literacy, numeracy, key skills and ICT and using the stadium as a stimulus for their learning.

Family Learning

On Saturday mornings (non-match days) we have families attending to work together for a six-week long programme of activities designed to improve their understanding and ability to use Microsoft Office packages and the internet and to send and receive emails.

Holiday Projects

Booster classes offering a range of activities that can be applied for through the Newham Summer School Brochure have been very popular and well attended throughout the year.

Pupils with Special Needs

A six-week programme and a total of 12 hours of literacy, numeracy, ICT and key skills activities are aimed specifically at smaller groups of students during the school day.

The Prince's Trust Volunteers Programme

The club is in its seventh year in partnership with Newham College, the Learning and Skills Council and The Prince's Trust, delivering the Volunteers Programme. For many, this 12-week course of personal development and training is just the start of a journey that leads to further education or employment. Each team member is empowered to take responsibility for setting their own goals and achieving them. Over the 12 weeks the team will choose, plan, fundraise for and complete a project in the community, such as renovating a community centre.



STATEMENT ON SOCIAL RESPONSIBILITY (continued)

The club offers work placements and stadium tours and provides match tickets, branded merchandise for fundraising initiatives, use of the club logo and a venue in which to celebrate the achievements of the sponsored teams.

Crucially, more than 90% of team members who complete the programme gain a recognised qualification: a City & Guilds Profile of Achievement.

Community Learning & Employment Support Network Project

The Learning Goal is an official Learn Direct Centre which aims to develop IT and business skills for adults from the local community. 'New Dimensions' (Newham College employment department) also provides specific sessions such as CV-writing and interview techniques.

The Centre is free to attend for all students and is also open to West Ham United staff who can enrol in courses to further develop their skills.

The Learning Goal facilities include a social area, a working area and an IT area containing 14 computers, printers, scanners, telephones, a white board and projector. Two part-time employees staff the Centre between 9.00am and 9.00pm on week days and 9.00am to 4.00pm on Saturdays (except match days).

Asians In Football

The project continues to operate in partnership with Sport England, The Football Association, The Football Foundation, and London Boroughs of Newham and Tower Hamlets in order to encourage Asian participation in football. The scheme enables young Asian players to progress from grass roots to excellence. The project continues to operate as a nationally recognised model of positive practice for social inclusion and integration.

Football at Mile End

The Project is now based at the redeveloped Mile End Stadium in the heart of the Bengali community of Tower Hamlets and, as envisaged, has become a borough-wide centre for football development enabling a wider range of young people to gain access to appropriate football resources. The project also addresses local needs in terms of training and employment opportunities by providing two graduate posts and coaching trainee positions.

Schools PE Programme

At grass roots level a structured programme of coaching is provided which is consistent with National Curriculum Key Stage 2/3 requirements within existing PE lessons. The sessions are structured in such a way that beginners can learn football skills and techniques in a supportive environment.

FA Teaching Certificate

Provided for local teachers and community workers, these courses are designed and delivered to increase the technical awareness and enthusiasm to promote football in local schools. Gaining the FA qualification effectively engages teachers in the overall process of progressing young Asian players.

Coaches Development Scheme

This specific aspect of the scheme enables young Asian players to learn the appropriate skills to progress and attend the FA Coaching Certificate course. Focusing on developing skills and confidence as trainees it is envisaged that the young people will benefit from well organised and structured coaching. As and when trainees successfully complete the course and achieve the status of qualified coach they can take on the responsibility to provide sessions and function independently.

Technique Development Performance Coaching

These sessions operate in conjunction with the PE programme to enable players who demonstrate potential to develop further. Players attending such courses are referred to play for local amateur teams thus enabling players to benefit from structured coaching and competitive match play concurrently.



STATEMENT ON SOCIAL RESPONSIBILITY (continued)

Girls and Women's Football

Girls only sessions are provided in Tower Hamlets, Newham and Redbridge in order to introduce young females to participate in football as both players and coaches.

Week Long Holiday Football Courses

Holiday football coaching courses are provided in the boroughs of Newham and Tower Hamlets, which attract approximately 100 young people per course. The courses are offered free of charge in Mile End, East Ham, Green Street and Little Ilford.

Club Development

The Football Foundation Club Development Initiative has enabled the Project to develop local clubs giving young people the chance to receive a higher degree of education, not just in strict football terms but also on wider skills related to football (i.e. code of conduct, learning strategies, social behaviour, etc). This has resulted in an ideal exit route for all boys and girls currently involved in playing football but without the opportunity to participate in competitive matches.

Dealing With Racist Behaviour

To deal directly with racism at the Boleyn Ground we promote the "Kick It Out" hotline in our match day programme and work to a common strategy with the local police force to tackle racist behaviour. Our ground regulations prohibit racist behaviour and if we receive a report of such behaviour we ask plain-clothes stewards or police officers to examine the situation and provide evidence if necessary. If such behaviour is confirmed the offender is arrested and subsequently banned.

