Deloitte & Touche

Deloitte Touche Tohmatsu International

Company Registration No. 66516

WEST HAM UNITED plc

Report and Financial Statements

31 May 1997

Deloitte & Touche

Deloitte Touche Tohmatsu International

WEST HAM UNITED plc

REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Terence Brown	FCIS, ATII, FCCA	Chairman
Martin Cearns	ACIB	Vice Chairman
Peter Storrie		Managing Director
Charles Warner	MA Notary	
Nicholas Igoe	BA (Hons), ACA	Finance Director

COMPANY SECRETARY

Nicholas Igoe

TEAM MANAGER

Harry Redknapp

REGISTERED OFFICE

Boleyn Ground
Green Street
Upton Park
London
E13 9AZ

COMPANY REGISTRATION NUMBER

66516

BANKERS

Barclays Bank PLC
Newham Business Centre
London
E13 9PL

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

CHAIRMAN'S STATEMENT

This has been a year of growth and development at West Ham United. Significant changes were made to the playing pool and the commercial interests of the Club were strongly developed. After a disappointing performance mid-season, the team successfully completed its 33rd season in the top flight of English football during the 39 seasons since 1958/59. Only five other clubs can boast a better record. Once again the Club was well supported throughout the season with aggregate attendance up for the fourth consecutive year. To retain our place among the elite we have invested in one of the strongest playing squads we have ever had and have ambitious plans to develop the Boleyn Stadium into a magnificent Premier League venue of which all of us at the Club can be proud.

Operating results

During the year turnover increased by 27% to a record £15m reflecting in particular higher attendances and additional revenue from the BSkyB/BBC contracts with the Premier League.

Operating profits before transfer fees increased by 21% to £1,795,000.

A decision was taken to invest in three new players, John Hartson, Paul Kitson and Steve Lomas. Whilst this expenditure led to both higher employment costs and higher net transfer fees, the investment paid off handsomely. Their efforts and the determination of the rest of the squad produced good results at the end of the season after a very poor run and secured our place in the Premier League.

Operating expenses for the year increased from £10.5 million to £13.5 million mainly as a result of higher employment costs. After the net loss of £6.7 million on transfers and interest costs of £633,000 the loss was £5.5 million compared to a profit of £653,000 last year. Whilst the loss is regrettable, it reflects a substantial investment in the future of the Club and confirms our determination to ensure that West Ham United remains successful both on and off the field.

The substantial expenditure on transfers is reflected in the value of the playing squad which, in the opinion of the directors, increased by £13.5 million to £31.0 million.

During the year under review 8,987 new Ordinary Shares were placed with new private and institutional investors for a total consideration of £4,493,500. As well as providing funds to enable us to strengthen the playing squad, the placing also demonstrated an appetite for West Ham United plc shares. May I take this opportunity to welcome our new shareholders.

Retail operations

In last year's statement, I mentioned the acquisition of new shops in Southend-on-Sea and Newham. We have now added a 1,500 sq ft freehold unit in Romford and have started trading, under licence, within Sainsbury's Savacentre in Basildon.

All four units have been fitted with computerised point of sale equipment and are trading well, selling not only the full range of merchandise associated with our brand but also match tickets and programmes.

To facilitate the management and expansion of this division, we have, since the year end, appointed Paul Aldridge Managing Director of a new subsidiary, West Ham United Sportswear Limited, which will develop our retail operations.

In March we launched a website on the Internet (www.westhamunited.co.uk) to provide information, live commentaries from all matches involving our first team and a further opportunity to purchase our merchandise. The site is proving to be extremely popular with some 40% of the "hits" coming from abroad.

Our ticket and membership offices have also been combined and restructured with ten new tele-sales operators handling ticket sales, club membership and merchandise mail order sales.

CHAIRMAN'S STATEMENT (continued)

Property

As I reported in last year's statement, we intend to acquire freehold shops for our retail operations. We have changed the name of our property company and under its new Managing Director, Christopher Manhire Bsc (Est. Man.), ARICS, it will lease the shops to the retail division on a commercial basis.

