

The Millwall Football and Athletic Company (1985) plc

Accounts 31 May 1996
together with directors' and auditors' reports

Registered number: 1924222



Directors and Officers

Directors

PW Mead (Chairman)

RI Burr (retired 12 December 1995)

JD Burnige

BE Mitchell

DP Sullivan

JMR Berardo

Secretary

GIS Hortop

Registered office

The Den

Zampa Road

London

SE16 3LN

Auditors

Binder Hamlyn

20 Old Bailey

London EC4M 7BH

Bankers

National Westminster Bank Plc

69 Baker Street

London

W1M 2AT

Solicitors

Nabarro Nathanson

50 Stratton Street

London

W1X 5FL

Directors' report

For the year ended 31 May 1996

Financial Statements

The directors present their report and financial statements for the year ended 31 May 1996 .

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 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 which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and review of the business

The company's principal activity is the operation of a professional football club.

During the year under review the company reported a loss of £2,756,274 compared with a loss of £536,557 in the previous year. The company turnover for the current period is £4,054,355 (1995: £4,333,706).

Financial results and dividends

The loss for the year before accounting for transfer fees, interest and taxation amounted to £3,351,449 (1995: £3,489,623). After taking credit for net transfer fees receivable of £1,018,965 (1995: £3,464,056), which the company treats as a revenue item (the directors consider such treatment to be prudent in view of the problems of valuing players for accounts purposes) the loss for the year amounted to £2,756,274 (1995: loss £536,557). The amount was transferred from reserves.

The directors are unable to recommend payment of a dividend.

Players' contracts

The Manager of the football club estimated the value of the players' contracts as at 31 May 1996 to be in excess of £11m. In line with the company's stated accounting policy no value has been attributed to these contracts in the financial statements.

Directors' report (continued)

Directors

The directors at 31 May 1996, and their interests in the share capital of the company at the beginning and end of the financial year were as follows:

	1996		1995	
	Ordinary	Preference	Ordinary	Preference
PW Mead	-	50,000	-	50,000
JD Burnige	-	-	-	-
BE Mitchell	-	-	-	-
DP Sullivan	-	-	-	-
JMR Berardo	-	-	-	-

Messrs Mead, Berardo, Burnige and Mitchell were also directors of the holding company during all of the financial year, and their interests in the shares of Millwall Holdings Plc are disclosed in that company's accounts.

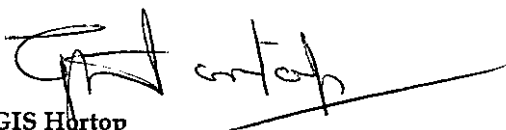
Donations

During the year the company made no charitable or political donations.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 14 November 1996.


GIS Hartop
Secretary

BINDER HAMLYN

Andersen Worldwide

20 Old Bailey
London EC4M 7BH

Auditors' report

To the Shareholders of The Millwall Football and Athletic Company (1985) plc

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 8.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the 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 company's circumstances, consistently applied and adequately disclosed.

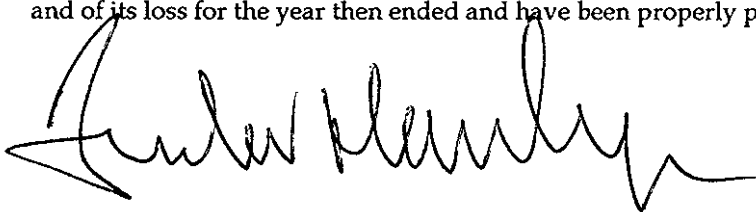
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements as to the possible outcome of negotiations for additional finance being made available to the company. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs as at 31 May 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
14 November 1996

