

WEST HAM UNITED PLC



REPORT AND FINANCIAL STATEMENTS

31 MAY 2006

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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 London
Solicitors	Warners 180 High Street Tonbridge Kent TN9 1BD Herbert Smith Exchange House Primrose Street London EC2A 2HS Michael Simkins LLP 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

The year saw us finish in ninth place in the FA Premier League, successfully completing our 40th season in the top flight of English football during the 48 seasons since 1958/59. Only five clubs have a better record.

Our ninth place finish also represented our fifth top 10 finish in the last nine seasons, an impressive feat considering two of those seasons were spent in the Coca-Cola Championship. To put that performance into perspective, shareholders should note that the club finished in the top half of the top division of English football in only 11 of the previous 72 seasons.

We also reached the FA Cup final, for only the fifth time in our history, narrowly losing on penalties against Liverpool in what was generally regarded as one of the finest cup finals seen for many years.

Sadly 2006 saw the loss of two great servants who did so much over a period of 28 years to establish the club's reputation for playing open, honest and attractive football.

On 9th February 2006 Ron Greenwood died at the age of 84 after a long illness. Ron managed the club between 1961 and 1974 and led us to great success in the mid-60s – winning the FA Cup in 1964 and securing our only European triumph in the European Cup Winners' Cup a year later at Wembley. He handed over the reins to his protégé John Lyall in 1974 and stepped up to become general manager at the Boleyn Ground, before taking on the role of England manager in 1977. He led the country to the World Cup finals in 1982, before making way for Bobby Robson. Our sincere condolences go to Ron's widow, Lucy, and the rest of his family.

John Lyall died suddenly on 18th April 2006 at the age of 66. John spent a total of 34 years with the club, originally joining as a groundstaff boy in 1955. A solid and dependable left-back, he won England youth honours and was a member of the West Ham United team that reached the 1957 FA Youth Cup final, before making his senior debut against Chelsea in February 1960. After a three-year fight against persistent knee injuries, John was forced to retire prematurely from the game at the age of just 24. He then took his first steps on the coaching ladder, guided by Ron Greenwood, and was eventually appointed assistant manager in 1971. In August 1974, John took over the running of team duties, with Ron moving upstairs as general manager. A year later, West Ham United won the FA Cup and John became the only manager in our history to win it twice when he led the team to a famous 1-0 victory over Arsenal in 1980. He also took the club to the European Cup Winners' Cup final in 1976 and the second division title in record-breaking style in 1981. Five years later he led us to our highest-ever league placing of third in the old first division. John left the club in the summer of 1989, following our relegation from the top flight. Our sincere condolences go to John's wife, Yvonne, his son Murray and the rest of his family.

Operating Results

The group made an operating profit before player trading of £13.4m and a pre-tax profit of £6m on record turnover of £60.1m and we continue to reduce our long-term indebtedness. Once again Nick Igoe, our finance director, has produced a detailed financial review, which is set out on pages 6-9 and I do hope that both shareholders and supporters will find the additional information helpful and will appreciate the remarkable transformation that has taken place since our relegation at the end of the 2002/03 season.

Football

During the season the team achieved positive results in 23 of our 38 League games and, of course, were FA Cup finalists producing an excellent performance being most unfortunate to lose the match on penalties at the end of 120 minutes.

All our coaching staff worked extremely hard to ensure the club was able to take full advantage of the promotion gained in 2005 and I would like to thank our football management team, ably led by Alan Pardew and Peter Grant, for the excellent progress we have made over the last three years since Alan Pardew's appointment on 10th October 2003.



WEST HAM UNITED PLC

CHAIRMAN'S STATEMENT

(continued)

Although Nigel Reo Coker was not to be the youngest captain since Bobby Moore to lift the FA Cup our team played extremely well and earned the respect of all those who witnessed the match. People across the globe watched West Ham United take the game to the European champions: a fitting tribute to the memories of Ron Greenwood and John Lyall.

One year earlier we finished sixth in the Coca Cola Championship, twenty one points behind Sunderland, and few supporters would have predicted what lay ahead. Alan Pardew led us to victory in the play off final in Cardiff but the initial euphoria of that occasion and our return to the Premiership after a two year absence was tinged with some caution in the knowledge that so many of the clubs promoted to the Premier League in recent seasons have struggled to bridge the gap between the two leagues and have returned to the Championship after just one season in the top flight.

However, the financial prudence shown by the club during those two seasons in the Championship enabled us to make a major investment in the playing squad during the summer and again in the January transfer window. Most importantly, the manager has invested our funds shrewdly, strengthening the squad in key positions and moulding a young and exciting team which has signalled West Ham United's return to the Premiership with a bold and exuberant brand of football, faithful to the club's great traditions.

Everybody at the club is aware our supporters have played a major role in the team's success. The club achieved record season ticket sales of 21,500 and our home games were almost invariably staged before sell out attendances. At a time when commentators have questioned the appeal of the FA Cup, West Ham United's travelling support was remarkable – 5,000 fans at Bolton Wanderers represented 30% of the total gate while, with only five days' notice, 4,700 fans travelled to the City of Manchester Stadium for the quarter final to make a telling contribution towards a memorable victory.

The intensity of the support for the semi final at Villa Park was awesome, reminiscent of our last semi final appearance in 1991, but with a happier outcome, and the support in Cardiff for the Cup Final was beyond anything any of us could ever have imagined. Thousands travelled to Cardiff without tickets, just to be a part of the historic event. Such support drives everybody at the club on and makes us even more determined to bring the success our supporters deserve.

Last season's FA Cup run has been indelibly marked on the hearts of all those who have shared in it. It has also generated important revenue for the club. This, together with the income received from a 9th place finish in the League, has enabled the club to make further substantial investment this summer to strengthen what is already one of the youngest and most exciting squads in the country.

The outstanding performances by so many of our players last season were rewarded by international call ups for them. Paul Konchesky represented England at full international level while Anton Ferdinand, Dean Ashton and Nigel Reo-Coker were selected for the England under-21 squad with Nigel regularly captaining the side. James Collins, Danny Gabbidon, Carl Fletcher and Gavin Williams were selected for Wales, Christian Dailly for Scotland, Roy Carroll for Northern Ireland and Yossi Benayoun and Yaniv Katan for Israel. Petr Mikolanda represented the Czech Republic at under-21 level.