Ground developments

With the demand for match tickets and executive facilities now often exceeding our ground capacity, the Board has been conscious of the constraints of the Boleyn Stadium. As a result the Club applied to Newham Council for permission to construct a new West Stand with 17,500 seats, 32 boxes, 6,000 sq ft shop, museum, executive clubs and other function facilities.

I am pleased to advise you that, subject to final agreement with the local council on certain environmental conditions, planning permission has now been granted.

Once financing is arranged for the construction of the new West Stand, work can begin. The Board believes that the redeveloped 36,000 all seater stadium will offer supporters modern and comfortable facilities comparable to any club in the Premier League.

Football

During the year our football management team led by Harry Redknapp, Frank Lampard and Frank Burrows worked hard to establish a young squad of first team players capable of succeeding in the fiercely competitive environment of the Premier League.

Our youth development policy remains a top priority and the appearance of teenagers Rio Ferdinand, Frank Lampard Junior, Emmanuel Omoyinmi and Lee Boylan during the 1996/97 season augurs well for the future. Behind them are further outstanding young players at all levels between the ages of 9 and 16 years now coming through our Academy.

During the Summer our Under-19s were runners-up to a team from Brazil in the American Cup competition held in Minnesota, USA. The Under-15's won the prestigious Northern Ireland Milk Cup for the second year running and were once again voted the best team in the competition.

Clearly, one of the objectives of our successful youth policy is to reduce the club's dependence on the transfer market for new players.

Board

Nicholas Igoe B.A. (Hons), ACA, 42, was appointed Finance Director and Company Secretary in August 1997. Nick, who was previously Finance Director of Tele-Cine Cell Group plc, possesses a wide range of financial skills, understands the television industry and will make a valuable contribution to the development of the club in the years ahead.

Prospects

Your Board now believes we have a squad of players capable of achieving success in the Premier League and the two domestic Cup competitions. We have the prospect of adding to our young squad the skilful players now emerging from our youth development programme. We also have the opportunity to develop our stadium, our brand and our businesses, and we are looking forward to the future with great confidence and optimism.

At our last EGM, I stated that we have appointed professional advisors to guide the Board in its considerations on whether to list on the London Stock Exchange. Significant progress has been made on the various steps that need to be taken to prepare for listing. Nevertheless, the Board has yet to take a formal decision to proceed, and will only do so if it believes that it is in the best interests of the Club, its shareholders, employees and supporters. We will keep you fully informed of any developments in this regard as and when they occur.

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CHAIRMAN'S STATEMENT (continued)

I would like to thank everyone at the Club for their hard work throughout the year, all those who have supported our Commercial department and, of course, our ever increasing bank of supporters whose loyalty and enthusiasm makes so much possible and ensures that West Ham United remains one of the best supported clubs in the country.

Terence Brown
Chairman
23 September 1997

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 1997.

PRINCIPAL ACTIVITIES

The principal activity of the group is that of a professional football club as a member of The Football Association and The F.A. Premier League.

REVIEW OF DEVELOPMENTS

A review of developments is set out in the Chairman's Statement on pages 2 to 4.

The financial results for the year are as shown on page 9.

The operating loss of £4,862,000 is after net transfer fee expenditure of £6,657,000 in the year.

FUTURE PROSPECTS

The directors consider that the future prospects for the group are good.

DIVIDENDS AND RESULTS

The directors do not propose the payment of a dividend (1996 - £nil). The loss retained for the year is £5,495,000 (1996 - profit of £653,000).

PLAYING SQUAD

In the opinion of the directors the value of the playing squad at 31 May 1997 amounted to approximately £31.0 million (1996 - £17.5 million).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. These directors served throughout the year, with the exception of Nicholas Igoe who was appointed on 28 August 1997.

