

WEST HAM UNITED PLC



REPORT AND FINANCIAL STATEMENTS

28 MAY 2008

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WEST HAM UNITED PLC

DIRECTORS AND PROFESSIONAL ADVISERS

Directors	Bjorgolfur Gudmundsson Asgeir Fridgeirsson Scott Duxbury LLB Nicholas Igoe BA (Hons), ACA
Company Secretary	Nicholas Igoe BA (Hons), ACA
Registered Office	Boleyn Ground Green Street Upton Park London E13 9AZ
Company Registration Number	3407691
Independent Auditors	Deloitte LLP London
Solicitors	Brabners Chaffe Street 55 King Street Manchester M2 4LQ
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ Lombard North Central plc 3 Princess Way Redhill Surrey RH1 1NP Standard Bank plc Cannon Bridge House 25 Dowgate Hill London EC4R 2SB Straumur-Burdaras Investment Bank hf. Borgartún 25 105 Reykjavík Iceland Glitnir Banki hf. Kikjusandur 155 Reykjavík Iceland



CHIEF EXECUTIVE'S STATEMENT

As Chief Executive of West Ham United, I was well aware the 2007/08 season would be one in which the club had to do more than just avoid a repeat of the dangerous brush with relegation experienced in the previous campaign.

Throughout a solid campaign which saw the club spend the vast majority of the season in the safety of mid-table, there was a need to ensure that West Ham United was capable of pushing on. Having fought so hard to regain and then retain top-flight status, no chances could be taken in future.

A clear strategy was required. In the second half of the season, after the chairman Bjorgolfur Gudmundsson became the sole owner and had invested a further £30.5m into the financial base, we saw the early steps towards a football project that would give everyone a focus to work towards.

It could not and would not be dependent on significant investment but was about understanding the club's core strengths – such as our outstanding Academy production line of young talent fostered in the best traditions of the West Ham way – and how best to use these to our own advantage.

As well as recruiting in all areas of the business and improving the infrastructure, there were continued challenges to face relating to Carlos Tevez. While he departed before the new season started, there were issues related to his time at the club that would require attention throughout the season and beyond.

All of this was dealt with in a positive and forthright manner in what was a year of transition and much credit rightly goes to Mr Gudmundsson for his work to provide the solid foundations that we have today.

Operating results

Our Finance Director, Nick Igoe, has produced his customary Financial Review on pages 6 to 10 analysing the group's results for the year.

Football

Having experienced the final-day drama of the 2006/07 season, all at West Ham United could be forgiven for looking to the next Premier League campaign to be at least one of consolidation. With several high-profile signings added to those from the previous January, hopes were still high of a realistic challenge in the top half of the table and in the cup competitions.

With Alan Curbishley in charge for his first full season after overseeing the 'great escape', things began well. Notably, in September, there were successive 3-0 wins away to Reading and at home against Middlesbrough – the first of those victories in marked contrast to the 6-0 reverse at the Madejski Stadium of the previous season.

However, one major feature of the season had begun to take shape. By this point, new recruits Kieron Dyer and Craig Bellamy, along with Bobby Zamora, were to experience injury problems that would blight the club for the next nine months and beyond. Dyer's double-leg break, in particular, would see him not feature again while player after player would follow him into the overstretched treatment room.



WEST HAM UNITED PLC

CHIEF EXECUTIVE'S STATEMENT (continued)

The squad was tested to the maximum with fringe players stepping up to keep the club away from another relegation battle, not least with memorable results such as a 5-0 triumph at Derby County and home wins against Manchester United and Liverpool. The injury situation actually gave rise to plenty of positives for the club's long-term future – not least by giving youngsters a chance.

Still though the club remained safely in mid-table and, around the turn of the year with the team out of the cup competitions, the focus shifted on to what it would take to lift us to the next level. Investing in players and developing the youth Academy – which was bearing fruit again with the emergence of James Tomkins, Jack Collison and Freddie Sears – was fundamental, but more was needed.

We commissioned an independent study from the renowned Sports Performance Assessment and Rehabilitation Centre at Roehampton University into the club's existing medical operations which identified that better equipment and more staff to complement those in place were needed. Overall a strategic approach was required and we began the recruitment process for a chief medical officer to oversee the change – with the highly-experienced Nikos Tzouroudis ultimately joining.

With the manager's full support, I oversaw a wide-ranging recruitment process to find a technical director to unite all aspects of the playing, coaching and training ground staff. In March, Gianluca Nani was appointed to fulfil this role internally while working externally to help West Ham United bridge the gap to the elite clubs.

While strides were being made off the pitch, the club secured a highly creditable tenth-placed finish in the Premier League thanks to the likes of Robert Green, to be voted Hammer of the Year, and Dean Ashton, who finished the season with a flourish.

It was a tremendous achievement given the challenges that had been posed. With a firm vision for growth in place, regardless of the financial situation facing the club, optimism was justified.

Supporters

The season began with record numbers of season tickets sold, with some 26,000 fans pledging their support for the entire home campaign at the Boleyn Ground. Although circumstances dictated that they were not always able to see the club's big names in action, the backing given to those who stepped into the breach was striking.

Indeed, anyone who was at the stadium when young Freddie Sears stooped to head a debut winner against Blackburn Rovers in March 2008 will remember that moment for many years to come. In an instant, a young homegrown Hammer reminded us why this club is just so special.

Significant numbers continued to follow the club on the road and it meant wherever West Ham United played, there was strong and hearty backing from the stands.



CHIEF EXECUTIVE'S STATEMENT (continued)

Corporate Social Responsibility

West Ham United made significant progress in this area during 2007/08. Mick King was appointed as the CEO of West Ham United in the Community and tasked with establishing the club as a benchmark for others to follow in community work and commitment.

Full backing was given to the Premier League's Creating Chances initiative with a number of events supported by our manager and leading players. The final day of the season also saw the club presented with the preliminary level of the Racial Equality Standard, an initiative developed by Kick It Out in tandem with the Premier League. This underlined the club's efforts to promote equality in all areas of its operations.

We took our longstanding association with the Bobby Moore Fund for Cancer Research UK to a new level and initiated the signing of a formal three-year partnership. We also continued to work closely with the Richard House children's hospice in nearby Beckton. All at the club threw their weight behind raising vital funds and awareness for both good causes throughout the season.

Acknowledgements

My thanks are extended to all our key partners and suppliers who are essential to the day to day running of the club. Finally I would like to pay tribute to all the staff and employees of West Ham United Football Club, who do so much to make this club so special.

Scott Duxbury
Chief Executive

5 June 2009



WEST HAM UNITED PLC

FINANCIAL REVIEW

For the period under review the group recorded a loss of £37.4m (£10.1m before exceptional expenses) on turnover of £81.5m. Having narrowly survived relegation from the Premier League in the preceding season, the first team finished the season comfortably in 10th position in the Premier League and enjoyed limited cup success reaching the quarter finals of the Carling Cup.

The improved team performances were achieved following substantial investment in the playing squad, continuing the investment undertaken in the previous season. The investment was funded by a combination of equity investment of £30.5m and increased bank borrowing facilities of up to £17m when fully utilised.