Facilities For Disabled Supporters

Tickets for our disabled supporters are available from the ticket office. Gina Allen deals with all enquiries and also works in the disabled area on match days. Gina can be contacted on 020 8548 2725 or via email and full details of our facilities can be found on our website.

Tickets for fans in wheelchairs, the ambulant disabled and visually impaired are available at a cost of £15. Tickets for carers are free of charge. There are 119 wheelchair spaces and 102 seats provided for the ambulant disabled. As recommended by the Task Force, visiting supporters in wheelchairs are situated with their own fans. Supporters who wish to travel to away matches by coach can do so on our official coaches knowing that our stewards will help with access and that the vehicle will be fitted with a lowered platform. Stewards working in the areas of the ground reserved for people with disabilities are trained in disability awareness. If carers are not able to purchase refreshments, either our staff or stewards bring refreshments to the fans on request. A mini-com system has been installed in our new ticket office and microport headsets are available for our visually impaired supporters and commentary is provided specifically for them by an experienced commentator. The microport facility can be used anywhere in the ground.

Staff Conduct

We expect and require all our staff to conduct themselves in accordance with the highest ethical standards both on and off club premises. Our staff, supporters and all applicants for employment are regarded equally irrespective of race, colour, nationality, religion, sex, sexual orientation, marital status, age, disability or ethnic origin.

West Ham United remains committed to meet the demands of spectator comfort and safety and the demands of team building under the umbrella of a secure financial base.



DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 May 2005.

Principal Activity

The principal activity of the company is to act as a holding company. The principal activity of the group is that of a professional football club as a member of The FA Premier League and The Football Association together with related and ancillary activities.

Results and Dividends

The results of the group are as set out in the profit and loss account on page 19.

The directors do not propose the payment of a dividend (2004 - nil).

Review of the Group's Activities & Future Prospects

A review of the group's activities and future prospects is set out in the Chairman's Statement on pages 3 to 5 and the Financial Review on pages 6 to 10.

Directors and their Interests

The directors who held office throughout the year, and their interests in the shares and debentures of group companies, are as follows.

	<u>25p ordinary shares</u>		<u>'C' class debentures in West Ham United Football Club plc</u>	
	31 May 2005	31 May 2004	31 May 2005	31 May 2004
TW Brown	7,392,000	7,392,000	2	2
CJ Warner	4,252,000	4,252,000	6	6
N Igoe	500	500	-	-
PM Aldridge	900	900	-	-

Included within CJ Warner's interests at 31 May 2004 and 31 May 2005 are 1,750,000 shares held as one of the trustees of the PHL Hills 1995 settlement and 702,000 shares held by the trustees of the CJ Warner 1997 settlement.

Set out below are the interests in the shares and debentures of group companies held by directors of subsidiary companies.

	<u>25p ordinary shares</u>		<u>'C' class debentures in West Ham United Football Club plc</u>	
	31 May 2005	31 May 2004	31 May 2005	31 May 2004
MW Cearns	1,844,000	1,844,000	2	2
CBC Manhire	300	300	-	-



WEST HAM UNITED PLC

DIRECTORS' REPORT (continued)

Directors and their Interests (continued)

The directors had no interests in the shares of the company's subsidiaries. There have been no changes in directors' share or debenture interests between the year end and 9 September 2005.

In accordance with the Articles of Association of the company, Mr Brown will retire at the forthcoming Annual General Meeting of the company and, being eligible, offers himself for re-election.

Combined Code on Corporate Governance

The board has considered the provisions of the Combined Code on Corporate Governance ("the Code") and is satisfied that, as an unlisted company, its provisions do not apply to the company. Accordingly no further disclosure is made in this report and financial statements regarding compliance with the Code.

Payment of Suppliers

The Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997 require the company to make a statement of its policy on the payment of creditors.

The group seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with suppliers when the details of each transaction are settled. The group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders.

At 31 May 2005 the aggregate amount owed to trade creditors, as a proportion of the aggregate amounts invoiced by suppliers to the group during the year then ended, represented an average of 52 days' credit (2004 – 44 days'). Average figures calculated on the basis laid down by the regulations may be distorted by the irregular pattern of invoiced supplies during the year.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office and, accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the board

SI Duxbury
Secretary

9 September 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 and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the group and for the prevention and detection of fraud and other irregularities.