Two players represented their countries at last summer's World Cup. Lionel Scaloni, our loan signing, played one game for Argentina while Shaka Hislop performed heroically for Trinidad and Tobago in their first ever appearance in the World Cup.

The number of current and former members of our successful Academy who were called up to represent their respective countries at various age levels confirms the continuing strength of the West Ham United Academy and the promise for the future. Mark Noble, Kyel Reid and Hogan Ephraim were all selected for the England under-19 squad, while Tom Harvey and James Tomkins were selected for the England under-17 squad and Jordan Spence was selected for the England under-16 squad. Lorcan Fitzgerald was also selected for the Republic of Ireland under-17 squad.



CHAIRMAN'S STATEMENT (continued)

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.

As a club we do 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

I commented in last year's Chairman's Statement that we returned to the Premier League in far better financial shape than when we left and with greatly reduced debts. I also commented on the good financial shape in which we found ourselves and, as is clearly apparent from our year end accounts, we have been able to build on the financial strength which resulted from our promotion back into the Premier League.

Press Speculation Regarding a Possible Offer for your Company

I advised shareholders on 5th September that the board has had exploratory discussions in relation to a possible bid but that these discussions were at an early stage and there could be no certainty of an offer for your company being forthcoming. I will report to you separately regarding those discussions in due course.

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 maintain our excellent working relationship with the London Borough of Newham and I would like to thank Sir Robin Wales, his colleagues and officers of Newham for their co-operation and assistance during the year.

May I also, once again, thank my fellow group directors, our management team and all our staff who have worked so hard throughout the year and returned the club, once again, to the highest echelons of European football.

Finally, and most importantly, may I thank every one of our supporters who continue to provide such magnificent backing for the club despite the set back of relegation and the struggle to return to the Premier League. As I have said in the past, I know we sometimes test your patience and I apologise for that but collectively we do have a great institution of which we can be justifiably proud.

TW Brown
Chairman

27 September 2006



WEST HAM UNITED PLC

FINANCIAL REVIEW

The group's excellent financial results for 2005/06 complement the league and cup success enjoyed by the first team following the club's return to the Premier League. The group recorded an operating profit before player trading of £13.4m on record turnover of £60.1m. These results continue the remarkable transformation in the group's finances over the three years following relegation at the end of the 2002/03 season.

In those three years, net bank borrowings have been almost halved from £44.1m to the present £22.5m. The group nevertheless invested £22.4m in the first team squad in the year just ended, comprising £15.7m in net transfer fees and a further £6.7m in player wages.

This investment in the squad was essential if Premier League status was to be retained following promotion and was only possible because of the success of the group's financial strategy following relegation, a strategy outlined in this review in each of the last three years' report and financial statements. Of the 15 clubs relegated since May 2001 only five have since regained Premiership status and only two of those (West Ham United and Manchester City) now retain it. Undoubtedly the gap between the top two divisions has widened but the club's success demonstrates that the gap can be bridged. The prompt and decisive action taken following relegation ensured financial stability whilst in the Championship and made possible the substantial investment in the squad following promotion.

Profit & Loss Account

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

	Total	2005/06	2004/05	2003/04	2002/03	2001/02
	£m	FAPL £m	CCC £m	CCC £m	FAPL £m	FAPL £m
Turnover	227.1	60.1	31.8	35.1	51.7	48.4
Wages & salaries	(141.0)	(31.2)	(20.2)	(23.2)	(33.3)	(33.1)
Other administrative expenses	(73.4)	(15.5)	(13.5)	(14.5)	(15.5)	(14.4)
Operating profit/(loss) before player trading	12.7	13.4	(1.9)	(2.6)	2.9	0.9
Interest payable	(9.8)	(1.6)	(1.9)	(2.2)	(2.3)	(1.8)
Profit/(loss) before player trading & after interest	2.9	11.8	(3.8)	(4.8)	0.6	(0.9)
Player amortisation	(35.5)	(5.1)	(5.2)	(5.2)	(6.4)	(13.6)
Profit on disposal of players	36.5	(0.7)	3.9	21.8	0.5	11.0
Profit/(loss) before taxation	3.9	6.0	(5.1)	11.8	(5.3)	(3.5)

The group almost doubled last season's turnover. More significantly, turnover was £8.4m higher than in the 2002/03 relegation season while a £2.1m reduction in total wages and salaries was achieved together with no increase in other expenditure.

Control of expenditure, and in particular wage costs, is essential in this industry and the group has achieved notable success in increasing the performance related element of players wages from 6% in 2002/03 to 31% in the season just ended. This, together with a two tier wage structure whereby an immediate reduction of approximately £8m would have been achieved in the event of relegation at the end of last season, substantially mitigate the financial risk of relegation.

Shareholders will be interested to learn that the club's FA Cup run generated a relatively modest £2.4m of income, net of bonus payments and other costs. When this figure is placed in the context of Premier League merit fees of £450,000 per league position it is perhaps clearer why, despite the tremendous excitement and sense of history generated by the club's appearance in last May's FA Cup Final, so many clubs now prioritise the league ahead of either cup competition.

Turnover

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



FINANCIAL REVIEW (continued)

	Total	2005/06	2004/05	2003/04	2002/03	2001/02
	FAPL	CCC	CCC	FAPL	FAPL	FAPL
	£m	£m	£m	£m	£m	£m
Match receipts & other football income	71.1	16.5	12.7	14.0	14.6	13.3
Broadcast & central sponsorship distributions	88.4	28.2	8.3	9.2	21.1	21.6
Commercial activities	33.0	7.3	4.2	5.0	9.1	7.4
Retail & merchandising	17.9	3.8	2.7	3.5	3.5	4.4
Catering & hospitality	16.7	4.3	3.9	3.4	3.4	1.7
	227.1	60.1	31.8	35.1	51.7	48.4

Match receipts and other football related income comprise Premier League receipts of £13.4m, FA Cup receipts (gross of away club and FA share) of £1.9m and income from a range of other sources totalling a further £1.2m. League receipts represent an 8% increase on the £12.4m recorded in 2002/03, the club's last season in the Premiership.

The average league attendance was 33,300, 95% of stadium capacity. This represents a 2.5% reduction on the average of 34,200 for 2002/03 and can be attributed to the considerable increase in the number of live televised games under the Premier League television contract which commenced in 2004/05. From a pure revenue perspective, the increase in broadcast fees has more than compensated for the very slight reduction in attendances.