The directors' interests, as defined by the Companies Act, in the shares of the company at 1 June 1996 and at 31 May 1997 were as follows:

	'C' Class Debentures		50p Ordinary shares	
	1997	1996	1997	1996
Terence Brown	2	2	36,960	36,950
Martin Cearns	2	2	9,220	9,210
Peter Storrie	2	2	1,724	1,925
Charles Warner	6	6	21,260	21,250

Included within Charles Warner's interests at 31 May 1997 are 8,750 shares held as one of the Trustees of the P.H.L. Hills 1995 settlement and 3,810 shares held by the Trustees of C.J. Warner 1997 settlement.

Charles Warner is a partner in the firm of Messrs. Warners, Solicitors, which has undertaken legal work for the group during the year.

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

Post balance sheet events of significance are disclosed in note 24 to the accounts.

DONATIONS

During the year the group made donations for charitable purposes of £20,000 (1996 - £nil) and £nil for political purposes (1996 - £nil).

PAYMENT OF SUPPLIERS

The Companies Act 1985 (Miscellaneous Accounting Amendments) Regulations 1996 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.

Transfer fees and similar transactions are such that any calculation of the number of creditor days would prove meaningless.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Nicholas Igoe
Secretary
23 September 1997

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

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

Signed on behalf of the Board of Directors

Terence Brown

Director

23 September 1997

Deloitte & Touche

Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS OF WEST HAM UNITED plc

We have audited the financial statements on pages 9 to 26 which have been prepared under the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 May 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

23 September 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 May 1997

	Note	£'000	Year ended 31 May 1997 £'000	£'000	Year ended 31 May 1996 as restated £'000
TURNOVER - continuing operations	2		15,256		11,995
Net operating expenses					
- Net transfer fees	3	(6,657)		(2,869)	
- Other	4	(13,461)		(10,507)	
Total net operating expenses			(20,118)		(13,376)
OPERATING LOSS - continuing operations			(4,862)		(1,381)
Net interest (payable)/receivable and similar (charges)/income	5		(633)		2,034
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(5,495)		653
Tax on (loss)/profit on ordinary activities	7		-		-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED (FROM)/TO RESERVES	18		(5,495)		653

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 May 1997

	Year ended 31 May 1997 £'000	Year ended 31 May 1996 £'000
(Loss)/profit for the financial year	(5,495)	653
Revaluation surplus	1,378	-
Total recognised gains and losses relating to the year	(4,117)	653

There are no differences between the reported results and the results on an unmodified historical cost basis for the current financial year and preceding financial year. Accordingly, no note of historical cost profits and losses is shown.

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WEST HAM UNITED plc

CONSOLIDATED AND COMPANY BALANCE SHEETS
31 May 1997

	Note	GROUP		COMPANY	
		1997	1996	1997	1996
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9	27,346	25,248	26,956	24,348
CURRENT ASSETS					
Stocks	11	169	150	169	150
Debtors - due within one year	12	1,496	2,048	2,394	2,946
Debtors - due after more than one year	12	127	156	127	156
Cash at bank and in hand		5,217	698	5,216	697
		7,009	3,052	7,906	3,949
CREDITORS: amounts falling due within one year	13	(14,711)	(7,806)	(14,711)	(7,806)
NET CURRENT LIABILITIES		(7,702)	(4,754)	(6,805)	(3,857)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,644	20,494	20,151	20,491
CREDITORS: amounts falling due after more than one year					
Debenture loans and subscriptions	14	(612)	(609)	(612)	(609)
Bank and other loans	14	(5,246)	(5,572)	(5,246)	(5,572)
Other creditors	13	-	(634)	-	(634)
Obligations under hire purchase contracts	14	(491)	(663)	(491)	(663)
DEFERRED GRANT INCOME	15	(3,498)	(3,498)	(3,498)	(3,498)
NET ASSETS		9,797	9,518	10,304	9,515
CAPITAL AND RESERVES					
Called up share capital	17	54	50	54	50
Share premium account	17	4,392	-	4,392	-
Revaluation reserve	18	13,388	12,010	13,383	11,367
Profit and loss account	18	(8,037)	(2,542)	(7,525)	(1,902)
Total equity shareholders' funds		9,797	9,518	10,304	9,515

These financial statements were approved by the Board of Directors on 23 September 1997.