By order of the board

SI Duxbury
Secretary

9 September 2005



WEST HAM UNITED PLC

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WEST HAM UNITED PLC

We have audited the financial statements of West Ham United Plc for the year ended 31 May 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes 1 to 34. 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 2005 and of the loss of the group 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
London

9 September 2005



CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 May 2005

	Notes	2005		2004	
		Operations excluding player trading £000	Player trading * (notes 8 & 12) £000	Total £000	Total £000
Turnover	3	31,789	-	31,789	35,112
Other operating income		340	-	340	212
Administrative expenses	4	(33,997)	(5,150)	(39,147)	(43,138)
Operating loss	5	(1,868)	(5,150)	(7,018)	(7,814)
Profit on disposal of players	8	-	3,871	3,871	21,792
(Loss)/profit before interest		<u>(1,868)</u>	<u>(1,279)</u>	<u>(3,147)</u>	<u>13,978</u>
Net interest payable	9			(1,957)	(2,168)
(Loss)/profit on ordinary activities before taxation				<u>(5,104)</u>	<u>11,810</u>
Tax credit/(charge) on (loss)/profit on ordinary activities	10			1,332	(1,567)
(Loss)/profit for the financial year	26			<u>(3,772)</u>	<u>10,243</u>

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

All activities derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 May 2005

	2005 £000	2004 £000
(Loss)/profit for the financial year	(3,772)	10,243
Unrealised surplus on revaluation of properties	-	16,050
Total recognised gains and losses for the year	<u>(3,772)</u>	<u>26,293</u>



WEST HAM UNITED PLC

CONSOLIDATED BALANCE SHEET

as at 31 May 2005

	Note	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	12		4,462		8,772
Tangible assets	11		70,609		73,227
			<u>75,071</u>		<u>81,999</u>
Current assets					
Stocks	14	360		512	
Debtors	15	7,732		9,372	
Cash at bank and in hand		165		112	
		<u>8,257</u>		<u>9,996</u>	
Creditors - amounts falling due within one year	16	(17,509)		(18,952)	
Net current liabilities			<u>(9,252)</u>		<u>(8,956)</u>
Total assets less current liabilities			<u>65,819</u>		<u>73,043</u>
Creditors – amounts falling due after more than one year	16		(26,475)		(28,701)
Deferred grants	21		(3,023)		(3,113)
Provisions for liabilities and charges	22,23		(431)		(1,567)
Total net assets			<u>35,890</u>		<u>39,662</u>
Capital and reserves					
Called up share capital	24		5,051		5,051
Capital redemption reserve			449		449
Share premium account			4,847		4,847
Revaluation reserve	25		28,095		28,455
Profit and loss account	26		(2,552)		860
Total equity shareholders' funds	27		<u>35,890</u>		<u>39,662</u>

These financial statements were approved by the board of directors on 9 September 2005.

Signed on behalf of the board of directors

TW Brown Director

N Igoe Director

WEST HAM UNITED PLC



COMPANY BALANCE SHEET as at 31 May 2005

	Note	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Investments	13		5,550		5,550
Current assets					
Debtors	15	1,571		1,571	
Creditors - amounts falling due within one year					
	16	(451)		(450)	
Net current assets			<u>1,120</u>		<u>1,121</u>
Total net assets			<u><u>6,670</u></u>		<u><u>6,671</u></u>
Capital and reserves					
Called up share capital	24		5,051		5,051
Capital redemption reserve			449		449
Profit and loss account	26		1,170		1,171
Total equity shareholders' funds			<u><u>6,670</u></u>		<u><u>6,671</u></u>

These financial statements were approved by the board of directors on 9 September 2005.

Signed on behalf of the board of directors

TW Brown **Director**

N Igoe **Director**



WEST HAM UNITED PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2005

	Note	2005		2004	
		£000	£000	£000	£000
Net cash inflow/(outflow) from operating activities	A		2,463		(2,115)
Returns on investments and servicing of finance					
Interest paid		(2,013)		(2,252)	
Interest received		56		84	
Net cash outflow from returns on investments and servicing of finance			(1,957)		(2,168)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(173)		(202)	
Proceeds on disposal of tangible fixed assets		18		(32)	
Purchase of player registrations		(1,949)		(4,652)	
Proceeds on disposal of player registrations		6,052		19,403	
Net cash inflow from capital expenditure and financial investment			3,948		14,517
Net cash inflow before financing			4,454		10,234
Financing					
Bank and other loans advanced		425		-	
Bank and other loans repaid		(4,000)		(5,667)	
Hire and lease purchase loans repaid		(473)		(761)	
Net cash outflow from financing			(4,048)		(6,428)
Increase in cash	C		406		3,806



NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2005

A Reconciliation of Operating Loss to Net Cash Inflow from Operating Activities

	2005	2004
	£000	£000
Operating loss from continuing activities	(7,018)	(7,814)
Depreciation charge	2,780	2,662
(Profit)/loss on disposal of tangible fixed assets	(7)	136
Release of deferred grant income	(90)	(90)
Amortisation of cost of player registrations	5,150	5,246
Decrease/(increase) in stocks	152	(167)
Decrease in debtors	222	833
Increase/(decrease) in creditors	1,274	(2,921)
Net cash inflow/(outflow) from operating activities	<u>2,463</u>	<u>(2,115)</u>