Profit & Loss Account

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

	Total	2007/08	2006/07	2005/06	2004/05	2003/04
		FAPL	FAPL	FAPL	CCC	CCC
	£m	£m	£m	£m	£m	£m
Turnover	265.8	81.5	57.3	60.1	31.8	35.1
Wages & salaries	(179.2)	(63.3)	(42.4)	(30.9)	(20.2)	(22.4)
Other administrative expenses	(84.6)	(22.8)	(17.8)	(15.5)	(13.8)	(14.7)
Exceptional expenses	(37.3)	(27.3)	(8.9)	(0.3)	-	(0.8)
Other operating income	1.7	0.2	1.0	-	0.3	0.2
Operating (loss)/profit before player trading	(33.6)	(31.7)	(10.8)	13.4	(1.9)	(2.6)
Interest payable	(10.9)	(3.0)	(2.2)	(1.6)	(1.9)	(2.2)
(Loss)/profit before player trading & after interest	(44.5)	(34.7)	(13.0)	11.8	(3.8)	(4.8)
Player amortisation	(44.7)	(18.8)	(10.4)	(5.1)	(5.2)	(5.2)
Profit/(loss) on disposal of players	42.5	16.1	1.4	(0.7)	3.9	21.8
(Loss)/profit before taxation	(46.7)	(37.4)	(22.0)	6.0	(5.1)	11.8

Despite the £24m increase in turnover, of which £14.1m can be attributed to the improved terms of the new Premier League TV and sponsorship contracts effective from 2007/08, the group recorded an increased operating loss before taking account of exceptional expenses. The group also enjoyed a £3.6m increase in merit fees as a result of finishing 5 places higher up the Premier League in 10th position and, as a result of new commercial partnerships, increased commercial and retail income by £6m.

Whilst creditable, the 10th place finish has to be viewed in the context of a £21m increase in wages (almost exclusively player wages) and a further £15.7m net investment in transfer fees, following the £29.9m investment in the previous season (see below). Again ignoring exceptional expenses, the group recorded a loss before player trading and after interest of £7.4m. It follows that, even if the group had secured a top four finish, qualifying for the Champions League, it would have still recorded a loss before player trading. The total wage bill of £63m is estimated to be have been the sixth highest in the Premier League for this season. Such a business model is unsustainable unless continually funded by equity.

The group board had already recognised this fact and a programme of corrective action is already in place to reduce expenditure. This programme is discussed more fully under Future Prospects, below.



FINANCIAL REVIEW (continued)

Of the exceptional expenses incurred in the last two seasons, totalling £36.3m, £31.8m can be attributed to the respective decisions of the Premier League Disciplinary Commission in April 2007, concerning charges of breaches of Premier League rules by West Ham United, and the FA Arbitration Hearing of June 2008, dealing with Sheffield United's claim for damages arising out of the Disciplinary Commission's conclusion that West Ham United had been in breach of the rules. It is clear that the original recruitment of Carlos Tevez and Javier Mascherano and the subsequent decision to plead guilty to the charges of breaches of rules, on legal advice, have had extremely damaging financial repercussions for West Ham United.

The main factor comprising the £5m increase in other expenses was the £1.6m increase in retail cost of sales and overheads linked to the £2.2m increase in retail income. Other significant increases included £0.6m in the annual depreciation charge, calculated on the revaluation of group freehold properties in the previous season, and professional fees and charges in relation to the renegotiation of the group's borrowing facilities.

Turnover

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

	Total	2007/08	2006/07	2005/06	2004/05	2003/04
	£m	FAPL £m	FAPL £m	FAPL £m	CCC £m	CCC £m
Match receipts & other football income	78.5	18.3	17.0	16.5	12.7	14.0
Broadcast & central sponsorship distributions	110.4	40.8	23.9	28.2	8.3	9.2
Commercial activities	37.5	12.5	8.5	7.3	4.2	5.0
Retail & merchandising	18.6	5.4	3.2	3.8	2.7	3.5
Catering & hospitality	20.8	4.5	4.7	4.3	3.9	3.4
	265.8	81.5	57.3	60.1	31.8	35.1

Premier League match income grew by £0.8m with the club enjoying near capacity attendances which averaged 34,500 – 97.7% of capacity. Season ticket sales of 25,642 represented a record for the club. The Carling Cup run, to the quarter final of the competition, resulted in an increase in cup gate revenue of £0.7m. This was offset by the absence of any UEFA Cup revenue compared to 2006/07.

The most significant increase in revenue was in TV and other Premier League distributions. 2007/08 was the first season of the new Premier League TV contract which will expire in summer 2010. The new contract represented an average increase of 60% on the previous contract. This translated into £14.1m of additional income for the club in the season. The balance of the increase of £16.9m principally resulted from the team's improved league finish of 10th, against 15th in 2006/07, yielding a further £3.6m in merit fee payments. This was offset by a reduction of £0.9m in facility fees as a result of the club only featuring in 11 live TV games in 2007/08 relative to 13 in the previous season.

The new sponsorship contracts with XL.com and Umbro generated £3.6m of the £4m increase in commercial income for the period and augured well for the remaining years of those contracts. Unfortunately, XL.com entered administration in September 2008 and this will have a significant impact on the club's commercial income for 2008/09.

Retail income also benefited from the new relationship with Umbro with the annual turnover of £5.4m representing a record for the group's retail operation, West Ham United Sportswear Limited, which returned a profit of £0.4m for the period.

In July 2008 the group outsourced its catering and hospitality operation to Compass Group plc. However, in its final year of trading West Ham United Hospitality Limited recorded a very satisfactory profit of £0.6m.



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FINANCIAL REVIEW (continued)

Cash Flow & Borrowings

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

	Total	2007/08	2006/07	2005/06	2004/05	2003/04
	FAPL	FAPL	FAPL	CCC	CCC	CCC
	£m	£m	£m	£m	£m	£m
(Loss)/profit before player trading and after interest	(44.5)	(34.7)	(13.0)	11.8	(3.8)	(4.8)
Depreciation & disposal of fixed assets	15.2	3.7	3.2	2.9	2.7	2.7
Working capital movements	29.9	24.2	4.7	1.6	1.6	(2.2)
Net cash flow from operations (after interest)	0.6	(6.8)	(5.1)	16.3	0.5	(4.3)
Transfer fees received/(paid)	(22.2)	(14.0)	(19.7)	(7.4)	4.1	14.8
Capital expenditure (net)	(7.2)	(1.1)	(3.7)	(2.0)	(0.2)	(0.2)
Taxation	(0.4)	-	(0.4)	-	-	-
Investment of new equity	30.5	30.5	-	-	-	-
Net movements	1.3	8.6	(28.9)	6.9	4.4	10.3
Opening bank borrowings	(44.1)	(51.4)	(22.5)	(29.4)	(33.8)	(44.1)
Closing borrowings	(42.8)	(42.8)	(51.4)	(22.5)	(29.4)	(33.8)

The composition of borrowings at each period end is as set out below.

	2007/08	2006/07	2005/06	2004/05	2003/04
	FAPL	FAPL	FAPL	CCC	CCC
	£m	£m	£m	£m	£m
Term loan	(35.0)	(21.9)	(24.1)	(26.3)	(29.8)
Short term bank loans	-	(13.9)	-	-	-
Shareholder loans	-	(26.6)	-	-	-
HP loans	(2.2)	(2.7)	-	(0.1)	(0.6)
Revolving credit/overdraft	(8.0)	-	-	(3.2)	(3.5)
	(45.2)	(65.1)	(24.1)	(29.6)	(33.9)
Cash balances	2.4	13.7	1.6	0.2	0.1
	(42.8)	(51.4)	(22.5)	(29.4)	(33.8)

In January 2008, the group successfully renegotiated its borrowing facilities with a syndicate of five banks, securing a £35 million term loan and revolving credit facility of up to £12 million. This replaced facilities with the previous syndicate of three banks of a term loan of £22 million and overdraft facility of up to £8 million. It also replaced the short term loans of £13.9 million, disclosed above, which had been advanced in the aftermath of the takeover by Hansa ehf. in December 2006. The bulk of the shareholder loans of £26.6m at 31 May 2007 were converted to equity by successive share issues in September and December 2007.

This injection of debt and equity was essential if the group was to be able to fund the scale of investment in the playing squad following the takeover with £33.7m net expenditure on transfer fees and a further £11.9m operating cash outflow resulting from the losses before player trading, as discussed in the preceding section.