Signed on behalf of the Board of Directors

Terence Brown
Director

Peter Storrie
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 May 1997

	Note	£'000	Year ended 31 May 1997 £'000	£'000	Year ended 31 May 1996 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(A)		2,315		401
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		14		7	
Interest paid		(570)		(707)	
Net cash outflow from returns on finance and servicing of finance			(556)		(700)
TAXATION			-		-
CAPITAL EXPENDITURE					
Receipts from sales of tangible fixed assets		12		12	
Payments to acquire tangible fixed assets		(1,079)		(575)	
Net cash outflow from capital expenditure			(1,067)		(563)
Net cash inflow/(outflow) before financing			692		(862)
FINANCING	(B)				
Hire purchase contract receipts less repayments		(211)		740	
Grants received		214		-	
Debentures redeemed less subscriptions received		3		(859)	
Bank and other loans received less repayments made		(575)		1,163	
Placing of ordinary share capital		4,396		-	
Net cash inflow from financing			3,827		1,044
Increase in cash	(B),(C)		4,519		182

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 May 1997

A. Reconciliation of operating loss to net cash inflow from operating activities

	£'000	Year ended 31 May 1997 £'000	£'000	Year ended 31 May 1996 £'000
Operating loss from continuing operations	(4,862)		(1,381)	
Depreciation charges	257		211	
Loss on disposal of fixed assets	-		5	
Increase in stocks	(19)		(61)	
Decrease/(increase) in debtors	367		(659)	
Increase in creditors	6,572		2,286	
Net cash inflow from operating activities		2,315		401

B. Analysis of changes in net debt

	At 1 June 1996 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 May 1997 £'000
Cash at bank and in hand	1,005	4,625	-	5,630
Overdrafts	(307)	(106)	-	(413)
		4,519		
Debt due after one year	(6,181)	(3)	(326)	(5,858)
Debt due within one year	(568)	575	326	(319)
Finance leases	(832)	211	(76)	(697)
Total	(6,883)	5,302	(76)	(1,657)

C. Reconciliation of net cash flow to movement in net debt

	1997 £'000
Increase in cash in the year	4,519
Cash outflow from decrease in debt and lease financing	783
Change in net debt resulting from cash flows	5,302
New finance leases	(76)
Movement in net debt in the year	5,226
Net debt at 1 June 1996	(6,883)
Net debt at 31 May 1997	(1,657)

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NOTES TO THE ACCOUNTS
Year ended 31 May 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Comparative figures

Certain comparative figures in the profit and loss account have been restated to reflect the change in accounting policy for signing on fees as set out below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

Basis of consolidation

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

Turnover

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

Transfers

Transfer costs payable and fees receivable are dealt with in the year of the registration of the players' transfer. Transfer costs include fees payable, resettlement expenses, termination payments and all other costs directly related to the transfer of players. Transfer costs or fees contingent on future events, for example team selection, are dealt with through the profit and loss account in the period in which they become payable or receivable.

Signing on fees and change in accounting policy

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 F.A. Premier League regulations, they are charged to the profit and loss account evenly over the period of the player's contract. In the year of departure the balance of any signing on fees paid or payable to a player is charged to the transfer account.

The above treatment represents a change in the accounting policy for signing on fees paid and payable to players in the year they leave the club. Since the balance of signing on fees payable to a player when he is transferred now represents a material cost directly related to the transfer of players, the directors are of the opinion that these payments are more appropriately included within the transfer account rather than in wages and salaries. The impact on the profit and loss account in the current year is that £568,000 (1996 - £69,000) has been included in the net transfer fees account rather than in wages and salaries, as reflected in notes 2, 3, 4 and 6 below.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost or revalued amounts less their estimated residual values, in equal instalments over the estimated lives of the assets. It is the group's policy to maintain all its properties in such a condition that the estimated aggregate residual value of buildings are at least equal to their book values. Consequently, any element of depreciation would, in the opinion of the directors, be immaterial. The current annual rates of depreciation are as follows:

Fixtures, fittings, equipment and floodlighting installations	-	15%
Motor vehicles	-	25%
Computer equipment	-	25%

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

1. ACCOUNTING POLICIES (continued)

Stocks

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising, from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

Grants and deferred income

Grants receivable from 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.