B Analysis of Changes in Net Debt

	1 June	Cash	Other	31 May
	2004	flows	non-cash	2005
	£000	£000	changes	£000
			£000	
Cash at bank and in hand	112	53	-	165
Overdrafts	(3,508)	353	-	(3,155)
	<u>(3,396)</u>	<u>406</u>	<u>-</u>	<u>(2,990)</u>
Debt due within one year	(4,000)	4,000	(2,220)	(2,220)
Debt due after one year	(26,485)	(425)	2,220	(24,690)
Hire and lease purchase loans	(578)	473	-	(105)
	<u>(31,063)</u>	<u>4,048</u>	<u>-</u>	<u>(27,015)</u>
	<u>(34,459)</u>	<u>4,454</u>	<u>-</u>	<u>(30,005)</u>

C Reconciliation of Net Cash Flow to Movement in Net Debt

	2005	2004
	£000	£000
Increase in cash in the year	406	3,806
Cash outflow from decrease in debt and lease financing	4,048	6,428
Change in net debt resulting from cash flows	<u>4,454</u>	<u>10,234</u>
Net debt at 1 June 2004	(34,459)	(44,693)
Net debt at 31 May 2005	<u>(30,005)</u>	<u>(34,459)</u>



NOTES TO THE ACCOUNTS for the year ended 31 May 2005

1 Accounting Policies

The accounts have been prepared in accordance with applicable United Kingdom accounting standards. The following are the accounting policies used by the company.

Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries.

Turnover

Turnover represents all amounts received and receivable in respect of football matches played, goods sold and services provided during the year excluding value added tax.

Signing on fees

Signing on fees payable under an employment contract are accounted for on an earnings basis. Where such fees are payable in equal annual instalments, under Football League and FA Premier League regulations, they are charged to the profit and loss account evenly over the period of the player's contract. In the event of the player's registration being sold, the balance of any signing on fees paid or payable to a player is treated as a cost of disposal of the registration.

Tangible fixed assets

In accordance with Financial Reporting Standard 15 "Tangible Fixed Assets", the Boleyn Ground stadium and adjoining land, the Chadwell Heath training ground and the Beckton Community Centre are valued on a depreciated replacement cost basis. The Little Heath training ground is valued on a current existing use value basis. Full valuations are undertaken at least every five years as required by FRS 15 and any surplus or deficit is transferred to the revaluation reserve.

Where depreciation charges are increased following a revaluation, where material, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Depreciation is provided at the followings rates on a straight line basis. The rates used are expected to write off the cost, less any estimated residual value, of each asset over its expected useful life.

Freehold buildings	2%
Plant, fittings & equipment	10-25%
Motor vehicles	25%

Intangible assets – player registrations

Payments made to third parties in order to acquire a player's registration are capitalised at cost. The cost is then amortised on a straight line basis over the period of the player's contract.

In the event of disposal of a player's registration, the unamortised cost of acquiring the registration is deducted from the net proceeds of disposal to arrive at a profit or loss on disposal.

Future payments for the acquisition of a player's registration, which may become due dependent on the performance of the team and/or the individual player, are recognised within the original cost of acquisition if, in the opinion of the directors, it is probable that these payments will eventually be made.

Similar terms may exist in contracts for the sale of players' registrations but such payments are not recognised as part of the proceeds of disposal until the event upon which the payment is dependent is known to have occurred.

Grants and deferred income

Grants receivable from the Football Stadia Improvement Fund (formerly the Football Trust) and the former Football Grounds Improvement Trust in respect of capital expenditure are treated as deferred income and released to the profit and loss account so as to match the depreciation charged on the fixed assets purchased with the grant. Deferred income in the balance sheet represents total grants receivable less amounts released to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is the invoiced value of goods purchased for resale. Provision is made to reduce cost to net realisable value having regard to age, condition and saleability of stocks.



NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets 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.

Pension costs

The group makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes the principal one of which is The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate.

In addition the group is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). Contributions are charged to the profit and loss account as soon as they are claimed by the Scheme. Under FRS 17 - Retirement Benefits - The Scheme would be treated as a defined benefit multi-employer scheme. The Scheme's actuary has advised that the participating employers' share of the underlying assets and liabilities cannot be identified on a reasonable basis and accordingly no disclosures are made under the provisions of FRS 17.

The assets of all schemes are held in funds independent from the group.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

2 Company Profit and Loss Account

In accordance with the provisions of section 230 of the Companies Act 1985, the profit and loss account for the parent company is not included in these accounts. The retained loss for the parent company amounted to £1,000 for the year (2004 - nil).