FINANCIAL REVIEW (continued)

It will be noted that the net cash outflow from operations for 2007/08 is considerably lower than the loss before player trading for the same period. This is a result of the significant working capital movement in the period which is explained in more detail in note A to the cash flow statement on page 23, principally an increase in creditors. This increase mainly comprises the provision for the settlement of Sheffield United's damages claim which was negotiated in March 2009 but which has been provided for in full in these accounts in recognition of the fact that the proceedings were commenced before 28 May 2008. This settlement will be paid over a period of 5½ years from the balance sheet date.

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. For example, although net expenditure of £45.6m has been incurred over the last two seasons, a balance of £17.8m remained owing to creditors at the end of the current season, and therefore unpaid.

	Total	2007/08	2006/07	2005/06	2004/05	2003/04
	FAPL	FAPL	FAPL	CCC	CCC	
	£m	£m	£m	£m	£m	£m
Player purchases	(90.9)	(34.6)	(33.0)	(16.6)	(1.6)	(5.1)
Net player sale proceeds	52.3	18.9	3.1	0.9	4.6	24.8
	(38.6)	(15.7)	(29.9)	(15.7)	3.0	19.7
Cash paid/(received)	22.2	14.0	19.7	7.4	(4.1)	(14.8)
Opening net (creditor)/debtor	(1.4)	(16.1)	(5.9)	2.4	3.5	(1.4)
Closing net (creditor)/debtor	(17.8)	(17.8)	(16.1)	(5.9)	2.4	3.5

Earlier in this review it was observed that the level of investment made by the group in the playing squad over the last two seasons would be unsustainable unless continually funded by equity. Although the group's holding company, Hansa ehf., invested a further £30.5m in the course of the season, it is now a matter of public record that Hansa has experienced financial difficulties, following the collapse of the Icelandic economy and banking system, and is no longer in a position to provide the group with any further financial support.

Notwithstanding this, it is clear with the benefit of hindsight that not all of the investment undertaken in the playing squad in the period under review was prudent. Most Premier League clubs operate under financial constraints and those who are most successful, in relative terms, are those who invest their financial resources to best effect in the transfer market. Poor investment decisions will impact adversely on a club's league performance and ultimately its financial results. By way of example, West Ham United purchased three high profile players in 2007/08 at a combined cost of £20m with total annual wages in excess of £12m. Those players made 36 starting appearances between them in the season.

As explained above, the board recognised the need for corrective action, and for a change in strategy towards investment in the playing squad, long before the end of the 2007/08 season. This change of strategy was implemented in the following season and evidence of this is disclosed in note 34 to these accounts, on post balance sheet events. Since the year end the club has generated £30.1m in sale proceeds (net of significant realisation costs) and invested a further £18.4m in new players, net proceeds of £11.7m. This programme of player trading has achieved two objectives. Firstly, the size of the paying squad has been reduced from in excess of 30 at the end of the 2007/08 season and secondly a number of high earning but underperforming players have been replaced by players on lower wages but with greater potential.



WEST HAM UNITED PLC

FINANCIAL REVIEW (continued)

Future Prospects

As explained above, a business model which is dependent on continued financial support from a controlling shareholder or increased bank borrowings is unsustainable. Since the takeover by Hansa ehf. in December 2006, the group has benefitted from £30.5m of new equity and £17m of increased borrowing facilities. The group's major shareholder is now unable to provide further support while bank borrowings inevitably have to be repaid over time and indeed are less likely to be readily available in the current financial climate. Moreover, as explained in note 17, the scale of operating losses and wages caused the group to breach certain banking covenants in 2007/08. Although the group's banking syndicate waived these breaches after 28 May 2008, a business strategy which relies on the goodwill of the group's bankers to waive covenant breaches is fundamentally flawed.

The group board has therefore determined to adopt a more sustainable business model based on prudent investment in the playing squad where, based on a reasonable expectation of team performance, the group is capable of being self financing. West Ham United is a well supported club and has considerable appeal for sponsors and other commercial partners. Historically its turnover is among the top eight in the Premier League and it therefore follows that, if it invests its revenue prudently, it is capable of consistently finishing in the top eight of league and cup competitions. Moreover, West Ham United has the unique benefit of an Academy system which has consistently produced young footballers capable of playing at the highest level.

Since the year end the board has faced the challenge of addressing an unsustainable wage bill, which generated an operating loss despite a 10th place league finish, and residual transfer fee liabilities of £17.8 million. Moreover, since the year end, it has faced a series of further challenges.

In September 2008, its sponsor, XL.com, has been placed in administration and the effect on commercial and retail income for 2008/09 is estimated to be in the region of £4 million. There will be a further impact on commercial revenue for 2009/10 although this has been partially mitigated by the appointment of SBOBET.com as the club's new sponsor.

Also in September 2008, the FA Arbitration Hearing dealing with Sheffield United's damages claim found in favour of Sheffield United with a subsequent Quantum Hearing scheduled to be held in March 2009 to assess the damages which would be payable. Sheffield United had claimed £45.8m and would also be entitled to an award for its costs for both hearings. Shortly before the Quantum Hearing commenced, the board was able to negotiate a settlement with Sheffield United resulting in payment of a sum of £21 million (inclusive of all their costs), payable over a period of 4½ years to August 2013. Although the club has paid a premium in order to achieve these deferred terms, the settlement is manageable in terms of cash flow and recognised the group's inability to meet any award the Arbitration Hearing might have made which would have been payable immediately on demand, together with costs. Moreover, the board had grave misgivings about the arbitration process and the objectivity of the arbitration panel. Many commentators agree that its original decision in favour of Sheffield United was fundamentally flawed and, accordingly, there could be no confidence that its ruling regarding financial liability would be any more sound.

Facing all of these challenges the board has acted to preserve the long term future of West Ham United and has already taken great strides. The process of generating savings and making the group self financing has been successfully commenced in 2008/09 and cost savings have been achieved without compromising the competitiveness of the first team squad. Indeed, the club finished the 2008/09 Premier League season in 9th position on 51 points having finished the 2007/08 season in 10th position on 49 points.

N Igoe
Finance Director

5 June 2009



STATEMENT ON SOCIAL RESPONSIBILITY

West Ham United in the Community is the charitable operation which delivers all community sports and charitable activities on behalf of West Ham United Football Club plc. It operates independently of the football club and the year to 31 May 2008 was the second year in which it performed this role.

Football Development

The delivery format for after school sessions and commercial courses remains though the service is offered in conjunction with a more informed delivery of Key Stage 2 PE in the same geographical areas. The targeted areas are in line with the “hot spots” as defined and identified by the club’s marketing strategy.

Football education days have been replaced by developing a closer working relationship with the Playing for Success centre. Ongoing programmes at the centre have been enhanced by including elements of physical activity led by Community staff. It is now common practice for coaches to work alongside qualified teachers to deliver ICT, literacy and numeracy classes at the stadium. This led to the development of the Communicating for Success programme following the year end.

This approach served its purpose to the point of having too many trained coaches in football and the emphasis on coach education has therefore evolved to take a greater sense of focus to up-skill in multi-sports. This is consistent with meeting training needs of departmental coaches and club coaches across the borough as we approach the Olympics.

Community Development / Social Inclusion

The main challenge for the second year of the West Ham United/Kickz projects has been finding the set amounts of match funding in partnership with key stake holders. Substantial financial partnerships have now been established to ensure the core funding is maintained. The six projects are now match funded across 4 boroughs and 3 co-ordinators have been incorporated into the departmental structure. In the last year 1,872 hours of provision were delivered with an estimated annual attendance of 65,301.

The Thames Gateway Youth Football Project and From Offending to Employment (FOTE) came to the end of their funding periods with no further scope for sustainability. In terms of maintaining balance, these losses are more than compensated by transferring the Asians in Football, and Football at Mile End (FAME) projects, back into the Company’s structure.

The Company has taken a proactive approach to community development and has applied a rigorous grant aided funding strategy in order to resource a range of progressive new projects.

Successful funding bids have been submitted to provide themed initiatives which in addition to social inclusion address issues regarding health, education (life long learning) and equality.