Profit and loss account

For the year ended 31 May 1996

	Notes	1996 £	1995 £
Turnover	1	4,054,355	4,333,706
Other operating income	3	<u>386,897</u>	<u>39,414</u>
		4,441,252	4,373,120
External charges		(3,118,844)	(3,184,383)
Staff costs	1 and 2	(3,988,967)	(3,881,792)
Depreciation		<u>(684,890)</u>	<u>(796,568)</u>
Operating loss	3	(3,351,449)	(3,489,623)
Transfer fees	1 and 4	<u>1,018,965</u>	<u>3,464,056</u>
		(2,332,484)	(25,567)
Interest receivable and similar income		38,546	17,561
Interest payable	5	<u>(462,336)</u>	<u>(528,551)</u>
Loss on ordinary activities before taxation		(2,756,274)	(536,557)
Taxation	6	<u>-</u>	<u>-</u>
Loss for the year transferred from reserves	16	<u>(2,756,274)</u>	<u>(536,557)</u>

Statement of total recognised gains and losses

There are no recognised gains and losses for either year apart from the loss for the financial year.

The result for the both years reflect the continuing operations of the company. There were no acquisitions or disposals during either year.

Balance sheet

31 May 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	7	<u>18,479,858</u>	<u>18,603,794</u>
Current assets			
Stocks	8	87,546	80,949
Debtors	9	434,914	913,354
Cash at bank and in hand		<u>240,382</u>	<u>677,223</u>
		762,842	1,671,526
Creditors: amounts falling due within one year	10	<u>(5,331,606)</u>	<u>(4,815,439)</u>
Net current liabilities		<u>(4,568,764)</u>	<u>(3,143,913)</u>
Total assets less current liabilities		13,911,094	15,459,881
Creditors: amounts falling due after more than one year	11	(15,945,294)	(14,614,281)
Deferred income	13	<u>(4,040,032)</u>	<u>(4,163,558)</u>
		<u>(19,685,326)</u>	<u>(18,777,839)</u>
Net liabilities		<u>(6,074,232)</u>	<u>(3,317,958)</u>
Capital and reserves			
Called up share capital	14	455,000	455,000
Share premium account		3,333	3,333
Profit and loss account	16	<u>(6,532,565)</u>	<u>(3,776,291)</u>
Shareholders' funds [including non equity interests of £55,000]	15	<u>(6,074,232)</u>	<u>(3,317,958)</u>

The financial statements on pages 4 to 16 were approved by the Board on 14 November 1996.


PW Mead
Director

Notes to the financial statements

31 May 1996

1 Accounting policies

a) *Accounting convention*

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets.

b) *Basis of preparation*

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

In concluding that it was appropriate to adopt the going concern basis in preparing these financial statements the directors have had regard to the following matters:

- cash flow forecasts for the period through to 31 May 1998;
- the value to the Company of the players' contracts; and
- the availability of future funding.

As in the past, the cash flow forecasts for the ensuing period indicate a significant funding requirement.

Historically the funding requirement has been satisfied by the sale of players' registrations, which in every year has successfully funded the finance gap.

In order to obviate the necessity for the disposal of the better assets of the Club, the Board is in on-going discussions with potential providers of finance in order to restructure available facilities and to meet the Club's future requirements.

The directors are confident that these discussions will prove to be successful. Clearly until the talks are concluded, there will remain a degree of uncertainty as to the future funding of the Company apart from the sale of players' registrations.

c) *Turnover*

Turnover represents match receipts and all other income associated with the principal activity of running a professional football club and excludes value added tax. Season ticket and other revenues relating to future periods are accounted for in the period to which they relate.

d) *Transfer fees*

Fees payable to and receivable from other football clubs on the transfer of players' registrations, together with associated costs, are dealt with through the profit and loss account in the year in which the transfer takes place. Transfer fees contingent on, for example, future appearances, are taken to the profit and loss account in the period they become payable or receivable.