3 Turnover

An analysis of turnover by class of business is provided below. All turnover is derived in the United Kingdom.

	Group	
	2005	2004
	£000	£000
Match receipts and related football activities	12,651	13,992
Broadcast and central sponsorship distributions	8,344	9,159
Retail and merchandising	2,733	3,542
Commercial activities	4,139	5,061
Catering and hospitality	3,922	3,358
	31,789	35,112



NOTES TO THE ACCOUNTS (continued)

4 Exceptional Items

	2005	Group	2004
	£000		£000
<u>Administrative Expenses</u>			
Compensation for loss of office	-		780

Corporation tax attributable to compensation for loss of office was nil (2004: credit - £234,000).

5 Operating Loss

Operating loss is stated after charging/(crediting) the following.

	2005	Group	2004
	£000		£000
Employment costs (note 6)	20,240		23,243
Depreciation on tangible fixed assets (note 11):			
- owned assets	2,776		2,555
- assets held under hire and lease purchase contracts	4		107
Release of grant income	(90)		(90)
Auditors' remuneration:			
- audit	34		31
- other services	4		9
Operating leases	291		470
(Profit)/loss on disposal of fixed assets	(7)		136

The audit fee for the company of £5,000 (2004 - £5,000) is borne by West Ham United Football Club plc.

6 Staff Costs and Employees

	2005	Group	2004
	£000		£000
Wages and salaries	17,966		19,772
Directors' fees (including fees paid to directors of subsidiary companies)	34		140
Compensation for loss of office	-		780
Social security costs	2,048		2,352
Other pension contributions	192		199
	<u>20,240</u>		<u>23,243</u>
	Number		Number
<u>Average number of persons employed (including directors)</u>			
Players, team management & training	78		83
Commercial & administrative	102		143
	<u>180</u>		<u>226</u>
Part-time employees	413		393
	<u>593</u>		<u>619</u>

Staff costs for 2004 include exceptional expenditure of £780,000 (see note 4).



NOTES TO THE ACCOUNTS (continued)

7 Directors' Emoluments

	2005				2004	
	Salary/ fee £	Bonus £	Benefits in kind £	Pension contributions £	Total £	Total £
TW Brown	120,000	-	15,365	-	135,365	276,406
CJ Warner	11,250	-	-	-	11,250	25,000
N Igoe	86,250	76,250	-	25,350	187,850	94,921
PM Aldridge	116,400	110,000	738	35,872	263,010	132,727
	<u>333,900</u>	<u>186,250</u>	<u>16,103</u>	<u>61,222</u>	<u>597,475</u>	<u>529,054</u>

Messrs, Brown, Igoe and Aldridge are members of defined contribution pension schemes. Pension contributions for the highest paid director in 2003/04 were £34,650.

The service contracts for Messrs Brown, Igoe and Aldridge are subject to 24 months' notice to be given by either party. Mr Warner's appointment is subject to annual renewal.

8 Profit on Disposal of Players

	Group	
	2005 £000	2004 £000
Disposal proceeds (net of costs of realisation)	4,634	24,834
Net book value of players sold (note 12)	(763)	(3,042)
	<u>3,871</u>	<u>21,792</u>

Corporation tax attributable to the profit on disposal of players was £1,161,000 (2004 - £6,538,000).

9 Net Interest Payable

	Group	
	2005 £000	2004 £000
Interest payable on bank overdrafts and loans	1,922	2,096
Hire purchase loan interest	28	85
Bill of exchange discounting costs	63	71
	<u>2,013</u>	<u>2,252</u>
Bank and other interest receivable	(56)	(84)
	<u>1,957</u>	<u>2,168</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

10 Taxation on (Loss)/Profit on Ordinary Activities

	2005 £000	2004 £000
Deferred tax credit/(charge)	1,332	(1,567)

There is no liability to corporation tax due to the availability of brought forward tax losses. As at 31 May 2005, cumulative tax losses available to carry forward against future trading profits were approximately £5,450,000 (2004 – £940,000) subject to agreement with the Inland Revenue.

Factors affecting the corporation tax charge for the period are explained below.