WEST HAM UNITED PLC

STATEMENT ON SOCIAL RESPONSIBILITY (continued)

Future Prospects

The new themed areas of practice are devised and implemented to embrace a holistic approach to sport, education and healthy living which link directly to promoting participation in a wide range of Olympic sports.

Significant grant aided schemes applied for and acquired throughout 2008, to be implemented in 2008/9 and beyond are as follows.

- Trainee & Mentoring Scheme (£120,000 over 3 years)
- Multi-sport & Retention Scheme (£300,000 over 3 years)
- Littlewoods Men's Health Project (£90,000 over 3 years)
- Inter-generational Project, tackling obesity (£120,000 over 3 years)
- Extended Learning 4 Sports Project (£73,000 over 2½ years)
- Newham Youth Capital Fund (£54,000)
- Bengali Women's Training Academy (£34,000 over 1½ years)

This increase in capacity building provides a solid financial and delivery platform for the medium term future of the Company.

The emphasis which the Scheme now places on health and education has also necessitated an up-skilling within the department which required matching up new skill sets to existing and new employees (full and part time). This has been challenging but reshaping the composition of the management, development and delivery teams will eventually result in a highly effective Company capable of meeting the needs of the diverse communities it serves.



DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the period from 1 June 2007 to 28 May 2008.

On 1 December 2006 the company was taken over by the newly formed WH Holding Limited and, as such, WHH is required to produce consolidated accounts for the new group. Although this company is no longer required to produce consolidated accounts the directors have nevertheless elected to do so.

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 (2007 - nil).

Review of the Group's Activities & Future Prospects

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

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 group's policy of preparing long term forecasts also allows it to plan with some certainty for future periods in the FA Premier League. It is a feature of football clubs' income streams that a significant element of that income is known in advance because of its long term contractual nature. Centrally negotiated broadcast and sponsorship deals are presently in place to summer 2010 and the contracts for the three years thereafter are close to being finalised. The group's own sponsorship and partnership agreements are also negotiated for a number of years in advance. Season ticket sales (including corporate sales) are made at the start of each season or accounting period and represent the bulk of the group's match day revenue. It follows that up to 70% of the group's annual turnover will be guaranteed, or in many cases received, by 31 July each year.

To the extent that there are ever any material variances from forecast, football clubs are in the unique position of being able to trade footballers to address any potential liquidity risks. This can include accelerating receipt of deferred elements of transfer fees receivable by discounting those proceeds with a financial institution.

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 group is exposed to very occasional foreign exchange risks in respect of the purchase or sale of player registrations negotiated in foreign currency.



WEST HAM UNITED PLC

DIRECTORS' REPORT (continued)

Principal Risks and Uncertainties (continued)

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 receivables and other receivables represent the maximum credit risk that the group is exposed to.

In April 2007 a Premier League Disciplinary Commission determined that the group had breached Premier League rules and, as a consequence, the group had to pay substantial fines and claims for damages. The board consider this was an isolated breach, linked to exceptional circumstances involving a potential takeover bid being advocated by the former chief executive and chairman, but believes that there are safeguards in place to minimise the risk of a recurrence of such a breach. It is an important part of the duties of the club secretary and in house solicitor to maintain these safeguards, supported where necessary by external solicitors.

Health and safety considerations at the Boleyn Ground on match days are of paramount importance. The group is awarded an annual safety certificate by the Safety Advisory Group, which comprises the local authority, police, fire service and other stakeholders. Thereafter the Safety Advisory Group meets monthly and also arranges for ad hoc inspections to ensure continuing compliance with all safety criteria. The group holds £300 million of public liability insurance in respect of any one occurrence.

Going Concern

The directors are responsible for drawing up the accounts on a going concern basis and in doing so have considered the period for at least 12 months from the date of signing these accounts. The Financial Reporting Council has issued guidelines in December 2008 for directors to assess and disclose going concern and liquidity risks. Although the guidelines with respect to disclosure are primarily for directors of listed companies it is considered good practice for directors of all companies to take account of them and accordingly the directors have set out herein their rationale for concluding that these accounts should be prepared on a going concern basis.

The principal risks to the group's going concern status are two fold. Firstly, the board has to assess the risk in relation to the group's forecast trading performance, in particular in the current economic climate. A major element of the group's annual turnover comes from contractual broadcasting and central sponsorship distributions and is therefore already known. The group also generates turnover from season ticket and corporate sales and, while the board is confident that supporters will continue to support the club, it recognises uncertainties exist as a result of the current economic climate. The group's forecasts and projections are also reliant upon the club's strategy of player disposals in the transfer window. However, as explained in the foregoing section, the group has prepared forecasts for the period for at least 12 months from the date of signing these accounts and has performed sensitivity analyses on these forecasts, including identification of mitigating actions, to take account of any projection shortfalls.

Secondly, the group remains dependent on the availability of bank finance and this is likely to remain the case for the foreseeable future. Note 17 to the accounts drew attention to the fact that, at 28 May 2008, the group was in breach of certain financial covenants in its loan agreements with its syndicate of banks. For this reason the term loan is classified as a current liability in these accounts. However, as also recorded in note 17, the syndicate has agreed to waive these historical breaches of covenant and, in doing so has reaffirmed its support for the group by amending the covenants of the facility to levels within which the group should be able to operate. The term loan and revolving credit facilities remain in place until 31 August 2011 and the board is satisfied that these facilities will remain available throughout that period.

Consequently, after making enquiries and taking account of the uncertainties described above, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.



DIRECTORS' REPORT (continued)

Directors

The directors who held office throughout the year, except as noted, are as follows.

B Gudmundsson (appointed 12 December 2007)
A Fridgeirsson (appointed 12 December 2007)
SI Duxbury
N Igoe
M Lee (appointed 12 December 2007; resigned 4 November 2008)
GJ Oddsson (resigned 4 November 2008)
EA Magnusson (resigned 12 December 2007)
T Kristjansson (resigned 19 February 2008)

In accordance with the Articles of Association of the company, Mr Oddsson and Mr Duxbury will retire at the forthcoming Annual General Meeting of the company and, being eligible, offer themselves for re-election.

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 28 May 2008 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 65 days' credit (2007 – 51 days'). Average figures calculated on the basis laid down by the regulations may be distorted by the irregular pattern of invoiced supplies during the period.

Employee Consultation and Involvement

The group's policy is to communicate honestly with employees and encourage consultation between employees and management. It places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings usually with the chief executive or other senior management and has been underpinned this year by the introduction of a group intranet and a performance appraisal system for all staff.

Disabled Employees

The group gives full consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.



WEST HAM UNITED PLC

DIRECTORS' REPORT (continued)

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 ought to have taken as a director in order to make himself 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 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
Secretary

5 June 2009



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

N Igoe
Secretary

5 June 2009



WEST HAM UNITED PLC

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

We have audited the group and parent company financial statements (the "financial statements") of West Ham United plc for the period from 1 June 2007 to 28 May 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 36. 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 group's and 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 parent company's affairs as at 28 May 2008 and of the group's loss for the period 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 LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

5 June 2009



CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period ended 28 May 2008

	Notes	Period ended 28 May 2008			Year ended
		Operations excluding player trading £000	Player trading * (notes 8 & 12) £000	Total £000	31 May 2007 Total £000
Turnover	3	81,543	-	81,543	57,302
Other operating income		183	-	183	970
Exceptional expenses	4	(27,313)	-	(27,313)	(8,888)
Administrative expenses #	4	(86,030)	(18,836)	(104,866)	(70,646)
Total operating expenses		(113,343)	(18,836)	(132,179)	(79,534)
Operating loss	5	(31,617)	(18,836)	(50,453)	(21,262)
Profit on disposal of players	8	-	16,114	16,114	1,458
Loss before interest		<u>(31,617)</u>	<u>(2,722)</u>	<u>(34,339)</u>	<u>(19,804)</u>
Net interest payable	9			(3,034)	(2,151)
Loss on ordinary activities Before taxation				<u>(37,373)</u>	<u>(21,955)</u>
Tax credit on loss on ordinary activities	10			-	2,341
Loss for the financial year	27			<u>(37,373)</u>	<u>(19,614)</u>

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

Administrative expenses for the year ended 31 May 2007 includes an amount of £10,430,000 in respect of amortisation of player registrations.