Season ticket sales were a record 21,500 but, at the date of this report, season ticket sales for 2006/07 stand at an unprecedented 24,150 to which can be added a further 1,570 commercial members and box holders. The scale of demand for season tickets following so soon after the impressive support shown throughout last season's cup run provide powerful evidence of the loyalty of the club's supporters. These will be important factors in assessing the feasibility of the East Stand development over the forthcoming years.

Broadcast and central sponsorship distributions largely comprise Premier League distributions of £25.9m with a further £2m in respect of the club's FA Cup run. Premier League distributions should bear an approximate correlation with league position although the club enjoyed slightly favourable treatment with the 8th highest earnings in the league compared to its 9th place finish. In earlier years it has not been so fortunate when, for example, it featured in only three live games when it finished in 7th place in 2001/02.

The Premier League is in the course of finalising the broadcast contracts for the three years from 2007/08. The League has been successful in negotiating increases in the region of 60% from broadcasters and this could mean, for a mid table club, an increase in the region of £13m per annum.

Income from commercial activities showed a 74% increase on the previous season. New club and technical sponsorships which commence in 2007/08, together with a range of other commercial initiatives, should yield significantly higher commercial revenue in the forthcoming seasons.

Retail and merchandising operations benefited from the huge interest shown by supporters during the club's cup run. Turnover increased by 40% against the previous year.

Catering and hospitality income increased by 10% in the period although the group's hospitality subsidiary, West Ham Hospitality Limited, enjoyed a less successful year experiencing some pressure on its margins with a consequent affect on profitability.

Cash Flow & Borrowings

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



WEST HAM UNITED PLC

FINANCIAL REVIEW (continued)

	Total	2005/06	2004/05	2003/04	2002/03	2001/02
	£m	FAPL £m	CCC £m	CCC £m	FAPL £m	FAPL £m
Profit/(loss) before player trading and after interest	2.9	11.8	(3.8)	(4.8)	0.6	(0.9)
Depreciation & disposal of fixed assets	12.8	2.9	2.7	2.7	2.6	1.9
Working capital movements	(1.6)	1.6	1.6	(2.2)	(3.3)	0.7
Net cash flow from operations (after interest)	14.1	16.3	0.5	(4.3)	(0.1)	1.7
Transfer fees received/(paid)	9.2	(7.4)	4.1	14.8	(8.6)	6.3
Capital expenditure (net)	(20.7)	(2.0)	(0.2)	(0.2)	(2.7)	(15.6)
Net movements	2.6	6.9	4.4	10.3	(11.4)	(7.6)
Opening bank borrowings	(25.1)	(29.4)	(33.8)	(44.1)	(32.7)	(25.1)
Closing bank borrowings	(22.5)	(22.5)	(29.4)	(33.8)	(44.1)	(32.7)

2005/06 saw the group continue the process of debt reduction since relegation with net bank borrowings now almost 50% of the figure three years ago. While in the Championship this was largely achieved by player sales, although steps were also taken to minimise operating losses. This season, cash flow has been generated purely from operations.

At the year end the long term loan stood at £24.1m, repayable in 11 annual instalments of £2.2m. With turnover of £60m likely to increase with the new broadcast contract the obligations for servicing this level of debt are by no means onerous.

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	2005/06	2004/05	2003/04	2002/03	2001/02
	£m	FAPL £m	CCC £m	CCC £m	FAPL £m	FAPL £m
Player purchases	(41.1)	(16.6)	(1.6)	(5.1)	(1.6)	(16.2)
Adjustment for prior year purchases	4.4	-	-	-	4.4	-
Net player sale proceeds	43.8	0.9	4.6	24.8	1.9	11.6
	7.1	(15.7)	3.0	19.7	4.7	(4.6)
Cash paid/(received)	(9.2)	7.4	(4.1)	(14.8)	8.6	(6.3)
Opening net debtor/(creditor)	(3.8)	2.4	3.5	(1.4)	(14.7)	(3.8)
Closing net debtor/(creditor)	(5.9)	(5.9)	2.4	3.5	(1.4)	(14.7)

As explained in the introduction to this review, the group was able to make a substantial investment in the playing squad following promotion because of the financial stability achieved while in the Championship. The net expenditure of £15.7m, after player sale proceeds, represents a major commitment by the club although it will be noted that a significant element of the expenditure is deferred until a future period.

Note 33 discloses post year end commitments of a further £13.6m (£8.1m contingent on appearances and other factors) on the first team squad. These figures relate solely to transfer fees and associated costs and not to player wages which will be in addition.



FINANCIAL REVIEW (continued)

Capital Expenditure

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

	Total	2005/06	2004/05	2003/04	2002/03	2001/02
	£m	FAPL £m	CCC £m	CCC £m	FAPL £m	FAPL £m
Land & buildings	15.0	0.2	0.1	(0.1)	2.4	12.4
Plant, equipment & vehicles	5.4	1.8	0.1	0.1	0.8	2.6
Total purchases	20.4	2.0	0.2	-	3.2	15.0
Accrued stadium costs	1.0	-	-	0.2	0.2	0.6
Sale proceeds & grants	(0.7)	-	-	-	(0.7)	-
Cash flow on capital expenditure	20.7	2.0	0.2	0.2	2.7	15.6

As the table only covers a five year period, it is distorted slightly by only showing part of the £26m expenditure on the Dr Martens Stand development which commenced in 1999/2000. During the two years in the Championship it will be noted that the group avoided any significant capital expenditure.

Following promotion and successful retention of the club's Premier League status, the group has embarked on a series of major capital projects. Expenditure in the year just ended includes £0.9m of advance payment for projects included in note 28 as capital commitments totalling a further £2.9m. Inevitably this expenditure has an impact on funds available to the manager to invest in the first team squad. However, firstly it is considered important to balance investment in the squad with upgrading the club's facilities and infrastructure and secondly it is expected that much of this capital expenditure will be funded by hire purchase loans repayable over five years.

Major projects include renovation of training ground pitches, the installation of digital advertising boards at the Boleyn Ground and replacement video screens at the stadium. The advertising boards are of particular significance since they have the potential to generate revenue for the club.

Financial Prospects

Last year's review concluded with a reference to "the group's potential financial strength if Premier League status can be sustained on a long term basis". This is borne out by the results set out in this year's annual report. To record a turnover in excess of £60m on the club's return to the Premiership is a remarkable achievement.