	Group	
	2005 £000	2004 £000
(Loss)/profit on ordinary activities before tax	(5,104)	11,810
Tax credit @ 30% thereon	(1,531)	3,543
Expenses not deductible for tax purposes	294	271
Capital allowances for period in excess of depreciation	(46)	(172)
Other timing differences	(71)	(94)
Increase/(decrease) in tax losses	1,354	(3,548)
Current corporation tax charge for year	-	-

11 Group Tangible Fixed Assets

	Freehold land & buildings £000	Plant, fittings & equipment £000	Motor vehicles £000	Total £000
<u>Cost or valuation</u>				
1 June 2004	71,740	10,227	232	82,199
Additions	77	96	-	173
Disposals	-	-	(59)	(59)
31 May 2005	71,817	10,323	173	82,313
<u>Depreciation</u>				
1 June 2004	4,393	4,360	219	8,972
Charge for the year	1,831	947	2	2,780
Disposals	-	-	(48)	(48)
31 May 2005	6,224	5,307	173	11,704
<u>Net book value</u>				
31 May 2005	65,593	5,016	-	70,609
31 May 2004	67,347	5,867	13	73,227



NOTES TO THE ACCOUNTS (continued)

11 Group Tangible Fixed Assets (continued)

In relation to the prior year end position, Edward Symmons & Partners, Chartered Surveyors, undertook valuations of the freehold properties belonging to the group as at 15 July 2004. A summary of valuations of the properties and the bases of valuation is set out below.

Property	Basis of valuation	£000
Boleyn Ground and adjoining land	Depreciated replacement cost	62,000
Chadwell Heath training ground	Depreciated replacement cost	4,485
Little Heath training ground	Existing use value	850
Beckton Community Centre	Depreciated replacement cost	1,475

The value of land included in the above was £17,970,000. The valuation of the Boleyn Ground includes plant, fittings & equipment valued at £943,000. The valuation of the Chadwell Heath training ground includes plant, fittings & equipment valued at £520,000.

The comparable amounts for freehold land and buildings determined according to the historical cost convention are cost of £38,338,000 (2004 – £38,260,000) and accumulated depreciation of £6,577,000 (2004 – £5,106,000).

The Boleyn Ground and Chadwell Heath and Little Heath training grounds are charged to Barclays Bank PLC as trustee for themselves, Bank of Scotland and Lombard North Central plc.

The net book value of assets held under hire and lease purchase contracts is as follows.

	Group	
	2005 £000	2004 £000
Plant, fittings & equipment	469	2,083
Motor vehicles	-	11
	<u>469</u>	<u>2,094</u>

The company does not hold any tangible fixed assets.

12 Intangible Fixed Assets

	Group £000
<u>Cost of player registrations</u>	
1 June 2004	23,678
Additions	1,603
Disposals	(1,150)
31 May 2005	<u>24,131</u>
<u>Amortisation of player registrations</u>	
1 June 2004	14,906
Charge for the year	5,150
Disposals	(387)
31 May 2005	<u>19,669</u>
<u>Net book value</u>	
31 May 2005	<u>4,462</u>
31 May 2004	<u>8,772</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

13 Investments held as Fixed Assets

	Company	
	2005 £000	2004 £000
Ordinary shares in subsidiary undertakings at cost	5,550	5,550

Subsidiary undertakings comprise the following.

Company	Percentage of ordinary shares held	Country of incorporation and operation	Principal activities
West Ham United Football Club plc	100%	Great Britain	Professional football club
West Ham United Sportswear Limited	100%	Great Britain	Retail & merchandising
West Ham United Hospitality Limited	100%	Great Britain	Catering & hospitality
Thames Iron Works & Shipbuilding Company Limited	100%	Great Britain	Non trading

The proportion of voting rights held in respect of each of the investments above is the same as the proportion of ordinary shares held.

14 Stocks

	Group	
	2005 £000	2004 £000
Goods for resale	360	512

The company does not hold any stock.

15 Debtors

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade debtors	700	525	-	-
Amounts owing by group undertaking	-	-	1,571	1,571
Other debtors	5,102	6,571	-	-
Prepayments and accrued income				
– due within one year	1,750	2,078	-	-
– due after more than one year	180	198	-	-
	7,732	9,372	1,571	1,571

In June 2000 the group entered into a loan agreement to finance, inter alia, the redevelopment of the Boleyn Ground. The associated arrangement fee will be amortised over the initial period of the loan from 2001 to 2011. The element of these costs relating to periods beyond 31 May 2006 is shown above as prepayments due after more than one year.



NOTES TO THE ACCOUNTS (continued)

16 Creditors

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
<u>Due within one year</u>				
Bank overdrafts (note 19)	3,155	3,508	1	-
Bank loan (notes 17 & 19)	2,220	4,000	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	105	470	-	-
Trade creditors	1,453	1,480	-	-
Taxation and social security	1,013	1,038	-	-
Other creditors	4,427	4,659	-	-
Season ticket and other receipts in advance	579	310	-	-
Accruals	4,557	3,487	450	450
	<u>17,509</u>	<u>18,952</u>	<u>451</u>	<u>450</u>
<u>Due after more than one year</u>				
Debenture loans & subscriptions (notes 17 & 18)	611	611	-	-
Bank loan (notes 17 & 19)	24,079	25,874	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	-	108	-	-
Season ticket and other receipts in advance	1,065	1,118	-	-
Other creditors	720	990	-	-
	<u>26,475</u>	<u>28,701</u>	<u>-</u>	<u>-</u>