All activities derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the period ended 28 May 2008

	2008 £000	2007 £000
Loss for the financial year	(37,373)	(19,614)
Unrealised surplus on revaluation of properties	-	19,419
Unrealised loss on revaluation of properties	-	(143)
Total recognised gains and losses for the year	<u>(37,373)</u>	<u>(338)</u>



WEST HAM UNITED PLC

CONSOLIDATED BALANCE SHEET

as at 28 May 2008

	Note	28 May 2008		31 May 2007	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	12		48,349		35,287
Tangible assets	11		86,740		89,397
			<u>135,089</u>		<u>124,684</u>
Current assets					
Stocks	14	469		313	
Debtors	15	25,659		7,528	
Cash at bank and in hand		2,389		13,714	
		<u>28,517</u>		<u>21,555</u>	
Creditors - amounts falling due within one year	16	(95,151)		(80,300)	
Net current liabilities			<u>(66,634)</u>		<u>(58,745)</u>
Total assets less current liabilities			<u>68,455</u>		<u>65,939</u>
Creditors – amounts falling due after more than one year	16		(28,871)		(17,848)
Deferred grants	21		(2,829)		(2,896)
Provisions for liabilities and charges	22,23		(4,198)		(5,765)
Net assets			<u>32,557</u>		<u>39,430</u>
Capital and reserves					
Called up share capital	24		16,332		5,051
Capital redemption reserve			449		449
Share premium account	25		24,066		4,847
Revaluation reserve	26		45,978		46,652
Profit and loss account	27		(54,268)		(17,569)
Total shareholders' funds	28		<u>32,557</u>		<u>39,430</u>

These financial statements were approved by the board of directors on 5 June 2009.

Signed on behalf of the board of directors

SI Duxbury **Director**

N Igoe **Director**

WEST HAM UNITED PLC



COMPANY BALANCE SHEET as at 28 May 2008

	Note	28 May 2008		31 May 2007	
		£000	£000	£000	£000
Fixed assets					
Investments	13		5,550		5,550
Current assets					
Debtors	15	31,063		387	
Creditors - amounts falling due within one year	16	(450)		(450)	
Net current assets/(liabilities)			<u>30,613</u>		<u>(63)</u>
Total assets less current liabilities and net assets			<u><u>36,163</u></u>		<u><u>5,487</u></u>
Capital and reserves					
Called up share capital	24		16,332		5,051
Capital redemption reserve			449		449
Share premium account	25		19,219		-
Profit and loss account	27		163		(13)
Total shareholders' funds			<u><u>36,163</u></u>		<u><u>5,487</u></u>

These financial statements were approved by the board of directors on 5 June 2009.

Signed on behalf of the board of directors

SI Duxbury **Director**

N Igoe **Director**



WEST HAM UNITED PLC

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 28 May 2008

	Note	Period ended 28 May 2008		Year ended 31 May 2007	
		£000	£000	£000	£000
Net cash outflow from operating activities	A		(3,748)		(2,889)
Returns on investments & servicing of finance					
Interest paid		(3,412)		(2,262)	
Interest received		378		111	
Net cash outflow from returns on investments and servicing of finance			(3,034)		(2,151)
Corporation tax paid			-		(385)
Capital expenditure & financial investment					
Purchase of tangible fixed assets		(1,112)		(804)	
Proceeds on disposal of tangible fixed assets		17		-	
Purchase of player registrations		(26,330)		(21,463)	
Proceeds on disposal of player registrations		12,304		1,780	
Net cash outflow from capital expenditure and financial investment			(15,121)		(20,487)
Net cash outflow before financing			(21,903)		(25,912)
Financing					
Issue of ordinary shares		30,500		-	
Bank loans advanced		21,907		13,905	
Revolving credit facility drawn down		8,000		-	
Loans (repaid to)/advanced from companies controlled by major shareholder		(26,600)		26,600	
Bank and other loans repaid		(22,671)		(2,220)	
Hire and lease purchase loans repaid		(558)		(288)	
Net cash inflow from financing			10,578		37,997
(Decrease)/increase in cash & bank balances	B		(11,325)		12,085



NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

For the period ended 28 May 2008

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

	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Operating loss from continuing activities	(50,453)	(21,262)
Depreciation charge	3,784	3,293
Loss on disposal of tangible fixed assets	-	1
Release of deferred grant income	(67)	(68)
Amortisation of cost of player registrations	18,836	10,430
(Increase)/decrease in stocks	(156)	59
(Increase)/decrease in debtors	(11,589)	544
Increase in creditors	35,897	4,114
	<u>(3,748)</u>	<u>(2,889)</u>

B Analysis of Changes in Net Debt

	1 June 2007 £000	Cash flows £000	Other non-cash changes £000	28 May 2008 £000
Cash at bank and in hand	13,714	(11,325)	-	2,389
Revolving credit facility	-	(8,000)	-	(8,000)
Loans from companies controlled by major shareholder	(26,600)	26,600	-	-
	<u>(12,886)</u>	<u>7,275</u>	<u>-</u>	<u>(5,611)</u>
Debt due within one year	(22,671)	22,671	(35,000)	(35,000)
Debt due after one year	(13,704)	(21,907)	35,000	(611)
Hire and lease purchase loans	(2,707)	558	(32)	(2,181)
	<u>(39,082)</u>	<u>1,322</u>	<u>(32)</u>	<u>(37,792)</u>
	<u>(51,968)</u>	<u>8,597</u>	<u>(32)</u>	<u>(43,403)</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 £32,000 (2007 – £2,936,000).

C Reconciliation of Net Cash Flow to Movement in Net Debt

	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Increase/(decrease) in cash & short term loans in the year	7,275	(14,515)
Cash outflow/(inflow) from decrease in debt and lease financing	1,322	(11,397)
	<u>8,597</u>	<u>(25,912)</u>
Change in net debt resulting from cash flows	(32)	(2,936)
New hire purchase loans	(32)	(2,936)
Net debt at 1 June 2007	(51,968)	(23,120)
	<u>(43,403)</u>	<u>(51,968)</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS for the period ended 28 May 2008

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 throughout 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.

Going concern

The accounts have been prepared on the going concern basis as discussed further in the Directors' Report on page 14.

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. Gate receipts and other match day revenue is recognised as games are played. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees received for live coverage or highlights are taken when earned. Merit awards are accounted for only when known at the end of the football season.

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.



NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

Intangible assets – player registrations

Payments made to third parties in order to acquire a player's registration, including agents' fees and transfer fee levy, are capitalised at cost. The cost is then amortised on a straight line basis over the period of the player's contract. In accordance with FRS 10, where a player's contract is renegotiated before its expiry, on broadly similar financial terms, the unamortised balance of the original capitalised cost is then amortised over the term of the new contract. Where the contract is renegotiated on materially improved financial terms, the capitalised cost continues to be amortised over the term of the original 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.

Taxation

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



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

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 profit for the parent company amounted to £176,000 for the year (2007: loss – £1,183,000).

3 Turnover

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

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Match receipts and related football activities	18,337	16,967
Broadcast and central sponsorship distributions	40,790	23,911
Commercial activities	12,504	8,549
Retail and merchandising	5,357	3,155
Catering and hospitality	4,555	4,720
	81,543	57,302

4 Exceptional Expenses

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Settlement of claim for damages	21,000	-
Settlement of litigation (net of amount recovered)	750	-
Legal fees in respect of the above	3,709	-
Grant payable	500	-
Contributions towards deficit on Football League Pension and Life Assurance Scheme	896	-
Premier League fine and associated legal fees	-	5,917
Compensation for loss of office	458	1,788
Professional fees relating to takeover by WH Holding Limited	-	1,183
	27,313	8,888

Tax attributable to exceptional items was £7,648,000 (2007 – £661,000).