Deloitte & Touche produce annually their "Deloitte Football Money League" ranking the world's major clubs by turnover. The group's turnover for 2005/06 would have ranked 18th in the world in 2004/05 and it seems quite likely that West Ham United will feature among the top twenty clubs in world football when the 2005/06 report is published.

The increase in broadcast distributions from 2007/08, a range of new commercial initiatives and very strong demand from supporters for season and match tickets all point towards sustained income growth over the next few seasons. This report has alluded to the group's determination to control expenditure, in particular player wages, and it is vital to remain prudent in order to exploit fully the potential income growth to enable the club to challenge strongly for domestic and European honours over the forthcoming seasons.

N Igoe
Finance Director

27 September 2006



STATEMENT ON SOCIAL RESPONSIBILITY

Charities Policy

West Ham United recognises its social responsibility and so nominated specific charities and other good causes to work with last season. The three charities who received money from our Community Shield fund were:-

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

The club continues to actively support Football Aid – a nationwide initiative that clubs take part in up and down the country. Supporters can realise their dream to play a game on the pitch at the Boleyn Ground. This year's Football Aid matches raised £14,844 for Field of Dreams. Marie Curie Cancer Care held two events at the stadium and raised £65,000. We have also provided match tickets and signed memorabilia for numerous charitable organisations, local schools and youth teams.

Community Involvement

The Prince's Trust Volunteers Programme

In its eighth year in partnership with Newham College the volunteers programme continues to create new opportunities for 16-25 year olds in need, those who are unemployed or facing barriers in life. This leading youth charity develops confidence, teaches new skills and gets young people into work. West Ham United offers work placements in the catering and hospitality departments and donates signed memorabilia and match tickets for fund raising.

Let's Kick Racism Out of Football and Show Racism the Red Card

West Ham United is a multi-cultural organisation which promotes social inclusion and encourages tolerance and understanding of all sectors of the community. We do not tolerate racism in any form at the club, on the pitch or in the stands.

This season's Kick It Out event was held on 22nd October 2005 with students from our Study Support Centre taking part in a pitch-side event prior to our game versus Middlesbrough.

Premier League Reading Stars

West Ham United adopted three local libraries in Forest Gate, Plaistow and Poplar. Paul Konchesky was our Reading Stars Champion and our Study Support Centre worked alongside the libraries to encourage children and their families to read.

Football in the Community

West Ham United in the Community is a Registered Charity (number 1114458) and employs ten full-time staff. During the period June 2005 to May 2006 the scheme provided 5,793 sessions for 74,765 participants as detailed below through the respective initiatives.

Curriculum Time Coaching / After School Activities

Curriculum time coaching and/or theory-based modules are delivered within schools in areas of North East London, Essex and Hertfordshire using football as a vehicle to tackle social issues or providing education support weekly sessions. Additional coaching programmes are set up in schools, youth clubs and sports facilities throughout the area catering for children wishing to participate in after school activities. In total 3,897 sessions have been provided for 65,455 participants

Holiday Football Courses

These courses are staged throughout school holidays whereby children aged between 6-16 attend for five hours a day. A total of 47 holiday football courses were held and attended by 4,200 participants.

Football Education Days

This initiative targets local schools and youth football clubs educating the children on 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 tour of the stadium, the club's museum and shop. A total of 26 groups attended with 533 participants.



STATEMENT ON SOCIAL RESPONSIBILITY (continued)

Thames Gateway Youth Football Project

The Thames Gateway Youth Football Project works with children and young people who live in the most disadvantaged areas of East London where poverty, dysfunctional families, low aspiration and discrimination are commonplace. The West Ham United project works in Barking & Dagenham, Newham, Thurrock and Tower Hamlets. The project:

- Enhances the personal and social development of young people;
- Combats social exclusion;
- Contributes to the reduction of crime and anti-social behaviour;
- Aids young people's return to mainstream education;
- Assists young people to achieve qualifications and employment.

In the last year 3,787 young people participated in the West Ham United Thames Gateway project.

'From Offending to Employment' (F.O.T.E.)

The FOTE project is a partnership between London Action Trust and West Ham United in the Community. It works in seven north east London boroughs and parts of Essex with young (ex) offenders and those at risk of offending between the ages of 9 and 25.

The FOTE project has worked with participants around the development of social skills, communication, teamwork and technical football skills. The project uses the positive activity of football as a vehicle to engage young people and to increase their self-esteem and confidence, channelling their energies in a constructive direction away from anti-social/offending behaviours. It has a number of aims and objectives which it has continued to meet in the last year, including the following.

- To reduce crime and anti-social behaviour and break the cycle of offending both in the short and long term;
- To re-engage young people with education, employment or training focusing on those most at risk;
- To provide young people with opportunities for personal development, encourage self-discipline, self-respect and self-confidence, improving their ability to work as a team and develop their communication skills;
- To provide access to high quality sports coaching and enable those with an interest and/or talent in the sport to continue after their involvement in the programme.

FOTE had a successful year and continued to deliver a high standard of projects and develop new initiatives. The project has delivered a mixture of weekly diversionary football sessions, holiday provision and educational packages. The project has provided coaching to around 450 young people over the year. FOTE offers young people a number of training and work related volunteer opportunities as well as signposting participants into employment or further education.

Coach Education

The coach education programme currently being delivered covers FA level 1, 2 and 3 certificates in coaching football. The project works in partnership with local authorities delivering qualifications to local residents, universities targeting sports science degree students and youth football clubs aiming to apply for FA charter standard. In the last year 17 courses have been delivered with a total of 340 participants.

The Learning Zone

The WHU Learning Zone, in the Dr Marten stand, continues to provide a stimulating and exciting educational environment and with its recently acquired nationally recognised Advanced Study Support status it intends to develop further its study support provision.

Playing for Success continues to be the main project offered and runs each evening from 3.30pm to 6.30pm providing out of school hours learning opportunities for 420 Newham children, from 36 schools, aged 9 to 12. These pupils are selected by their schools as being 'at risk of underachieving' and whilst at the Learning Zone they undertake activities which use the motivating environment of the stadium to improve their standards of literacy, numeracy and ICT.

During the day the Learning Zone offers a variety of literacy, numeracy, key skills, ICT GNVQ and GCSE sessions. These sessions are offered to any groups or schools and have included training days for local businesses, family learning and six-week courses for pupil referral units.