17 Total Loan and Hire Purchase Obligations

	Group	
	2005 £000	2004 £000
Debenture loans & subscriptions repayable after 5 years or more	611	611
Bank loan repayable:		
Within 1 year or on demand	2,220	4,000
Between 1 and 2 years	2,220	4,000
Between 2 and 5 years	6,660	8,738
After 5 years or more	15,199	13,136
	26,299	29,874
Obligations under hire and lease purchase contracts repayable:		
Within 1 year	105	470
Between 1 and 2 years	-	108
	105	578
	<u>27,015</u>	<u>31,063</u>



NOTES TO THE ACCOUNTS (continued)

18 Debenture Loans and Subscriptions

The balance of £611,000 comprises both full and part payments towards the purchase of debentures under the Hammers Bond Scheme. Under the terms of the issue the definitive certificate can only be issued once payment has been received in full. At 31 May 2005 and 2004 the following applications had been received.

	Group	
	2005	2004
	£000	£000
97 'A' bonds	49	49
641 'B' bonds	481	481
70 'C' bonds	68	68
Part payments	13	13
	<u>611</u>	<u>611</u>

Under the terms and conditions of the scheme, the debentures are repayable at par after 150 years. The debentures are non interest bearing and are unsecured.

19 Bank Loan and Overdraft

The loan is provided by a syndicate of three banks and is repayable between July 2002 and July 2011 and interest is charged at 1.5% over LIBOR.

The above bank loan and the bank overdraft are secured by legal charges on certain of the group's freehold land and buildings and debentures over all the assets and undertaking of the group in favour of the syndicate of three banks.

20 Obligations Under Hire and Lease Purchase Contracts

Obligations under hire and lease purchase contracts are in respect of certain assets of the group and are secured on the assets themselves.

21 Deferred Grants

Grant income has been received from the Football Stadia Improvement Fund (formerly the Football Trust) against approved capital projects and is not repayable. It is the group's policy to release deferred income to the profit and loss account so as to match the depreciation charged on the fixed assets purchased with the grant.

The movements for the year are as follows.

	Group	
	2005	2004
	£000	£000
1 June	3,113	3,203
Released to profit & loss account	(90)	(90)
31 May	<u>3,023</u>	<u>3,113</u>



NOTES TO THE ACCOUNTS (continued)

22 Provisions for Liabilities and Charges – Cost of Player Registrations

	Group	
	2005	2004
	£000	£000
1 June	-	26
Movement for year	196	(26)
31 May	<u>196</u>	<u>-</u>

The above provision represents estimated contingent amounts payable under the terms of transfer agreements.

23 Provisions for Liabilities and Charges – Deferred Taxation

The movements in the provision are as follows.

	Group	
	2005	2004
	£000	£000
1 June	1,567	-
(Credited)/charged to profit and loss account	(1,332)	1,567
31 May	<u>235</u>	<u>1,567</u>

The amount of deferred taxation provided in the accounts is as follows.

	Group	
	2005	2004
	£000	£000
Capital allowances in excess of depreciation	1,997	1,925
Other timing differences	(290)	(356)
Unutilised tax losses	(1,472)	(2)
Total deferred tax liability	<u>235</u>	<u>1,567</u>

The amount of potential deferred taxation not provided in the accounts is as follows.

	Group	
	2005	2004
	£000	£000
Capital allowances in excess of depreciation	(11)	15
Other timing differences	-	(5)
Unutilised tax losses	(165)	(281)
	<u>(176)</u>	<u>(271)</u>
Surplus on revaluation of properties	5,819	6,266
Unprovided deferred tax liability	<u>5,643</u>	<u>5,995</u>

The deferred tax asset in relation to unutilised tax losses has not been recognised as, in the opinion of the board, there is insufficient evidence of appropriate profits in the future that would lead to the asset crystallising.

The group's freehold properties have been revalued in accordance with FRS15 "Tangible Fixed Assets". It is the group's intention to retain these properties for the foreseeable future. No deferred tax has therefore been provided on the gains arising from the revaluation as such tax would only become payable if any of the properties were sold without rollover relief being obtained.



NOTES TO THE ACCOUNTS (continued)

24 Called up Share Capital

	Group & Company	
	2005	2004
	£000	£000
<u>Authorised</u>		
27,500,000 ordinary shares of 25 pence each	6,875	6,875
<u>Called up, allotted and fully paid</u>		
20,202,352 ordinary shares of 25 pence each	5,051	5,051

25 Revaluation Reserve

	Group	
	2005	2004
	£000	£000
1 June	28,455	13,046
Adjustment arising on revaluation	-	16,050
Transfer to profit and loss account	(360)	(641)
Revaluation surplus on asset disposed of in the year	-	-
31 May	28,095	28,455

26 Profit and Loss Account

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
1 June	860	(10,024)	1,171	1,171
Retained (loss)/profit for the year	(3,772)	10,243	(1)	-
Transfer from revaluation reserve	360	641	-	-
31 May	(2,552)	860	1,170	1,171

The historical cost loss for the group for the period was £3,412,000 (2004: profit - £10,884,000). The difference to the retained (loss)/profit for the year arises from the historical cost depreciation charge being lower than the actual depreciation charge for the year.