WEST HAM UNITED PLC



NOTES TO THE ACCOUNTS (continued)

5 Operating Loss

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

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Employment costs (note 6)	64,687	44,160
Depreciation on tangible fixed assets (note 11):		
- owned assets	3,266	2,866
- assets held under hire and lease purchase contracts	518	427
Release of grant income	(67)	(68)
Fees payable to the company's auditors for the audit of the company's annual accounts	6	4
Fees payable to the company's auditors for other services:		
- audit of company's subsidiaries pursuant to legislation	74	37
- tax services	33	13
- services related to corporate finance	-	25
Operating leases	399	335
Loss on disposal of fixed assets	-	1

The audit fee for the company of £6,000 (2007 - £4,000) is borne by West Ham United Football Club plc.

6 Staff Costs and Employees

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Wages and salaries	56,365	37,613
Directors' fees	73	25
Compensation for loss of office	458	1,788
Social security costs	6,655	4,483
Other pension contributions	1,136	251
	64,687	44,160
	Number	Number
<u>Average number of persons employed (including directors)</u>		
Players, team management & training	103	94
Commercial & administrative	156	146
	259	240
Part-time employees	1,122	1,115
	1,381	1,355

Staff costs include exceptional expenditure of £458,000 (2007 - £1,788,000) (see note 4).



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

7 Directors' Emoluments

	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Emoluments	885	1,391
Compensation for loss of office	-	521
Fees	73	25
Aggregate payments made to a defined contribution pension scheme	39	85
	<u>997</u>	<u>2,022</u>
<u>Emoluments of highest paid director</u>		
Emoluments	474	116
Compensation for loss of office	-	521
Aggregate payments made to a defined contribution pension scheme	-	12
	<u>474</u>	<u>649</u>
	Number	Number
Directors who are members of a defined contributions pension scheme	2	4

8 Profit on Disposal of Players

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Disposal proceeds (net of costs of realisation)	18,846	3,080
Net book value of players sold (note 12)	(2,732)	(1,622)
	<u>16,114</u>	<u>1,458</u>

Tax attributable to the profit on disposal of players was £4,512,000 (2007 - £437,000).

9 Net Interest Payable

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Interest payable on bank overdrafts, revolving credit facility and loans	3,111	2,120
Hire purchase loan interest	181	90
Bill discounting costs	85	-
Interest payable to companies controlled by major shareholder	35	52
	<u>3,412</u>	<u>2,262</u>
Bank and other interest receivable	(378)	(111)
	<u>3,034</u>	<u>2,151</u>



NOTES TO THE ACCOUNTS (continued)

10 Taxation on Loss on Ordinary Activities

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Corporation tax credit	-	(383)
Deferred tax credit	-	(1,958)
	-	(2,341)
	-	(2,341)

As at 28 May 2008, cumulative tax losses available to carry forward against future trading profits were approximately £47,000,000 (2007 - £12,800,000) subject to agreement with HM Revenue & Customs.

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

	Group	
	Period ended 28 May 2008 £000	Year ended 31 May 2007 £000
Loss on ordinary activities before tax	(37,373)	(21,955)
Tax credit @ 29.67% (2007 – 30%) thereon	(11,087)	(6,587)
Expenses not deductible for tax purposes	371	2,358
Capital allowances for period less than (2006 – in excess of) depreciation	141	(28)
Disposal of intangible assets – timing differences on allowances for tax	-	225
Other timing differences	385	(31)
Increase in tax losses	10,190	3,680
Current corporation tax credit for year	-	(383)
	-	(383)

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 2007	90,887	14,950	200	106,037
Additions	296	816	32	1,144
Disposals	-	(17)	-	(17)
28 May 2008	91,183	15,749	232	107,164
<u>Depreciation</u>				
1 June 2007	9,917	6,574	149	16,640
Charge for the year	2,162	1,604	18	3,784
Disposals	-	-	-	-
28 May 2008	12,079	8,178	167	20,424
<u>Net book value</u>				
28 May 2008	79,104	7,571	65	86,740
31 May 2007	80,970	8,376	51	89,397
	79,104	7,571	65	86,740
	80,970	8,376	51	89,397



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

11 Group Tangible Fixed Assets (continued)

Edward Symmons & Partners, Chartered Surveyors, undertook valuations of the freehold properties belonging to the group as at 6 September 2007. 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	77,600
Chadwell Heath training ground	Depreciated replacement cost	5,385
Little Heath training ground	Existing use value	960
Beckton Community Centre	Depreciated replacement cost	1,265

The value of land included in the above is £23,051,000. The valuation of the Boleyn Ground includes plant, fittings & equipment valued at £2,801,000. The valuation of the Chadwell Heath training ground includes plant, fittings & equipment valued at £1,438,000.

The comparable amounts for freehold land and buildings determined according to the historical cost convention are cost of £38,934,000 (2007 – £38,638,000) and accumulated depreciation of £9,685,000 (2007 – £8,197,000).

All of the freehold properties are charged to Lombard North Central plc as agent for a syndicate of banks. On 22 April 2009, Standard Bank plc replaced Lombard North Central plc as agent.

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

	Group	
	28 May 2008 £000	31 May 2007 £000
Plant, fittings & equipment	2,461	2,972
Motor vehicles	39	14
	<u>2,500</u>	<u>2,986</u>

The company does not hold any tangible fixed assets.

12 Intangible Fixed Assets

	Group £000
<u>Cost of player registrations</u>	
1 June 2007	53,614
Additions	34,630
Disposals	(9,359)
28 May 2008	<u>78,885</u>
<u>Amortisation of player registrations</u>	
1 June 2007	18,327
Charge for the year	18,836
Disposals	(6,627)
28 May 2008	<u>30,536</u>
<u>Net book value</u>	
28 May 2008	<u>48,349</u>
31 May 2007	<u>35,287</u>



NOTES TO THE ACCOUNTS (continued)

13 Investments held as Fixed Assets

	Company	
	28 May 2008 £000	31 May 2007 £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
West Ham United FC Limited	100%	Great Britain	Non trading
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	
	28 May 2008 £000	31 May 2007 £000
Goods for resale	469	313

The company does not hold any stock.

There is no material difference between the balance sheet value of stocks and their replacement cost.

15 Debtors

	Group		Company	
	28 May 2008 £000	31 May 2007 £000	28 May 2008 £000	31 May 2007 £000
Trade debtors	1,797	1,025	-	-
Amounts owing by group undertaking	-	-	21,063	387
Amount owing by UK parent company	10,000	-	10,000	-
Debtors arising from player transfers	8,395	1,853	-	-
Other debtors	430	244	-	-
Corporation tax recoverable	384	384	-	-
Prepayments and accrued income				
– due within one year	4,403	3,878	-	-
– due after more than one year	250	144	-	-
	25,659	7,528	31,063	387



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

16 Creditors

	Group		Company	
	28 May 2008 £000	31 May 2007 £000	28 May 2008 £000	31 May 2007 £000
<u>Due within one year</u>				
Revolving credit facility (note 19)	8,000	-	-	-
Bank loan (notes 17 & 19)	35,000	22,671	-	-
Loans from companies controlled by major shareholder	-	26,600	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	600	554	-	-
Trade creditors	4,035	2,745	-	-
Amount owing to UK parent company	11,115	569	-	-
Taxation and social security	3,508	2,803	-	-
Creditors arising from player transfers	16,899	11,645	-	-
Other creditors	5,569	6,236	-	-
Season ticket and other receipts in advance	2,190	963	-	-
Accruals	8,235	5,514	450	450
	<u>95,151</u>	<u>80,300</u>	<u>450</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)	-	13,093	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	1,581	2,153	-	-
Season ticket and other receipts in advance	420	630	-	-
Creditors arising from player transfers	5,113	500	-	-
Other creditors	21,146	861	-	-
	<u>28,871</u>	<u>17,848</u>	<u>-</u>	<u>-</u>

In June 2007, £6,100,000 of the figure for loans owed to companies controlled by major shareholder as at 31 May 2007 was repaid. In September 2007, the balance of £20,500,000 was converted to equity (see note 24).

