

Company Registration No. 66516

WEST HAM UNITED FOOTBALL CLUB PLC

Report and Financial Statements

31 May 2005



WEST HAM UNITED FOOTBALL CLUB PLC

DIRECTORS' REPORT

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

Principal Activity

The principal activity of the company is that of a professional football club as a member of The FA Premier League and The Football Association.

Results and Dividends

The results of the company are as set out in the profit and loss account on page 6.

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

Review of the Company's Activities and Future Developments

The company has recorded an operating loss before player trading of £2.6m and a pre-tax loss of £5.8m in the year to 31 May 2005. Paradoxically, had the club lost the play off final at Cardiff, the company's trading result would have been considerably better. Provision has been made for bonuses and other promotion related payments of £1.6m together with the customary promoted club's waiver of its share of the play off final gate receipts, estimated at £0.8m.

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

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

Directors and their Interests

The directors who held office throughout the year and since the year end are as follows.

TW Brown
MW Cearns
CJ Warner
N Igoe
PM Aldridge
CBC Manhire
SI Duxbury

The directors' interests in the shares of the parent company, West Ham United plc, are disclosed in that company's report and financial statements. None of the directors had an interest in the shares of the company or any other group companies.

WEST HAM UNITED FOOTBALL CLUB PLC

DIRECTORS' REPORT (continued)

Directors and their Interests (continued)

Set out below are the directors' interests in 'C' class debentures in the company.

	31 May 2004 & 31 May 2005
TW Brown	2
MW Cearns	2
CJ Warner	6

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.

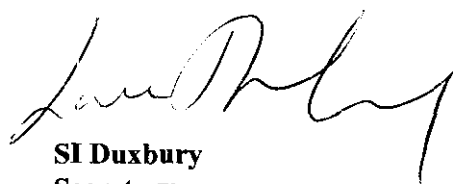
The company seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with suppliers when the details of each transaction are settled. The company will continue to honour its contractual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

At 31 May 2005 the aggregate amount owed to trade creditors, as a proportion of the aggregate amounts invoiced by suppliers to the company during the year then ended, represented an average of 62 days' credit (2004 – 58 days'). Average figures calculated on the basis laid down by the regulations may be distorted by the irregular pattern of invoiced supplies during the year.

Auditors

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

By order of the board



SI Duxbury
Secretary

9 September 2005

WEST HAM UNITED FOOTBALL CLUB PLC

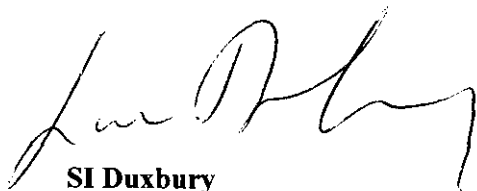
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

By order of the board



SI Duxbury
Secretary

9 September 2005

WEST HAM UNITED FOOTBALL CLUB PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST HAM UNITED FOOTBALL CLUB PLC

We have audited the financial statements of West Ham United Football Club plc for the year ended 31 May 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

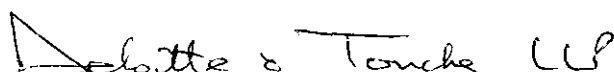
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 of the state of the company's affairs as at 31 May 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

9 September 2005

WEST HAM UNITED FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 May 2005

		2005		2004	
	Notes	Operations excluding player trading £000	Player trading * (notes 7 & 10) £000	Total £000	Total £000
Turnover	2	25,142	-	25,142	28,217
Other operating income		340	-	340	212
Administrative expenses	3	(28,088)	(5,150)	(33,238)	(36,817)
Operating loss	4	(2,606)	(5,150)	(7,756)	(8,388)
Profit on disposal of players	7	-	3,871	3,871	21,792
Loss/(profit) before interest		<u>(2,606)</u>	<u>(1,279)</u>	<u>(3,885)</u>	<u>13,404</u>
Net interest payable	8			(1,925)	(2,039)
Loss/(profit) on ordinary activities before taxation				<u>(5,810)</u>	<u>11,365</u>
Tax credit/(charge) on (loss)/profit on ordinary activities	9			1,343	(1,567)
(Loss)/profit for the financial year	23			<u><u>(4,467)</u></u>	<u><u>9,798</u></u>

All activities derive from continuing operations.