27 Reconciliation of Movements in Shareholders' Funds

	Group	
	2005	2004
	£000	£000
Retained (loss)/profit for the year	(3,772)	10,243
Adjustment arising on revaluation	-	16,050
Opening shareholders' funds	39,662	13,369
Closing shareholders' funds	35,890	39,662



NOTES TO THE ACCOUNTS (continued)

28 Capital Commitments

	Group	
	2005 £000	2004 £000
Contracted for but not provided in the financial statements	<u>145</u>	<u>105</u>

29 Contingent Liabilities

Under a group banking facility, the company has guaranteed certain bank overdrafts and loans of other group companies. At 31 May 2005 the balances outstanding on these overdrafts and loans totalled £29,420,000 (2004 – £33,382,000).

In common with other group companies, the company is party to a group VAT registration whereby each member company guarantees the liability to VAT of the other members.

Under the terms of transfer agreements for certain players additional transfer fees might be payable dependent on the football club's league status or those players making a certain number of club or international appearances. At the balance sheet date the maximum contingent liability was nil (2004 - £345,000).

Contingent liabilities are not expected to give rise to any material losses.

30 Contingent Assets

Under the terms of certain contracts for the sale of players' registrations, future payments may be received over a number of years, dependent on the future performance of the players sold and the future success of the buying clubs. At this stage it is impractical to quantify the likely financial effect of these provisions or to state with any degree of certainty that any payments will be received. Accordingly no further disclosure is made.

31 Pension Scheme

Eligible staff are members of the Football League Limited Pension and Life Assurance Scheme which is a defined contribution scheme. The assets of the scheme are held separately from those of the company, being invested with an insurance company.

Until 31 August 1999 the Football League Limited Pension and Life Assurance Scheme had been a defined benefit scheme. Following a review of the minimum funding requirement (MFR) of the scheme the scheme actuary identified a substantial deficit and accrual of benefits was suspended with effect from 31 August 1999. Thereafter, the defined contributions section was established for future contributions on behalf of members.

Under the Pensions Act 1995, participating employers to the scheme, including the group, are required to contribute to the deficit in accordance with an agreed schedule of contributions. An MFR valuation of the deficit as at 31 August 1999 was carried out and a schedule of contributions was put in place in July 2001. Since it is necessary to carry out a revaluation of the deficit every three years an MFR valuation of the deficit at 31 August 2002 was certified by the scheme actuary in January 2003 and a new schedule of contributions put in place in April 2003 which took account of market movements since the date of certification.

Following these two valuations, the group's total contribution towards the deficit was calculated as £2,040,000. Legislation permits participating employers to make good any deficit over a ten year period and so the revised schedule provides for the balance of contributions to be paid between April 2003 and May 2013.

Total pension costs charged during the year amounted to £192,000 (2004 - £199,000).



NOTES TO THE ACCOUNTS (continued)

32 Post Balance Sheet Events

Transfers of player registrations completed subsequent to 31 May 2005 amount to a net £9,142,000 payable by the company (2004 – £2,484,000 receivable) with a further £2,035,000 payable (2004 – £483,000 receivable) contingent on certain future events. The net amount payable includes payments in connection with the termination of certain players' contracts.

33 Operating Lease Commitments

At 31 May 2005 the group was committed to making the following payments in respect of operating leases.

	Group	
	2005 £000	2004 £000
<u>Land and buildings</u>		
Expiring after five years	195	215
<u>Other operating leases</u>		
Expiring within one year	16	16
Expiring within two to five years	86	82
	102	98
	297	313

34 Related Party Transactions

Mr CJ Warner, a director of the company, is also a partner of Warners, a firm of solicitors, which undertook legal work on behalf of group companies in the course of the year. Fees paid by those companies to Warners in respect of these services totalled £5,200 (2004 - £6,300) and are disclosed separately in the financial statements of the respective group companies.

Mr CBC Manhire, a director of certain subsidiary companies, is also a director of Nash & Partners Limited, a firm of surveyors, which undertook work on behalf of the group in the course of the year. Fees paid by group companies to Nash & Partners Limited in respect of these services totalled £4,100 (2004 - £11,100) and are disclosed separately in the financial statements of the respective companies.

In accordance with the exemption permitted by paragraph 3(c) Financial Reporting Standard 8 (Related Party Transactions), transactions between group companies have not been disclosed.