Notes to the financial statements (continued)

1 Accounting policies (continued)

e) *Signing on fees*

Signing on fees are charged to the profit and loss account in accordance with the payments required over the period of the player's contract.

f) *Players' contracts*

No value has been attributed to players' contracts in the financial statements.

g) *Tangible fixed assets and depreciation*

Depreciation is provided on all tangible fixed assets except freehold and short leasehold land, at rates calculated to write off the cost of valuation, less estimated residual value, of each asset evenly over its expected useful life, which is reviewed annually. The depreciation rates used are as follows:

Long leasehold premises -	-	1% per annum
Equipment and furniture	-	20% per annum
Motor vehicles	-	25% per annum

h) *Accounting for grants*

Grants receivable in respect of fixed assets are credited to the profit and loss account over the estimated economic useful lives of the relevant assets. Amounts received, but not yet credited in accordance with the above policy are carried forward as deferred income.

i) *Leases and hire purchase contracts*

Assets acquired under hire or lease purchase agreements are capitalised in the balance sheet as tangible fixed assets and are depreciated in accordance with their classification. The related finance charges are charged to the profit and loss account over the term of the relevant agreement.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

j) *Stocks*

Stocks, which comprise goods held for resale, are valued at the lower of cost and net realisable value.

k) *Pensions*

Eligible administrative staff of the club are members of the Football League Limited Pensions and Life Assurance Scheme. The scheme is a defined benefit scheme based on final pensionable salary with both the club and staff making contributions into the fund. Contributions to the scheme, as calculated by the actuary, are accounted for as they fall due. The assets of the scheme do not form part of these financial statements.

l) *Deferred taxation*

Deferred taxation, calculated on the liability basis, is provided on timing differences to the extent that a liability for the payment of such taxation is expected to arise in the foreseeable future.

Notes to the financial statements (continued)

1 Accounting policies (continued)

m) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

n) Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

2 Staff numbers and costs

	1996 £	1995 £
Staff costs during the year amounted to:		
Wages and salaries	3,108,174	2,931,900
Signing on fees	541,760	602,385
Social security costs	314,423	326,386
Pension costs	24,611	21,121
	<u>3,988,967</u>	<u>3,881,792</u>
The average weekly number of employees during the year was 93 (1995: 95) made up as follows:	Number	Number
Football team management	11	11
Administrative and ground staff	37	35
Players	45	49
	<u>93</u>	<u>95</u>
Directors' emoluments	£	£
Emoluments of chairman	-	-
Emoluments of highest paid director	30,004	30,004
Emoluments of other directors (excluding pension contributions) fell within the following range of:	Number	Number
£Nil to £5,000	<u>4</u>	<u>4</u>

Notes to the financial statements (continued)

3 Operating loss is stated after charging

	1996	1995
	£	£
Directors' remuneration	30,004	30,004
Auditors' remuneration	20,000	18,750
Other operating income	386,897	39,414
Payments under operating leases	37,951	33,469
Property lease payments	99,886	84,653
Depreciation		
- owned fixed assets	297,811	282,034
- assets under finance leases	387,080	514,534
Amortisation of grant	36,750	36,750
(Profit)/loss on disposal of fixed assets	(11,333)	2,624

Other operating income comprises £324,628 (1995: £Nil) which represents insurance claims in respect of players' injuries, and £62,269 other operating income (1995: £39,414).

The company's auditors received remuneration for non-audit services during the year amounting to £19,000 (1995: £7,250).

4 Transfer fees

	1996	1995
	£	£
Transfer fees receivable	3,352,500	4,263,000
Less: Transfer fees and levies payable	(2,333,535)	(798,944)
	<u>1,018,965</u>	<u>3,464,056</u>

5 Interest payable

	1996	1995
	£	£
On borrowings repayable within five years:		
Hire and lease purchase loans	123,502	114,422
Bank overdraft and other loans	338,834	197,037
	<u>462,336</u>	<u>311,459</u>
On borrowings repayable in more than five years:		
Bank loans	-	217,092
	<u>462,336</u>	<u>528,551</u>

Notes to the financial statements (continued)

6 Taxation

No taxation charge arises due to the incidence of losses during the year (1995 : £Nil).