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

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

	2005 £000	2004 £000
(Loss)/profit for the financial year	(4,467)	9,798
Unrealised surplus on revaluation of properties	-	16,049
Total recognised gains and losses for the year	<u><u>(4,467)</u></u>	<u><u>25,847</u></u>

WEST HAM UNITED FOOTBALL CLUB PLC

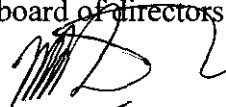
BALANCE SHEET

as at 31 May 2005

	Notes	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		4,462		8,772
Tangible assets	11		70,133		72,598
			<u>74,595</u>		<u>81,370</u>
Current assets					
Debtors	12	9,003		8,929	
Cash at bank and in hand		42		61	
		<u>9,045</u>		<u>8,990</u>	
Creditors – amounts falling due within one year	13	(17,923)		(16,758)	
Net current liabilities			<u>(8,878)</u>		<u>(7,768)</u>
Total assets less current liabilities			<u>65,717</u>		<u>73,602</u>
Creditors – amounts falling due after more than one year	13		(26,408)		(28,589)
Deferred grants	18		(3,023)		(3,113)
Provisions for liabilities and charges	19,20		(420)		(1,567)
Total net assets			<u>35,866</u>		<u>40,333</u>
Capital and reserves					
Called up share capital	21		5,500		5,500
Share premium account			4,847		4,847
Revaluation reserve	22		28,081		28,441
Profit and loss account	23		(2,562)		1,545
Total equity shareholders' funds	24		<u>35,866</u>		<u>40,333</u>

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

Signed on behalf of the board of directors



TW Brown

Director



N Igwe

Director

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

for the year ended 31 May 2005

1 Accounting Policies

The accounts have been prepared in accordance with applicable United Kingdom accounting standards. The following are the accounting policies used by the company which have been applied consistently throughout the current and preceding financial year.

Accounting convention

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

Turnover

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

Signing on fees

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

Tangible fixed assets

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

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

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

Freehold buildings	2%
Plant, fittings & equipment	105-25%
Motor vehicles	25%

Intangible assets – player registrations

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

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

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

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

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

1 Accounting Policies (continued)

Grants and deferred income

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

Taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The company 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 company 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 company.

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.

Cash flow statement

The cash flows of the company are included in the consolidated group cash flow statement of West Ham United plc, the ultimate holding company. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (revised) from preparing a cash flow statement.

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

2 Turnover

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

	2005 £000	2004 £000
Match receipts and related football activities	12,651	13,992
Television and FA Premier League distributions	8,344	9,159
Commercial activities	4,147	5,066
	<u>25,142</u>	<u>28,217</u>

3 Exceptional Items

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

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

4 Operating Loss

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

	2005 £000	2004 £000
Employment costs (note 5)	17,731	20,856
Depreciation on tangible fixed assets (note 11):		
- owned assets	2,575	2,336
- assets held under hire and lease purchase contracts	4	107
Release of grant income	(90)	(90)
Auditors' remuneration:		
- audit	28	25
- other services	4	9
Operating leases	76	98
(Profit)/loss on disposal of fixed assets	(7)	18

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

5 Staff Costs and Employees

	2005 £000	2004 £000
Wages and salaries	15,633	17,558
Directors' fees	34	140
Compensation for loss of office	-	780
Social security costs	1,884	2,198
Other pension contributions	180	180
	<u>17,731</u>	<u>20,856</u>
	Number	Number
<u>Average number of persons employed (including directors)</u>		
Players, team management & training	78	83
Commercial & administrative	64	75
	<u>142</u>	<u>158</u>
Part time employees	20	15
	<u>162</u>	<u>173</u>

Staff costs for 2004 included exceptional expenditure of £780,000 (see note 3).