As disclosed in note 17, the bank loan was technically repayable on demand at 28 May 2008 and, accordingly, the entire loan is classified as a current liability in these financial statements.



NOTES TO THE ACCOUNTS (continued)

17 Total Borrowings and Hire Purchase Obligations

	Group	
	28 May 2008 £000	31 May 2007 £000
Debenture loans & subscriptions repayable after 5 years or more	611	611
Revolving credit facility	8,000	-
Bank loan repayable:		
Within 1 year or on demand	35,000	22,671
Between 1 and 2 years		1,480
Between 2 and 5 years		4,440
After 5 years or more	-	7,173
	35,000	35,764
Obligations under hire and lease purchase contracts repayable:		
Within 1 year	600	554
After 1 year or more	1,581	2,153
	2,181	2,707
	45,792	39,082

The bank loan of £35,000,000 is made available to company and its subsidiary companies. At 28 May 2008 the group was in default of certain financial covenants, specifically in relation to interest cover and the ratio of player wages to group turnover. In such circumstances, the bank loan was technically repayable on demand and, accordingly, the entire loan is classified as a current liability in these financial statements.

However, since the end of the financial period, the group's syndicate of banks has agreed to waive these historical breaches of covenant and, accordingly, the loan will be repaid over the following period.

	28 May 2008 £000
Within 1 year or on demand	3,500
Between 1 and 2 years	3,500
Between 2 and 5 years	28,000
	35,000



WEST HAM UNITED PLC

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 28 May 2008 and 31 May 2007 the following applications had been received.

	Group	
	28 May 2008 £000	31 May 2007 £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 Revolving Credit Facility

The bank loan, in the sum of £35,000,000 is provided by a syndicate of five banks. This loan is repayable between August 2008 and August 2011 and interest is charged at 2.5% over LIBOR.

The revolving credit facility is in the sum of £12,000,000 and provided by four members of the syndicate of banks. The facility is available until August 2011. Drawdowns are for a maximum of three months at a time but may be rolled over on maturity and interest is charged at 2.5% over LIBOR.

This loan and the revolving credit facility are secured by legal charges on the group's freehold land and buildings and debentures over all the assets and undertaking of the group in favour of the syndicate of five 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	
	28 May 2008 £000	31 May 2007 £000
1 June	2,896	2,964
Released to profit & loss account	(67)	(68)
31 May	2,829	2,896



NOTES TO THE ACCOUNTS (continued)

22 Provisions for Liabilities and Charges – Cost of Player Registrations

	Group	
	28 May 2008 £000	31 May 2007 £000
1 June	5,765	420
Utilised in the period	(1,567)	5,345
28 & 31 May	4,198	5,765

The above provision represents 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	
	28 May 2008 £000	31 May 2007 £000
1 June	-	1,958
Credited to profit and loss account	-	(1,958)
28 & 31 May	-	-

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

	Group	
	28 May 2008 £000	31 May 2007 £000
Capital allowances in excess of depreciation	1,581	2,082
Other timing differences	(609)	(262)
Unutilised tax losses	(972)	(1,820)
Total deferred tax liability	-	-

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

	Group	
	28 May 2008 £000	31 May 2007 £000
Depreciation in excess of capital allowances	(65)	(63)
Other timing differences	-	(2)
Unutilised tax losses	(12,170)	(2,008)
Surplus on revaluation of properties	(12,235) 7,625	(2,073) 8,974
Unprovided deferred tax (asset)/liability	(4,610)	6,901



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

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

The deferred tax asset of £12,235,000 (2007 – £2,073,000) 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". The group presently has no agreement in place to dispose of any of these properties. 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

	<i>Number of shares</i>	Group & Company	
		28 May 2008	31 May 2007
		£000	£000
<u>Authorised (ordinary shares of 25p)</u>			
1 June	27,500,000	6,875	6,875
Creation of new shares	40,000,000	10,000	-
	<u>67,500,000</u>	<u>16,875</u>	<u>6,875</u>
<u>Called up, allotted and fully paid (ordinary shares of 25p)</u>			
1 June	20,202,352	5,051	5,051
Share issue – 27 September 2007	5,125,000	1,281	-
Share issue – 12 December 2007	40,000,000	10,000	-
	<u>65,327,352</u>	<u>16,332</u>	<u>5,051</u>

As set out in note 16, creditors at 31 May 2007 included a loan of £20,500,000 made by Hansa ehf., a company controlled by the company's major shareholder, Mr B Gudmundsson. On 27 September 2007, this loan was converted to equity by the issue of 20,500,000 £1.00 ordinary shares by WH Holding Limited, the company's UK parent company. On the same date, West Ham United plc issued 5,125,000 ordinary shares at a price of £4.00 each to WH Holding Limited. The £20,500,000 loan already advanced by Hansa ehf. was applied in consideration for the share issues. Interest on the loan, from the date first advanced to 27 September 2007, has been waived by Hansa ehf.

25 Share Premium Account

	Group		Company	
	28 May 2008	31 May 2007	28 May 2008	31 May 2007
	£000	£000	£000	£000
1 June	4,847	4,847	-	-
Share issue – 27 September 2007	19,219	-	19,219	-
	<u>24,066</u>	<u>4,847</u>	<u>19,219</u>	<u>-</u>



NOTES TO THE ACCOUNTS (continued)

26 Revaluation Reserve

	Group	
	28 May 2008 £000	31 May 2007 £000
1 June	46,652	27,735
Net surplus on revaluation of properties	-	19,276
Transfer to profit and loss account	(674)	(359)
28 May & 31 May	45,978	46,652

27 Profit and Loss Account

	Group		Company	
	28 May 2008 £000	31 May 2007 £000	28 May 2008 £000	31 May 2007 £000
1 June	(17,569)	1,686	(13)	1,170
Retained profit/(loss) for the year	(37,373)	(19,614)	176	(1,183)
Transfer from revaluation reserve	674	359	-	-
28 May & 31 May	(54,268)	(17,569)	163	(13)

The historical cost loss for the group for the period was £12,945,000 (2007 – £19,255,000). The difference from the retained loss for the year arises from the historical cost depreciation charge being lower than the actual depreciation charge for the year.

28 Reconciliation of Movements in Shareholders' Funds

	Group	
	28 May 2008 £000	31 May 2007 £000
Retained loss for the year	(37,373)	(19,614)
Net surplus on revaluation of properties	-	19,276
Share issue – 27 September 2007	20,500	-
Share issue – 12 December 2007	10,000	-
Opening shareholders' funds	39,430	39,768
Closing shareholders' funds	32,557	39,430

29 Capital Commitments

There were no capital commitments contracted for but not provided in the financial statements.



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

30 Operating Lease Commitments

At 28 May 2008 the group was committed to making the following annual payments in respect of operating leases.

	Group	
	28 May 2008 £000	31 May 2007 £000
<u>Land and buildings</u>		
Expiring after five years	253	195
<u>Other operating leases</u>		
Expiring within one year	14	63
Expiring within two to five years	88	128
	<u>102</u>	<u>191</u>
	<u>355</u>	<u>386</u>

31 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.

32 Contingent Liabilities & Guarantees

Under a group banking facility, the company has guaranteed certain bank loans and a revolving credit facility for other group companies. At 28 May 2008 the balances outstanding on these overdrafts and loans totalled £40,854,000 (2007 – £8,198,000).

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 £1,250,000 (2007 – £250,000).

West Ham United Football Club plc is presently the subject of a joint Premier League/Football Association enquiry dealing with certain matters following the Premier League Disciplinary Commission on 26-27 April 2007. The enquiry is expected to report its findings in the course of the next month.