STATEMENT ON SOCIAL RESPONSIBILITY (continued)

Key developments over the last year include:

- QISS advanced status achieved;
- The launch and development of new interactive website showcasing learners work;
- Learning Zone has had special visits from Bill Rammell MP and Tessa Sanderson and featured on CBBC, Teachers TV and BBC Five Live radio;
- Launch of Ambassador Badge scheme;
- Kick Racism Out Of Football event.

With the support of the Heritage Lottery Fund we have also launched our own heritage project 'Building Bubbles'. The project aims to research the historical ties between West Ham United and its local community and enable volunteers from the local community to document the history of the club in the form of reminiscences, literature, photography, poetry and animation. The project seeks to bring together diverse areas of the community to consider shared heritage with West Ham United, giving them access to the club and the museum and provide them with an opportunity to investigate and understand their own history.

The Learning Zone continues to offer OCN accreditation for its volunteer mentors and, over the last year, 15 students have gained the accreditation. Over the next year the centre hopes to develop a scheme of work relating to 'Every Child Matters' that can be given to schools to show how the centre can support this. The centre also intends to further develop its Ambassador Badge scheme so that teachers can further identify the specific skills that Ambassadors have developed in our centre.

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

Football at Mile End

The project has firmly established itself as a major service deliverer to match the splendid new provision at Mile End Stadium. The link between formal education (National Curriculum) and coach education has provided a stimulating learning environment. The partnerships with Poplar Harca Housing Association, Ocean NDC and East End Homes Housing Association have enabled young people to acquire new skills and supported them through the application of such skills in positions of responsibility.

PE Curriculum Programme

The project has continued to work in partnership with local primary schools providing PE sessions for 12 participating schools. In addition, all participating primary schools take part in the Healthy Living Programme at Mile End Stadium combining the development of their basic football skills and fitness, balance, co-ordination and movement sessions on the athletics track.

Club Development Programme

Sessions are provided on four evenings and Saturdays each week. The project currently works in partnership with newly formed school-based clubs and junior youth services clubs. It is important to acknowledge that the groups are from Muslim and Catholic backgrounds which serves as an opportunity to integrate in a positive environment. A club development mini-league and monthly tournaments are held at Mile End Stadium with teams from Tower Hamlets, East Ham, Green Street, Little Ilford and Ponders End participating.



STATEMENT ON SOCIAL RESPONSIBILITY (continued)

Girls Only Sessions

These sessions are well attended. A group of five young black women have been trained and mentored to take a lead in this area of service delivery.

Holiday Courses

Holiday courses are provided for children in the borough during every school holiday. In excess of 120 young people attend the courses.

Coach Education Programme

The project organised and delivered four FA level 1 coaching courses this year for local young people. Coach educators provide mentoring for all candidates after they complete the course as well as assisting to prepare candidates to work towards level 2 certification.

Pre-Academy Development Centre

The under-8s pre-academy development centre operates in direct partnership with the club's academy. In the past year seven Asian players were referred, three of whom represented the academy teams. It must also be acknowledged that the integrated nature of the structure has provided academy opportunity for three young black players and one white player. Currently three players of Afghan origin at under-12s, 13s and 14s are training with the club's academy squads and will be participating in trial matches against other club's academy teams.

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 £16. Tickets for carers are free of charge. There are 120 wheelchair spaces, a further 120 seats for helpers and 248 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 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 and are given equal opportunities irrespective of their 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.



WEST HAM UNITED PLC

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 May 2006.

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 (2005 - 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 9.

Principal Risks and Uncertainties

The group's principal business risk is that of the club being relegated from the FA Premier League with the serious financial consequences which follow. Having endured this experience in 2002/03 the group believes it has a good understanding of the strategy required. However, of paramount importance is the need to make contingency plans for such an event. The group prepares budgets up to three seasons in advance which include an evaluation of the impact of relegation and associated contingency plans. The risk is mitigated to some extent by the long term contractual nature of a significant element of the group's turnover, including centrally negotiated broadcast and sponsorship deals.

Financial assets that expose the group to financial risk consist principally of cash, trade receivables and other receivables. Financial liabilities that expose the group to financial risk consist principally of trade payables and other payables. The financial risks associated with these financial instruments are considered minimal.

The directors are of the view that the group is not exposed to any significant foreign exchange risk.

The group places its cash with creditworthy institutions. The group performs ongoing credit evaluation of its debtors' financial condition. The carrying amounts of cash, trade receivable and other receivables represent the maximum credit risk that the group is exposed to.

The group's exposure to interest rate risk is managed through the use of an interest rate collar, details of which are set out in note 19 to the financial statements.



DIRECTORS' REPORT (continued)

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 2006	31 May 2005	31 May 2006	31 May 2005
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	55,900	900	-	-

Included within CJ Warner's interests at 31 May 2005 and 31 May 2006 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 2006	31 May 2005	31 May 2006	31 May 2005
MW Cearns	1,844,000	1,844,000	2	2
CBC Manhire	300	300	-	-

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 27 September 2006.

In accordance with the Articles of Association of the company, Mr Warner and Mr Aldridge will retire at the forthcoming Annual General Meeting of the company and, being eligible, offer themselves 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.



WEST HAM UNITED PLC

DIRECTORS' REPORT (continued)

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 2006 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 43 days' credit (2005 – 52 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.

Statement on Information Given to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- 1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 2) the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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

N Igoe
Director

27 September 2006



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements. The Directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP). United Kingdom company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985.

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 Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Companies Act 1985.

By order of the board

N Igoe
Director

27 September 2006



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 2006 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 May 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

27 September 2006



CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 May 2006

	Notes	2006		2005	
		Operations excluding player trading £000	Player trading * (notes 8 & 12) £000	Total £000	Total £000
Turnover	3	60,093	-	60,093	31,789
Other operating income		57	-	57	340
Administrative expenses	4	(46,741)	(5,067)	(51,808)	(39,147)
Operating profit/(loss)	5	13,409	(5,067)	8,342	(7,018)
(Loss)/profit on disposal of players	8	-	(710)	(710)	3,871
Profit/(loss) before interest		<u>13,409</u>	<u>(5,777)</u>	7,632	(3,147)
Net interest payable	9			(1,646)	(1,957)
Profit/(loss) on ordinary activities before taxation				<u>5,986</u>	<u>(5,104)</u>
Tax (charge)/credit on profit/(loss) on ordinary activities	10			(2,108)	1,332
Profit/(loss) for the financial year	26			<u><u>3,878</u></u>	<u><u>(3,772)</u></u>

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

All activities derive from continuing operations.