7 Tangible fixed assets

	Long leasehold assets £	Short leasehold land £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost					
1 June 1995	17,546,668	-	240,383	2,221,062	20,008,113
Additions	83,095	300,000	174,542	38,422	596,059
Disposals	-	-	(70,221)	-	(70,221)
31 May 1996	17,629,763	300,000	344,704	2,259,484	20,533,951
Depreciation					
1 June 1995	304,440	-	153,967	945,912	1,404,319
Disposals	-	-	(35,116)	-	(35,116)
Charge for the year	176,298	-	80,489	428,103	684,890
31 May 1996	480,738	-	199,340	1,374,015	2,054,093
Net book value					
31 May 1996	17,149,025	300,000	145,364	885,469	18,479,858
31 May 1995	17,242,228	-	86,416	1,275,150	18,603,794

(a) Hire and lease purchase

Included in net book value is £811,276 (1995: £1,007,987) relating to assets acquired under hire and lease purchase agreements. The depreciation charge for the year on these assets is £387,080 (1995: £514,534).

(b) Short leasehold

Short leasehold land represents costs associated with the purchase and subsequent sale and leaseback by the Company of training facilities. The sale and leaseback agreement includes a put option exercisable by the lessor between years five and ten of the lease, subject to certain conditions being met, at a price of £300,000. The transaction has been accounted for as a financing arrangement, and as such, an asset is recorded and a corresponding loan of £300,000, repayable after more than one year, is included under hire and lease purchase loans (note 11). The lease rentals are treated as a financing cost.

(c) Capitalised interest

Costs incurred in the long leasehold property include interest capitalised amounting to £981,387 (1995: £981,387).

Notes to the financial statements (continued)

8 Stocks

	1996	1995
	£	£
Goods for resale	<u>87,546</u>	<u>80,949</u>

9 Debtors

	1996	1995
	£	£
Due within one year:		
Trade debtors	152,804	630,735
Other debtors	34,035	2,735
Prepayments and deferred expenditure	<u>248,075</u>	<u>279,884</u>
	<u>434,914</u>	<u>913,354</u>

10 Creditors: amounts falling due within one year

	1996	1995
	£	£
Loans	64,996	39,996
Hire and lease purchase (note 19)	450,956	504,329
Bank overdrafts	199,092	107,827
Bank loans (note 12)	450,000	470,833
Amounts owed to group undertakings	632	632
Transfer fees payable	607,000	152,500
Other taxes and social security	1,749,690	1,515,302
Other creditors	1,085,581	1,060,658
Accruals	523,659	963,362
Amount owed to a director	<u>200,000</u>	<u>-</u>
	<u>5,331,606</u>	<u>4,815,439</u>

The amount owed to a director is unsecured and interest free

Notes to the financial statements (continued)

11 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Loans	99,990	139,986
Hire and lease purchase (note 19)	594,176	467,560
Bank loans (note 12)	1,350,000	2,025,000
Amount owed to holding company	<u>13,901,128</u>	<u>11,981,735</u>
	<u>15,945,294</u>	<u>14,614,281</u>

The amount due to the holding company is interest free and unsecured. There are no fixed repayment terms.

12 Loans

(1) Analysis

Bank loans

The bank loan of £1,800,000 (1995: £2,495,833) is repayable in quarterly instalments, and will result in it being fully repaid by the year 2000.

Other loans

The balance of a loan from the Football Trust is £139,986 (1995: £179,982). It is interest free and repayable in monthly instalments over 5 years to December 2000.

(2) Maturity

	1996 £	1995 £
Loans repayable within five years by instalments	<u>1,964,986</u>	<u>-</u>
Loans not wholly repayable within five years:		
Repayable by instalments		
- due within five years	-	2,450,815
- due in more than five years	<u>-</u>	<u>225,000</u>
	<u>-</u>	<u>2,675,815</u>

Notes to the financial statements (continued)

12 Loans (continued)

	1996 £	1995 £
Aggregate amounts repayable:		
Within one year	514,996	510,829
Between one and two years	483,328	490,000
Between two and five years	966,662	1,449,986
In five years or more	-	225,000
	<u>1,964,986</u>	<u>2,675,815</u>

(3) Security

The bank loan is secured by a fixed and floating charge over the assets of the company.