HM Revenue & Customs has recently made certain enquiries with West Ham United Football Club plc regarding image rights contracts entered into between the company and companies holding the image rights of certain employees. To date, the company has merely furnished HM Revenue & Customs with any information requested in relation to these contracts.

Other than with regard to the potential contingent liability in respect of additional transfer fees, contingent liabilities are not expected to give rise to any material losses.



NOTES TO THE ACCOUNTS (continued)

33 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 group, 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 an actuarial funding review 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 UK pensions legislation, participating employers to the scheme, including the group, are required to contribute to the deficit in accordance with an agreed schedule of contributions. Following the actuarial valuation as at 31 August 1999 a schedule of contributions was put in place in July 2001 to pay off the deficit disclosed. It is required to carry out actuarial valuations every three years and updated deficits as at 31 August 2002 and 31 August 2005 were certified by the scheme actuary in January 2003 and March 2006 with new schedules of contributions put in place in April 2003 and April 2006 which took account of market movements since the valuation date. An actuarial valuation as at 31 August 2008 is currently being completed and a further revised schedule of contributions will be put in place with effect from September 2009.

Following these four valuations, the group's total contribution towards the deficit was calculated as £3,222,000. 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 September 2009 and August 2019.

Total pension costs charged during the period amounted to £1,136,000 (2007 – £251,000).

34 Post Balance Sheet Events

Transfers of player registrations completed subsequent to 31 May 2008 amount to a net £11,673,000 receivable by the company (2007 – £17,719,000 payable) with a further net £3,754,000 receivable (2007 – £300,000 receivable) contingent on certain future events.

On 12 September 2008, West Ham United Football Club plc's shirt sponsor, XL Leisure Group plc, was placed in administration. On 3 December 2008, West Ham United Football Club plc entered into an agreement appointing Celton Manx Marketing Limited (SBOBET.com) as its shirt sponsor for the period until the final day of the 2009/10 football season. The effect on commercial and retail income for 2008/09 is estimated to be in the region of £4 million. There will be a further impact on commercial revenue for 2009/10 although this has been partially mitigated by the appointment of SBOBET.com as the new sponsor.

As shown in note 17, since the end of the financial period, the group's syndicate of banks has agreed to waive certain breaches of financial covenants in respect of the period ended 28 May 2008.

As stated in note 11, Edward Symmons & Partners, Chartered Surveyors, last undertook valuations of the freehold properties belonging to the group as at 6 September 2007, valuing them at an aggregate £85.2 million. Since the year end property values have dropped considerably and the group will be arranging for a full valuation of its freehold properties as at 31 May 2009. In the meantime, the group has received a preliminary indication that the value of its freehold properties has fallen since the balance sheet date by an amount within the range of £10-15 million as at the date of signing these accounts.

In July 2008 the group outsourced its catering and hospitality operation, formerly undertaken by West Ham United Hospitality Limited, to Compass Group plc.



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

35 Ultimate Parent Company

The immediate parent company is WH Holding Limited and Hansa ehf. (company number 560793-2009), a company incorporated in Iceland, is WH Holding Limited's immediate parent company.

On 17 November 2008, the District Court of Reykjavik granted a moratorium to Hansa ehf. for an initial period to 8 December 2008. The moratorium has subsequently been extended to 8 March and 8 June 2009, during which time the company's creditors are unable to enforce any rights or claims against the company.

The shares in Hansa ehf. are held by Bell Global Investments Sarl (51.4%), Monte Cristo Capital Limited (25%) and Mr B Gudmundsson (23.6%). Bell Global Investments Sarl (company registration number B 135 850) is a company incorporated in Luxembourg and is in turn owned by Bell Global Investments Limited (company registration number HE76793), a company incorporated in Cyprus. Monte Cristo Capital Limited (company registration number 466 584) is a company incorporated in the British Virgin Islands. Companies registered in Cyprus and the British Virgin Islands are not required to make their financial statements publicly available. Mr Gudmundsson is the beneficial owner of Bell Global Investments Limited and Monte Cristo Capital Limited.

Mr Gudmundsson, a director of the company, is the ultimate controlling party of the company as a result of controlling, directly or indirectly, 100% of the issued share capital of the company.

CB Holding ehf., a company incorporated in Iceland (registration number 660209-0930), has notified the company of its intention to acquire all of the issued share capital of WH Holding Limited, the company's UK parent company. The change of ownership from Hansa to CB Holding ehf. is expected to take place following signing of these accounts. Straumur-Burdaras Investment Bank hf. holds 69.4% of the shares in CB Holding ehf..

36 Related Party Transactions

Note 16 disclosed loans made to the group by companies controlled by its major shareholder in the sum of £26,600,000. These loans included a loan of £2,000,000 from Bentis Holdings Limited and a loan of £4,100,000 from Fjarfestingarfelagid Grettir hf which were repaid in June 2007. These loans attracted interest at 7.5% per annum. A further £3,000,000 was loaned by Bentis Holdings Limited between December 2007 and February 2008 with interest charged at 8.15%. Interest of £34,300 and £5,050 was paid respectively to Bentis Holdings Limited and Fjarfestingarfelagid Grettir hf during the year. The group's controlling shareholder, Mr B Gudmundsson, is the controlling shareholder of both Bentis Holdings Limited and Fjarfestingarfelagid Grettir hf.

As further set out in note 16, creditors at 31 May 2007 included a loan of £20,500,000 made by Hansa ehf., a company controlled by the company's major shareholder, Mr B Gudmundsson. On 27 September 2007, this loan was converted to equity by the issue of 20,500,000 £1.00 ordinary shares by WH Holding Limited, the company's UK parent company. On the same date, West Ham United plc issued 5,125,000 ordinary shares at a price of £4.00 each to WH Holding Limited. The £20,500,000 loan already advanced by Hansa ehf. was applied in consideration for the share issues. Interest on the loan, from the date first advanced to 27 September 2007, has been waived by Hansa ehf.

In February 2007 the group obtained a loan in the sum of £5,555,000 from Straumur-Burdaras Investment Bank hf. ("Straumur"), an Icelandic bank in which the son of the group's controlling shareholder, Mr B Gudmundsson, had a significant interest. The loan was repaid in February 2008. The loan bore interest at 3% over LIBOR and total interest and charges paid in the course of the year amounted to £366,000.

In January 2008 the group concluded negotiations for a new combined term loan and revolving credit facility with a syndicate of five banks of which Straumur is a member. Amounts owing to Straumur at 28 May 2008 totalled £7,000,000 in respect of the term loan and £2,000,000 in respect of the revolving credit facility. Straumur's share of interest and charges paid to the syndicate or accrued as at the year end, in respect of the term loan and revolving credit facility, totalled £333,700.

On 9 March 2009, the Financial Supervisory Authority of Iceland ("FME") appointed a Resolution Committee to take control of Straumur and on 19 March 2009 the District Court of Reykjavik granted a moratorium to Straumur.

In the course of the year the group provided match day hospitality facilities to Landsbanki Islands hf. ("Landsbanki") in the sum of £510,600. There were no amounts owing by Landsbanki at 28 May 2008. The group's controlling shareholder, Mr B Gudmundsson, together with his son, had a significant interest in Landsbanki and was chairman of that company. Mr T Kristjansson was also a director of Landsbanki.



NOTES TO THE ACCOUNTS (continued)

36 Related Party Transactions (continued)

On 7 October 2008, the FME appointed a Resolution Committee to take control of Landsbanki and, on 5 December 2008, the District Court of Reykjavik granted a moratorium to Landsbanki.

Mr GJ Oddsson, a director of the company, is also a partner in Logos, a firm of solicitors, which undertook legal work on behalf of the group in the course of the year. Fees paid to Logos in respect of these services totalled £36,800.

Mr M Lee, a director of the company, is also a director of and controlling shareholder in Vero Communications Limited which undertook work on behalf of the group in the course of the year. Fees paid to Vero in respect of these services totalled £158,500.

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.