There are no recognised gains or losses for the current or previous year other than as stated in the profit and loss account. Consequently no statement of total recognised gains and losses has been prepared.



WEST HAM UNITED PLC

CONSOLIDATED BALANCE SHEET

as at 31 May 2006

	Note	2006		2005	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	12		14,389		4,462
Tangible assets	11		69,675		70,609
			<u>84,064</u>		<u>75,071</u>
Current assets					
Stocks	14	372		360	
Debtors	15	6,389		7,732	
Cash at bank and in hand		1,629		165	
		<u>8,390</u>		<u>8,257</u>	
Creditors - amounts falling due within one year	16	(22,980)		(17,509)	
Net current liabilities			(14,590)		(9,252)
Total assets less current liabilities			<u>69,474</u>		<u>65,819</u>
Creditors – amounts falling due after more than one year	16		(24,364)		(26,475)
Deferred grants	21		(2,964)		(3,023)
Provisions for liabilities and charges	22,23		(2,378)		(431)
Net assets			<u>39,768</u>		<u>35,890</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		27,735		28,095
Profit and loss account	26		1,686		(2,552)
Total equity shareholders' funds	27		<u>39,768</u>		<u>35,890</u>

These financial statements were approved by the board of directors on 27 September 2006.

Signed on behalf of the board of directors

TW Brown **Director**

N Igoe **Director**



COMPANY BALANCE SHEET as at 31 May 2006

	Note	2006		2005	
		£000	£000	£000	£000
Fixed assets					
Investments	13		5,550		5,550
Current assets					
Debtors	15	1,570		1,571	
Creditors - amounts falling due within one year	16	(450)		(451)	
Net current assets			<u>1,120</u>		<u>1,120</u>
Total assets less current liabilities and net assets			<u><u>6,670</u></u>		<u><u>6,670</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		1,170
Total equity shareholders' funds			<u><u>6,670</u></u>		<u><u>6,670</u></u>

These financial statements were approved by the board of directors on 27 September 2006.

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 2006

	Note	2006	2005
		£000	£000
Net cash inflow from operating activities	A	17,953	2,463
Returns on investments & servicing of finance			
Interest paid		(1,706)	(2,013)
Interest received		60	56
Net cash outflow from returns on investments and servicing of finance		(1,646)	(1,957)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,967)	(173)
Proceeds on disposal of tangible fixed assets		6	18
Purchase of player registrations		(12,460)	(1,949)
Proceeds on disposal of player registrations		5,072	6,052
Net cash inflow from capital expenditure and financial investment		(9,349)	3,948
Net cash inflow before financing		6,958	4,454
Financing			
Bank and other loans advanced		-	425
Bank and other loans repaid		(2,220)	(4,000)
Hire and lease purchase loans repaid		(119)	(473)
Net cash outflow from financing		(2,339)	(4,048)
Increase in cash & bank balances	C	4,619	406



NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2006

A Reconciliation of Operating Profit/(Loss) to Net Cash Inflow from Operating Activities

	2006	2005
	£000	£000
Operating profit/(loss) from continuing activities	8,342	(7,018)
Depreciation charge	2,961	2,780
Loss/(profit) on disposal of tangible fixed assets	7	(7)
Release of deferred grant income	(59)	(90)
Amortisation of cost of player registrations	5,067	5,150
(Increase)/decrease in stocks	(12)	152
(Increase)/decrease in debtors	(2,847)	222
Increase in creditors	4,494	1,274
	<u>17,953</u>	<u>2,463</u>

B Analysis of Changes in Net Debt

	1 June	Cash	Other	31 May
	2005	flows	non-cash	2006
	£000	£000	changes	£000
			£000	
Cash at bank and in hand	165	1,464	-	1,629
Overdrafts	(3,155)	3,155	-	-
	<u>(2,990)</u>	<u>4,619</u>	<u>-</u>	<u>1,629</u>
Debt due within one year	(2,220)	2,220	(2,220)	(2,220)
Debt due after one year	(24,690)	-	2,220	(22,470)
Hire and lease purchase loans	(105)	119	(73)	(59)
	<u>(27,015)</u>	<u>2,339</u>	<u>(73)</u>	<u>(24,749)</u>
	<u>(30,005)</u>	<u>6,958</u>	<u>(73)</u>	<u>(23,120)</u>

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £73,000 (2005 – nil).

C Reconciliation of Net Cash Flow to Movement in Net Debt

	2006	2005
	£000	£000
Increase in cash in the year	4,619	406
Cash outflow from decrease in debt and lease financing	2,339	4,048
	<u>6,958</u>	<u>4,454</u>
Change in net debt resulting from cash flows	(73)	-
New hire purchase loans	(30,005)	(34,459)
Net debt at 1 June 2005	<u>(30,005)</u>	<u>(34,459)</u>
	<u>(23,120)</u>	<u>(30,005)</u>



NOTES TO THE ACCOUNTS for the year ended 31 May 2006

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. These policies have been consistently applied through the current and preceding year.

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. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 following 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	10-33%
Motor vehicles	25%

Assets are stated net of any provision for impairment.

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.



NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

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.

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.

Financial Instruments

The Group uses an interest rate collar agreement to mitigate interest rate risk. Amounts payable or receivable in respect of the interest rate collar are recognised on an accruals basis and are shown as interest expense or income respectively. The Group does not hold or issue derivative financial instruments for speculative purposes.



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

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 profit for the parent company amounted to nil for the year (2005 – £1,000 loss).

3 Turnover

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

	Group	
	2006	2005
	£000	£000
Match receipts and related football activities	16,483	12,651
Broadcast and central sponsorship distributions	28,242	8,344
Retail and merchandising	3,799	2,733
Commercial activities	7,248	4,139
Catering and hospitality	4,321	3,922
	60,093	31,789

4 Exceptional Items

	Group	
	2006	2005
	£000	£000
<u>Administrative expenses include:</u>		
Contribution towards deficit of the Football League Limited Pension and Life Assurance Scheme (note 31)	287	-

Tax attributable to exceptional items was £86,000.