Pension costs

Defined contribution arrangements are made for eligible employees of the company. The pension cost charged in the period represents contributions payable by the company to the relevant pension schemes.

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 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.

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

2. TURNOVER AND RESULTS

Analyses by class of business by turnover and operating (loss)/profit are stated below:

	Turnover		Operating (loss)/profit	
	Year ended 31 May 1997	Year ended 31 May 1996	Year ended 31 May 1997	Year ended 31 May 1996 as restated
	£'000	£'000	£'000	£'000
Football	7,015	5,932	(4,669)	(3,058)
Commercial	8,241	6,063	6,464	4,546
	15,256	11,995	1,795	1,488
Net transfer fees			(6,657)	(2,869)
Operating loss			(4,862)	(1,381)

Included within Commercial turnover is Broadcasting turnover of £3,882,000 (1996 - £2,036,000) and Other commercial turnover of £4,359,000 (1996 - £4,027,000).

3. NET TRANSFER FEES

	Year ended 31 May 1997	Year ended 31 May 1996 as restated
	£'000	£'000
Transfer fees receivable	7,909	3,141
Transfer fees payable	(14,566)	(6,010)
	(6,657)	(2,869)

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

4. NET OPERATING EXPENSES - OTHER

	Year ended 31 May 1997 £'000	Year ended 31 May 1996 as restated £'000
Continuing operations:		
Employment costs (note 6)	(8,298)	(6,138)
Other operating charges	(4,820)	(4,082)
Depreciation on tangible fixed assets:		
- own assets	(241)	(206)
- assets held under hire purchase contracts	(16)	(6)
Auditors' remuneration:		
- audit	(15)	(15)
- other	(25)	(25)
Operating leases	(46)	(35)
	(13,461)	(10,507)

In addition to the amounts disclosed above, the company's auditors received £21,000 included within share placing expenses in note 17.

5. NET INTEREST (PAYABLE)/RECEIVABLE AND SIMILAR (CHARGES)/INCOME

	Year ended 31 May 1997 £'000	Year ended 31 May 1996 £'000
Bank and other interest receivable	14	7
Interest payable on bank loans, overdraft and other loans	(647)	(625)
Interest waived and gain on redemption of debenture loans (note 14)	-	2,652
	(633)	2,034

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 May 1997 £'000	Year ended 31 May 1996 as restated £'000
Employee costs during the year are as follows:		
Wages and salaries	7,449	5,554
Social security costs	790	534
Other pension costs	59	50
	8,298	6,138

Included in wages and salaries above are signing on fees to players of £1,266,000 (1996 as restated - £894,000).

	Year ended 31 May 1997 No.	Year ended 31 May 1996 No.
Average number of persons employed:		
Full time employees	113	105
Part time employees	23	22
	136	127

The directors of the company received the following remuneration:

	Year ended 31 May 1996 £'000	Year ended 31 May 1996 £'000
Emoluments (excluding pension contributions and awards under long-term incentives schemes)	256	131
Aggregate payments made to a defined contribution scheme	9	8
	£	£
Highest paid director's remuneration:		
Aggregate of emoluments	135,896	131,361
	No.	No.
Number of directors who are members of a defined contribution pension scheme	1	1

The above remuneration was in respect of the Managing Director for the year and the Chairman from 2 December 1996. No other director received any remuneration.

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge in the year was £nil (1996 - £nil).

As at 31 May 1997 cumulative tax losses to carry forward against future trading profits were approximately £14,000,000 (1996 - £9,016,000) subject to agreement with the Inland Revenue.

8. (LOSS)/PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the parent company is not presented as part of these accounts. The parent company's loss for the year amounted to £5,623,000 (1996 - profit of £652,000).