13 Deferred income

	1996 £	1995 £
Payments received in advance in respect of season tickets, boxes and sponsorship	438,532	525,308
Grants received in respect of the new stadium (less amounts credited to profit and loss account)	<u>3,601,500</u>	<u>3,638,250</u>
	<u>4,040,032</u>	<u>4,163,558</u>

14 Share capital

	Number	1996 £	1995 £
Authorised	<u>505,000</u>	<u>505,000</u>	<u>505,000</u>
Issued and fully paid			
Ordinary shares of £1 each	400,000	400,000	400,000
5% Cumulative Redeemable Preference shares of £1 each	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>
	<u>455,000</u>	<u>455,000</u>	<u>455,000</u>

The 5% cumulative redeemable preference shares must be redeemed by 4 March 1998; until this date any redemptions will be at par, at the company's option. The preference shares carry no voting rights and on a winding up are entitled to a repayment of the amount paid up plus any dividends due.

The preference shareholders have waived their entitlement to their dividends in respect of the year under review together with the arrears of preference dividends.

Notes to the financial statements (continued)

15 Reconciliation of movements in and analysis of shareholders' funds

The net reduction in shareholders' funds is explained solely by the loss for the year.

	£
Equity shareholders funds	(6,129,232)
Non-equity shareholders funds	55,000
	<u>(6,074,232)</u>

16 Reserves

	Profit and loss account £
1 June 1995	(3,776,291)
Accumulated loss for the year	<u>(2,756,274)</u>
31 May 1996	<u>(6,532,565)</u>

17 Deferred taxation

No provision has been made for deferred taxation as no potential liability arises.

18 Operating lease commitments

The company is committed to pay the following amounts in the coming year in respect of operating leases:

	Land and buildings		Other assets	
	1996	1995	1996	1995
	£	£	£	£
Expiring within one year	28,163	-	20,707	-
Expiring in two to five years	-	40,000	12,888	18,139
Expiring in more than five years	49,000	49,000	-	4,690
	<u>77,163</u>	<u>89,000</u>	<u>33,595</u>	<u>22,829</u>

Notes to the financial statements (continued)

19 Hire and lease purchase creditors

	1996	1995
	£	£
Amounts payable:		
Within one year	450,956	504,329
Two to five years	594,176	467,560
	<u>1,045,132</u>	<u>971,889</u>

20 Contingent liabilities

Loyalty payments of up to £45,000 are payable to players as part of their contract of employment in the event they remain with the Club for specified periods. The Club also has a liability at the balance sheet date amounting to £50,000 if certain players purchased make a specified number of appearances for the Club. No valuable security has been provided by the company in these respects.

21 Pension scheme commitments

The company is one of 54 participating employers in the Football League Pension and Life Assurance Scheme, a contracted-out defined benefit pension scheme.

At 31 May 1996, 6 (1995: 8) of the company's employees were members of the scheme. Contributions payable by the company are 15.4% or 10.4% (1995: 15.4% or 10.4%) of the members' pensionable salary for the year.

Contributions to the scheme are determined in accordance with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The most recent valuation was conducted on 1 September 1994 scheme data using main assumptions of 9% yield and 7% salary increases.

This valuation showed that the market value of the scheme's assets at that date amounted to £29,243,000 representing a Funding level of 101%. The surplus is being amortised over 10 years by reducing the company contribution rate.

Playing staff are responsible for their own pension arrangements.

The assets of the scheme are held in funds separate from the company.

22 Contractual commitments

The company is committed to pay £1,019,000 in respect of players signing on fees under current contracts.

Notes to the financial statements (continued)

23 Ultimate parent company

The directors regard Millwall Holdings plc as the company's ultimate parent undertaking.

Millwall Holdings plc is the parent undertaking of the only group of which the Millwall Football and Athletic Company (1985) plc is a member and for which group accounts are drawn up. Copies of those group accounts have been delivered to, and are available from, the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff CF4 3UZ.



MILLWALL HOLDINGS PLC



REPORT AND FINANCIAL STATEMENTS 1996