5 Operating Profit/(Loss)

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

	Group	
	2006	2005
	£000	£000
Employment costs (note 6)	31,228	20,240
Depreciation on tangible fixed assets (note 11):		
- owned assets	2,957	2,776
- assets held under hire and lease purchase contracts	4	4
Release of grant income	(59)	(90)
Auditors' remuneration:		
- audit	36	34
- other services	24	4
Operating leases	298	291
Loss/(profit) on disposal of fixed assets	7	(7)

The audit fee for the company of £5,000 (2005 - £5,000) is borne by West Ham United Football Club plc.



NOTES TO THE ACCOUNTS (continued)

6 Staff Costs and Employees

	Group	
	2006 £000	2005 £000
Wages and salaries	27,054	17,966
Directors' fees (including fees paid to directors of subsidiary companies)	150	34
Compensation for loss of office	121	-
Social security costs	3,238	2,048
Other pension contributions	665	192
	31,228	20,240
	Number	Number
<u>Average number of persons employed (including directors)</u>		
Players, team management & training	77	78
Commercial & administrative	104	102
	181	180
Part-time employees	1,059	972
	1,240	1,152

Staff costs include exceptional expenditure of £287,000 (see note 4).

In the course of 2005, match day staff formerly engaged on a casual basis became employees of the company and this is reflected in the number of part time employees shown above. Prior year figures have therefore been re-stated to show an additional 539 part time employees at 31 May 2005.

7 Directors' Emoluments

	2006					2005
	Salary/ fee £	Bonus £	Benefits in kind £	Pension contributions £	Total £	Total £
TW Brown	490,800	310,000	13,807	202,240	1,016,847	135,365
CJ Warner	50,000	75,000	-	-	125,000	11,250
PM Aldridge	228,800	240,000	912	23,920	493,632	263,010
N Igoe	161,300	150,000	-	16,900	328,200	187,850
	930,900	775,000	14,719	243,060	1,963,679	597,475

Messrs, Brown, Igoe and Aldridge are members of defined contribution pension schemes. Pension contributions for the highest paid director in 2004/05 were £35,872.

Pension contributions in respect of Mr Brown include a sum of £160,000 paid to his pension scheme in lieu of an entitlement to a bonus payment of an equivalent amount.

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.



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

8 (Loss)/Profit on Disposal of Players

	Group	
	2006 £000	2005 £000
Disposal proceeds (net of costs of realisation)	882	4,634
Net book value of players sold (note 12)	(1,592)	(763)
	<u>(710)</u>	<u>3,871</u>

Tax attributable to the (loss)/profit on disposal of players was a credit of £213,000 (2005 - £1,161,000 charge).

9 Net Interest Payable

	Group	
	2006 £000	2005 £000
Interest payable on bank overdrafts and loans	1,693	1,922
Hire purchase loan interest	13	28
Bill of exchange discounting costs	-	63
	<u>1,706</u>	<u>2,013</u>
Bank and other interest receivable	(60)	(56)
	<u>1,646</u>	<u>1,957</u>

10 Taxation on Profit/(Loss) on Ordinary Activities

	2006 £000	2005 £000
Corporation tax	385	-
Deferred tax charge/(credit)	1,723	(1,332)
	<u>2,108</u>	<u>(1,332)</u>

The profit for the period has eliminated brought forward tax losses. As at 31 May 2005, cumulative tax losses available to carry forward against future trading profits had been approximately £5,450,000, subject to agreement with the Inland Revenue.

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

	Group	
	2006 £000	2005 £000
Profit/(loss) on ordinary activities before tax	<u>5,986</u>	<u>(5,104)</u>
Tax charge/(credit) @ 30% thereon	1,796	(1,531)
Expenses not deductible for tax purposes	303	294
Capital allowances for period in excess of depreciation	73	(46)
Disposal of intangible assets – timing differences on allowances for tax	(104)	-
Other timing differences	4	(71)
(Decrease)/increase in tax losses	(1,686)	1,354
Adjustment for small companies' rate in subsidiary company	(1)	-
Current corporation tax charge for year	<u>385</u>	<u>-</u>



NOTES TO THE ACCOUNTS (continued)

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 2005	71,817	10,323	173	82,313
Additions	238	1,743	59	2,040
Disposals	-	(189)	(22)	(211)
31 May 2006	72,055	11,877	210	84,142
<u>Depreciation</u>				
1 June 2005	6,224	5,307	173	11,704
Charge for the year	1,847	1,106	8	2,961
Disposals	-	(176)	(22)	(198)
31 May 2006	8,071	6,237	159	14,467
<u>Net book value</u>				
31 May 2006	63,984	5,640	51	69,675
31 May 2005	65,593	5,016	-	70,609

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 £38,575,000 (2005 – £38,338,000) and accumulated depreciation of £8,064,000 (2005 – £6,577,000).

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	
	2006 £000	2005 £000
Plant, fittings & equipment	48	469
Motor vehicles	20	-
	68	469

The company does not hold any tangible fixed assets.



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

12 Intangible Fixed Assets

	Group £000
<u>Cost of player registrations</u>	
1 June 2005	24,131
Additions	16,586
Disposals	(16,069)
31 May 2006	<u>24,648</u>
<u>Amortisation of player registrations</u>	
1 June 2005	19,669
Charge for the year	5,067
Disposals	(14,477)
31 May 2006	<u>10,259</u>
<u>Net book value</u>	
31 May 2006	<u>14,389</u>
31 May 2005	<u>4,462</u>

13 Investments held as Fixed Assets

	Company	
	2006 £000	2005 £000
Ordinary shares in subsidiary undertakings at cost	<u>5,550</u>	<u>5,550</u>

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.

The company also has a 50% interest in West Ham United in the Community, a company limited by guarantee and registered charity. The results of West Ham United in the Community have not been consolidated.

14 Stocks

	Group	
	2006 £000	2005 £000
Goods for resale	<u>372</u>	<u>360</u>

The company does not hold any stock.



NOTES TO THE ACCOUNTS (continued)

15 Debtors

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Trade debtors	1,870	700	-	-
Amounts owing by group undertaking	-	-	1,570	1,571
Other debtors	835	5,102	-	-
Prepayments and accrued income				
– due within one year	3,522	1,750	-	-
– due after more than one year	162	180	-	-
	<u>6,389</u>	<u>7,732</u>	<u>1,570</u>	<u>1,571</u>

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 period of the loan from 2001 to 2016. The element of these costs relating to periods beyond 31 May 2007 is shown above as prepayments due after more than one year.