9. TANGIBLE FIXED ASSETS

GROUP	Freehold land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation:				
At 1 June 1996	24,811	1,637	168	26,616
Additions	497	449	45	991
Disposals	-	-	(32)	(32)
Adjustment arising on revaluation	907	-	-	907
At 31 May 1997	26,215	2,086	181	28,482
Depreciation:				
At 1 June 1996	471	818	79	1,368
Charge for the year	-	219	38	257
Disposals	-	-	(18)	(18)
Adjustment arising on revaluation	(471)	-	-	(471)
At 31 May 1997	-	1,037	99	1,136
Net book value:				
At 31 May 1997	26,215	1,049	82	27,346
At 31 May 1996	24,340	819	89	25,248

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

9. TANGIBLE FIXED ASSETS (continued)

COMPANY	Freehold land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation:				
At 1 June 1996	23,911	1,637	168	25,716
Additions	497	449	45	991
Disposals	-	-	(32)	(32)
Adjustment arising on revaluation	1,417	-	-	1,417
At 31 May 1997	25,825	2,086	181	28,092
Depreciation:				
At 1 June 1996	471	818	79	1,368
Charge for the year	-	219	38	257
Disposals	-	-	(18)	(18)
Adjustment arising on revaluation	(471)	-	-	(471)
At 31 May 1997	-	1,037	99	1,136
Net book value:				
At 31 May 1997	25,825	1,049	82	26,956
At 31 May 1996	23,440	819	89	24,348

Included in freehold land and buildings is land valued at £5,410,000 in the group and £4,990,000 in the company which is not depreciated.

Edward Symmons Hotel & Leisure, Chartered Surveyors, undertook a valuation of several assets of the group and the company as at 21 August 1997 the results of which have been reflected in these accounts.

A valuation of the stadium and adjoining land on a depreciated replacement cost basis produced a surplus of £2,003,000 which was transferred to the revaluation reserve of both the group and the company. A valuation of the freehold shop in Southend-on-Sea on an open market value basis produced a surplus of £13,000 which was transferred to the revaluation reserve of both the group and the company. A valuation of the Chadwell Heath Sports Ground on an open market value basis produced a deficit of £638,000. In the group balance sheet this was transferred to the revaluation reserve and set against the previous revaluation surplus arising on that property. The company balance sheet included £128,000 attributable to this asset for which no revaluation reserve was available and which was written off to the profit and loss account for the year as a permanent diminution in value.

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

9. **TANGIBLE FIXED ASSETS (continued)**

A summary of the years of the several valuations and the several values is as follows:

Date of revaluation	Asset description	Valuation
		£'000
July 1991	Stadium and adjoining land	11,210
November 1991	Chadwell Heath Sports Ground	900
May 1993	South Stand demolition	-
May 1995	Stadium and adjoining land	24,799
August 1997	Stadium and adjoining land	25,700
	Freehold shop, Southend-on-Sea	125
	Chadwell Heath Sports Ground	390

The comparable amounts of freehold land and buildings determined according to the historical cost convention for the group are costs of £13,129,000 (1996 - £12,632,000) and accumulated depreciation of £302,000 (1996 - £302,000) and for the company, costs of £12,873,000 (1996 - £12,376,000) and accumulated depreciation of £302,000 (1996 - £302,000).

The Boleyn Ground land and buildings and the adjoining land are charged firstly to Barclays Bank PLC and secondly to the Bank of Scotland.

The net book value of the group and company's assets includes £962,000 in respect of assets held under hire and lease purchase contracts (1996 - £933,000).

10. **INVESTMENTS HELD AS FIXED ASSETS**

The company's investment in its wholly owned subsidiary The Thames Ironworks, Shipbuilding and Engineering Company Limited (formerly West Ham United (Chadwell Heath) Limited), a company incorporated in England and Wales whose principal activity is property ownership and management, is included at cost of £2 (1996 - £2).