6 Directors' Emoluments

	2005 £000	2004 £000
Emoluments	633	576
Fees	34	140
Aggregate payments made to a defined contribution pension scheme	72	58
	<u>739</u>	<u>774</u>
<u>Emoluments of highest paid director</u>		
Emoluments	227	242
Aggregate payments made to a defined contribution pension scheme	36	34
	<u>263</u>	<u>276</u>
	Number	Number
Directors who are members of a defined contributions pension scheme	4	4

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

7 Profit on Disposal of Players

	2005 £000	2004 £000
Disposal proceeds (net of costs of realisation)	4,634	24,834
Net book value of players sold (note 10)	(763)	(3,042)
	<u>3,871</u>	<u>21,792</u>

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

8 Net Interest Payable

	2005 £000	2004 £000
Interest payable on bank loans and overdrafts	1,891	1,967
Hire purchase loan interest	28	85
Bill of exchange discounting costs	63	71
	<u>1,982</u>	<u>2,123</u>
Bank and other interest receivable	(57)	(84)
	<u>1,925</u>	<u>2,039</u>

9 Taxation on (Loss)/Profit on Ordinary Activities

	2005 £000	2004 £000
Deferred tax credit/(charge)	<u>1,343</u>	<u>(1,567)</u>

There is no liability to corporation tax due to the availability of brought forward tax losses. As at 31 May 2005, cumulative tax losses available to carry forward against future trading profits were approximately £4,900,000 (2004 - £5,000) subject to agreement with the Inland Revenue.

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

	2005 £000	2004 £000
(Loss)/profit on ordinary activities before tax	<u>(5,810)</u>	<u>11,365</u>
Tax (credit)/charge @ 30% thereon	(1,743)	3,410
Expenses not deductible for tax purposes	285	249
Capital allowances for period in excess of depreciation	(59)	(199)
Intangible assets - timing differences on allowances for tax	-	-
Other timing differences	(69)	(95)
Group relief	115	-
Increase/(decrease) in tax losses	1,471	(3,365)
Current corporation tax charge for year	<u>-</u>	<u>-</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

10 Intangible Fixed Assets

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

11 Tangible Fixed Assets

	Freehold land & buildings £000	Plant, fittings & equipment £000	Motor vehicles £000	Total £000
<u>Cost or valuation</u>				
1 June 2004	71,740	8,721	232	80,693
Additions	77	48	-	125
Disposals	-	-	(59)	(59)
31 May 2005	<u>71,817</u>	<u>8,769</u>	<u>173</u>	<u>80,759</u>
<u>Depreciation</u>				
1 June 2004	4,393	3,483	219	8,095
Charge for the year	1,831	746	2	2,579
Disposals	-	-	(48)	(48)
31 May 2005	<u>6,224</u>	<u>4,229</u>	<u>173</u>	<u>10,626</u>
<u>Net book value</u>				
31 May 2005	<u>65,593</u>	<u>4,540</u>	<u>-</u>	<u>70,133</u>
31 May 2004	<u>67,347</u>	<u>5,238</u>	<u>13</u>	<u>72,598</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

11 Tangible Fixed Assets (continued)

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

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

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

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

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

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

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

12 Debtors

	2005 £000	2004 £000
Trade debtors	204	72
Amounts owing by fellow group undertakings	1,858	174
Other debtors	5,065	6,533
Prepayments and accrued income – due within one year	1,696	1,952
Prepayments and accrued income – due after more than one year	180	198
	<u>9,003</u>	<u>8,929</u>

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

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

13 Creditors

	2005 £000	2004 £000
<u>Due within one year</u>		
Bank overdrafts (note 16)	3,295	863
Bank loans (notes 14 & 16)	2,220	4,000
Obligations under hire and lease purchase contracts (notes 14 & 17)	105	470
Trade creditors	1,002	1,101
Amounts owing to group undertakings	1,571	1,571
Taxation and social security	959	998
Other creditors	3,978	4,209
Season ticket and other receipts in advance	482	310
Accruals	4,311	3,236
	<u>17,923</u>	<u>16,758</u>
<u>Due after more than one year</u>		
Debenture loans and subscriptions (notes 14 & 15)	611	611
Bank loans (notes 14 & 16)	24,079	25,874
Obligations under hire and lease purchase contracts (notes 14 & 17)	-	108
Season ticket and other receipts in advance	1,065	1,118
Other creditors	653	878
	<u>26,408</u>	<u>28,589</u>

14 Total Loans and Hire Purchase Obligations

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

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

15 Debenture Loans and Subscriptions

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

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

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

16 Bank Loan and Overdraft

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

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

17 Obligations Under Hire and Lease Purchase Contracts

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

18 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 company'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.