16 Creditors

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
<u>Due within one year</u>				
Bank overdrafts (note 19)	-	3,155	-	1
Bank loan (notes 17 & 19)	2,220	2,220	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	18	105	-	-
Trade creditors	1,806	1,453	-	-
Corporation tax	385	-	-	-
Taxation and social security	3,195	1,013	-	-
Other creditors	6,704	4,427	-	-
Season ticket and other receipts in advance	2,443	579	-	-
Accruals	6,209	4,557	450	450
	<u>22,980</u>	<u>17,509</u>	<u>450</u>	<u>451</u>
<u>Due after more than one year</u>				
Debenture loans & subscriptions (notes 17 & 18)	611	611	-	-
Bank loan (notes 17 & 19)	21,859	24,079	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	41	-	-	-
Season ticket and other receipts in advance	840	1,065	-	-
Other creditors	1,013	720	-	-
	<u>24,364</u>	<u>26,475</u>	<u>-</u>	<u>-</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

17 Total Loan and Hire Purchase Obligations

	Group	
	2006 £000	2005 £000
Debenture loans & subscriptions repayable after 5 years or more	611	611
Bank loan repayable:		
Within 1 year or on demand	2,220	2,220
Between 1 and 2 years	2,220	2,220
Between 2 and 5 years	6,660	6,660
After 5 years or more	12,979	15,199
	24,079	26,299
Obligations under hire and lease purchase contracts repayable:		
Within 1 year	18	105
Between 1 and 2 years	41	-
	59	105
	24,749	27,015

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 2006 and 2005 the following applications had been received.

	Group	
	2006 £000	2005 £000
97 'A' bonds	49	49
641 'B' bonds	481	481
70 'C' bonds	68	68
Part payments	13	13
	611	611

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 2016 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.

At the date of draw down of the loan the group was required to enter into an interest rate collar agreement whereby the interest rate on the loan (subject to a maximum of £15 million) is capped at 9.25% per annum and has a floor of 5.25% per annum. At the balance sheet date, this interest rate collar agreement had a negative fair value of £353,000 (2005 – £559,000).

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.



NOTES TO THE ACCOUNTS (continued)

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	
	2006 £000	2005 £000
1 June	3,023	3,113
Released to profit & loss account	(59)	(90)
31 May	2,964	3,023

22 Provisions for Liabilities and Charges – Cost of Player Registrations

	Group	
	2006 £000	2005 £000
1 June	196	-
Movement for year	224	196
31 May	420	196

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	
	2006 £000	2005 £000
1 June	235	1,567
Charged/(credited) to profit and loss account	1,723	(1,332)
31 May	1,958	235

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

	Group	
	2006 £000	2005 £000
Capital allowances in excess of depreciation	2,023	1,997
Other timing differences	(65)	(290)
Unutilised tax losses	-	(1,472)
Total deferred tax liability	1,958	235



NOTES TO THE ACCOUNTS (continued)

23 Provisions for Liabilities and Charges – Deferred Taxation (continued)

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

	Group	
	2006 £000	2005 £000
Depreciation in excess of capital allowances	(32)	(11)
Other timing differences	(4)	-
Unutilised tax losses	(149)	(165)
	<u>(185)</u>	<u>(176)</u>
Surplus on revaluation of properties	5,308	5,819
	<u>5,123</u>	<u>5,643</u>

The deferred tax asset of £185,000 (2005 – £176,000) 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.

24 Called up Share Capital

	Group & Company	
	2006 £000	2005 £000
<u>Authorised</u>		
27,500,000 ordinary shares of 25 pence each	<u>6,875</u>	<u>6,875</u>
<u>Called up, allotted and fully paid</u>		
20,202,352 ordinary shares of 25 pence each	<u>5,051</u>	<u>5,051</u>

25 Revaluation Reserve

	Group	
	2006 £000	2005 £000
1 June	28,095	28,455
Transfer to profit and loss account	(360)	(360)
	<u>27,735</u>	<u>28,095</u>
31 May	<u>27,735</u>	<u>28,095</u>



NOTES TO THE ACCOUNTS (continued)

26 Profit and Loss Account

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
1 June	(2,552)	860	1,170	1,171
Retained (loss)/profit for the year	3,878	(3,772)	-	(1)
Transfer from revaluation reserve	360	360	-	-
31 May	<u>1,686</u>	<u>(2,552)</u>	<u>1,170</u>	<u>1,170</u>

The historical cost profit for the group for the period was £3,951,000 (2005: loss – £3,412,000). The difference from the retained profit/(loss) 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	
	2006 £000	2005 £000
Retained profit/(loss) for the year	3,878	(3,772)
Opening shareholders' funds	35,890	39,662
Closing shareholders' funds	<u>39,768</u>	<u>35,890</u>

28 Capital Commitments

	Group	
	2006 £000	2005 £000
Contracted for but not provided in the financial statements	<u>2,950</u>	<u>145</u>

29 Operating Lease Commitments

At 31 May 2006 the group was committed to making the following payments in respect of operating leases.

	Group	
	2006 £000	2005 £000
<u>Land and buildings</u>		
Expiring after five years	<u>195</u>	<u>195</u>
<u>Other operating leases</u>		
Expiring within one year	-	16
Expiring within two to five years	113	86
	<u>113</u>	<u>102</u>
	<u>308</u>	<u>297</u>

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.



NOTES TO THE ACCOUNTS (continued)

31 Contingent Liabilities & Guarantees

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 £22,670,000 (2005 – £29,420,000).

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 success of the football club or those players making a certain number of club or international appearances. At the balance sheet date the maximum contingent liability was £250,000 (2005 – nil).

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

32 Pension Scheme

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

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 MFR valuations of the deficit at 31 August 2002 and 31 August 2005 were certified by the scheme actuary in January 2003 and March 2006 respectively. New schedules of contributions were put in place in April 2003 and April 2006 which took account of market movements since the date of certification.

Following these three valuations, the group's total contribution towards the deficit was calculated as £2,327,000. 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 2006 and May 2016.

Total pension costs charged during the year amounted to £665,000 (2005 - £192,000).

33 Post Balance Sheet Events

Transfers of player registrations completed subsequent to 31 May 2006 amount to a net £5,543,000 payable by the company (2005 – £9,142,000 payable) with a further net £8,100,000 payable (2005 – £2,035,000 payable) contingent on certain future events.

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 £2,600 (2005 - £4,100) 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 £29,600 (2005 - £5,200) and are disclosed separately in the financial statements of the respective companies.

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