11. **STOCKS**

	Group and Company	
	1997	**1996**
	£'000	**£'000**
Goods for resale	169	150

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

12. DEBTORS

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Due within one year:				
Trade debtors	554	569	554	569
Amount owed by subsidiary undertaking	-	-	898	898
Other debtors	592	1,005	592	1,005
Prepayments and accrued income	350	474	350	474
	1,496	2,048	2,394	2,946
Due after more than one year:				
Prepayments and accrued income	127	156	127	156

In 1994 the group entered into an interest rate cap agreement which effectively limits the maximum rate of interest payable on a significant part of the company's borrowings. The company paid a premium to acquire the capping agreement, of which £127,000 (1995 - £156,000) is included in prepayments. The premium is being amortised over the ten year life of the cap.

13. CREDITORS

	Group and Company 1997 £'000	Group and Company 1996 £'000
Amounts falling due within one year:		
Bank loans and overdrafts (note 14)	319	568
Trade creditors	668	412
Other creditors	7,608	2,049
Taxation and social security	1,894	1,020
Accruals	756	819
Season ticket and other receipts in advance	3,260	2,769
Obligations under hire purchase contracts (note 14)	206	169
	14,711	7,806
Amounts falling due after more than one year:		
Other creditors	-	634

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

14. BORROWINGS

	Group and Company 1997 £'000	Group and Company 1996 £'000
(a) Bank and other loans repayable:		
Within one year or on demand (note 13)	319	568
Between one and two years	244	313
Between two and five years	732	714
After five years or more	4,270	4,545
	5,565	6,140
(b) Debenture loans and subscriptions repayable:		
After five years or more	612	609
(c) Obligations under hire purchase contracts repayable:		
Within one year (note 13)	206	169
Between two and five years	491	663
Total borrowings	6,874	7,581

(a) The loans which are held by the group and in respect of which an amount is repayable after more than five years include a ten year loan terminating in February 2004 repayable by monthly instalments at an interest rate of 2½ per cent over base rate, a twenty year loan terminating in January 2015 repayable by quarterly instalments at an interest rate of 2½ per cent over base rate and two twenty year loans repayable by monthly instalments at an interest rate of 1 per cent over base rate and terminating in June 2014 and March 2016.

The bank loans, overdrafts and other loans are secured by a legal charge on the stadium and a debenture over the whole assets of the company in favour of Barclays Bank PLC and Bank of Scotland.

(b) Debenture loans and subscriptions

During 1996 the group entered into an agreement to redeem debenture loans subscribed for by the underwriters at the time of the Hammers Bond Scheme. Under the terms of the agreement the group paid consideration of £1,000,000 to redeem bonds with a nominal value of £3,456,000 and £270,000 to settle accrued interest of £466,000. The resulting gain of £2,652,000 was recognised in the profit and loss account for that year within interest receivable (note 5).

The balance of £612,000 refers to full or part payments received towards the purchase of debentures under The Hammers Bond scheme. Under the terms and conditions of the issue the definitive certificate can only be issued where payment has been received in full.

At 31 May 1997 applications meeting the above criteria were for 97 'A' bonds valued at £49,000 and 641 'B' bonds valued at £481,000 and 70 'C' bonds valued at £68,000. Under the terms and conditions of the debentures, the debentures are repayable at par after 150 years. The debentures are non interest bearing subject to the conditions of issue. The debenture loans are unsecured.

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

14. BORROWINGS (continued)

(c) Obligations under hire and lease purchase contracts

Obligations under hire and lease purchase contracts are in respect of certain assets included within land and buildings and motor vehicles and are secured on the assets themselves.

	Group and Company 1997 £'000	Group and Company 1996 £'000
Minimum contract payments payable:		
within one year	263	243
within two to five years	545	770
	808	1,013
Less: finance charges allocated to future periods	(111)	(181)
	697	832

The obligations under hire and lease purchase contracts are secured on various receivables of the company.

15. DEFERRED GRANT INCOME

	Group and Company £'000
Balance at 1 June 1996 and at 31 May 1997	3,498

The grant income has been received from the Football Trust and the Football Association against approved capital projects and is not repayable.

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

16. PROVISIONS FOR LIABILITIES AND CHARGES

(a) No provision has been made for deferred taxation as in the opinion of the directors no liability is likely to crystallise in the foreseeable future.