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

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

19 Provisions for Liabilities and Charges – Cost of Player Registrations

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

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

20. Provisions for Liabilities and Charges – Deferred Taxation

The movement in the provision is as follows.

	2005 £000	2004 £000
1 June	1,567	-
(Credited)/charged to profit & loss account	(1,343)	1,567
31 May	<u>224</u>	<u>1,567</u>

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

	2005 £000	2004 £000
Capital allowances in excess of depreciation	1,984	1,925
Other timing differences	(288)	(356)
Unutilised tax losses	(1,472)	(2)
Total deferred tax liability	<u>224</u>	<u>1,567</u>

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

	2005 £000	2004 £000
Surplus on revaluation of properties	<u>5,819</u>	<u>6,266</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

20. Provisions for Liabilities and Charges – Deferred Taxation (continued)

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

21 Called up Share Capital

	2005 £000	2004 £000
<u>Authorised, called up, allotted and fully paid</u>		
11,000,000 ordinary shares of 50 pence each	5,500	5,500

22 Revaluation Reserve

	2005 £000	2004 £000
1 June	28,441	13,033
Adjustment arising on revaluation	-	16,049
Transfer to profit and loss account	(360)	(641)
31 May	28,081	28,441

23 Profit and Loss Account

	2005 £000	2004 £000
1 June	1,545	(8,894)
Retained (loss)/profit for the year	(4,467)	9,798
Transfer from revaluation reserve	360	641
31 May	(2,562)	1,545

The historical cost loss for the period was £4,107,000 (2004: profit - £10,439,000). The difference to the retained (loss)/profit for the year arises from the historical cost depreciation charge being lower than the actual depreciation charge for the year.

24 Reconciliation of Movements in Shareholders' Funds

	2005 £000	2004 £000
Retained (loss)/profit for the year	(4,467)	9,798
Adjustment arising on revaluation	-	16,049
Opening shareholders' funds	40,333	14,486
Closing shareholders' funds	35,866	40,333

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

25 Capital Commitments

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

26 Operating Lease Commitments

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

	2005 £000	2004 £000
<u>Land and buildings</u>		
Expiring after five years	<u>-</u>	<u>20</u>
<u>Other operating leases</u>		
Expiring within one year	16	16
Expiring within two to five years	86	82
	<u>102</u>	<u>98</u>
	<u>102</u>	<u>118</u>

27 Pension Scheme

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

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

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

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

Total pension costs charged during the year amounted to £180,000 (2004 - £180,000).

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

28 Contingent Liabilities

Under a group banking facility, the company has guaranteed certain bank overdrafts of other group companies. At 31 May 2005 the balances outstanding on these overdrafts was nil (2004 – £2,645,000).

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

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

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

29 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.

30 Post Balance Sheet Events

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

31 Ultimate Parent Company

In the opinion of the directors the ultimate and immediate parent company and controlling party is West Ham United plc, incorporated in Great Britain. Copies of the group financial statements of West Ham United plc are available from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.

32 Related Party Transactions

Mr CBC Manhire, a director of the company, is also a director of Nash & Partners Limited, a firm of surveyors, which undertook work on behalf of the company in the course of the year. Fees paid to Nash & Partners Limited in respect of these services totalled £5,200 (2004 - £9,400).

Mr CJ Warner, a director of the company, is also a partner in Warners, a firm of solicitors, which undertook legal work on behalf of the company in the course of the year. Fees paid to Warners in respect of these services totalled £4,100 (2004 - £3,900).

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.