(b) The amount of potential deferred taxation unprovided in the accounts is:

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Capital allowances in excess of depreciation	826	747	826	747
Surplus on revaluation	3,115	2,167	3,087	1,966
Other timing differences:				
General provisions	(29)	(3)	(29)	(3)
	3,912	2,911	3,884	2,710
Less: unutilised tax losses	(797)	(744)	(797)	(744)
Unprovided deferred tax liability	3,115	2,167	3,087	1,966

17. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	1997 £'000	1996 £'000
Authorised		
110,000 Ordinary shares of 50 pence each (1996 - 100,000)	55	50

	Number	Called up share capital 50 pence Ordinary shares £'000	Share premium account £'000
Called up, allotted and fully paid			
At 1 June 1996	100,000	50	-
Shares issued pursuant to a placing	8,987	4	4,489
Share placing expenses	-	-	(97)
At 31 May 1997	108,987	54	4,392

The authorised share capital was increased from £50,000 to £55,000 by the creation of 10,000 new Ordinary shares of 50 pence each at an Extraordinary General Meeting of the company held on 19 March 1997.

On 19 March 1997 the company allotted 8,987 Ordinary shares of 50 pence each with an aggregate nominal value of £4,000 for a consideration of £500 per share or £4,493,500 in total.

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

18. RESERVES

	Revaluation reserve		Profit and loss account	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 1 June 1996	12,010	11,367	(2,542)	(1,902)
Loss for the year	-	-	(5,495)	(5,623)
Adjustment arising on revaluation	1,378	2,016	-	-
Balance at 31 May 1997	13,388	13,383	(8,037)	(7,525)

The group profit and loss account can be analysed as:

	1997 £'000
Accumulation of profits	7,276
Transfer fees paid for current playing staff	(15,313)
	(8,037)

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
(Loss)/profit for the financial year	(5,495)	653
Issue of shares	4,493	-
Share issue expenses	(97)	-
Adjustment arising on revaluation	1,378	-
Net increase in shareholders' funds	279	653
Opening shareholders' funds	9,518	8,865
Closing shareholders' funds	9,797	9,518

20. CAPITAL COMMITMENTS

	1997 £'000	1996 £'000
Contracted for but not provided in the financial statements	-	235

At the year end the sterling value of outstanding forward foreign exchange contracts was £598,000 (1996 - £194,000).

NOTES TO THE ACCOUNTS
Year ended 31 May 1997

21. CONTINGENT LIABILITIES

At the year end contracts had been entered into with players whereby signing on fees will be payable in equal instalments over the life of the contract provided the player does not ask for a transfer in writing. The potential future commitment to pay signing on fees amounts to £2,361,000 (1996 - £1,286,000). These commitments fall due in the period to June 2002.

Certain player contracts existed at 31 May whereby additional amounts are payable if specific appearance or goals scored targets are achieved during the contract or if the player completes the full contract or if the club retains Premier League status. The maximum amount payable contingent on these events totals £1,977,000 (1996 - £1,212,000). These amounts would fall due in the period to June 2002.

At the year end the company had seven outstanding transfers where further amounts are payable to the selling clubs if the players concerned play a specified number of games or win international caps. The amounts payable, contingent on these events total £1,961,000 (1996 - £1,236,000).

The company has entered into an agreement with Newham Council under the terms of which it purchased land from Newham Council and for which additional payments, amounting to a maximum of £20,000, are payable based upon future average attendances.

22. OPERATING LEASE COMMITMENTS

At 31 May 1997 the group and the company were committed to making the following annual payments in respect of operating leases:

	1997 £'000
Leases which expire:	
Within two to five years	44

23. PENSION SCHEME

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

Total pension costs charged during the year amounted to £59,000 (1996 - £50,000).

24. EVENTS OCCURRING AFTER THE END OF THE YEAR

Subsequent transfers

Net transfers completed subsequent to 31 May 1997 amounted to £1,950,000 payable by the company.