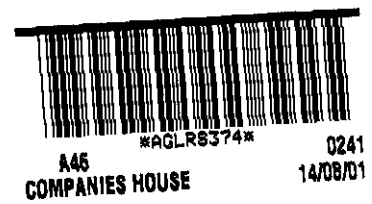


The Millwall Football and Athletic Company (1985) plc

Report and accounts
for the period ended 31 May 2001

Registered number: 1924222



Directors and Advisors

Directors

T Paphitis (Chairman)
PW Mead
DP Sullivan
RI Burr
DM Woodward

Secretary

RE Towner

Registered Office

The Den
Zampa Road
London SE16 3LN

Auditors

Arthur Andersen
17 Lansdowne Road
Croydon
CR9 2PL

Solicitors

Richards Butler
Beaufort House
15 St Botolph Street
London EC3A 7EE

Principal bankers

Bank of Cyprus Limited
75 Newman Street
London
W1P 3LA

Directors' report

The directors present their report, together with the accounts and auditors' report for the period ended 31 May 2001.

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the loss of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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

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

Review of the business

This short six month period ended 31 May 2001 incorporates the second half of the 2000/2001 season during which we were promoted to Division 1 as champions of Division 2. Turnover for the period increased by 33% to £3,491,000 compared to the turnover for the unaudited six month period to 31 May 2000 of £2,629,000. The pre-tax losses increased by 23% to £1,263,000 again compared to the pre-tax losses for the unaudited six month period to 31 May 2000 of £1,028,000. The increased loss was substantially due to our incentive scheme that allowed for bonuses to be paid to playing and management staff as a result of our promotion. Excluding those bonuses, the pre-tax losses would have been £926,000 which represents a 10% reduction over the same period last year. Merchandise sales increased to £366,000 compared to £244,000 for the unaudited six month period ended 31 May 2000.

Directors' report (continued)

Review of the business (continued)

Whilst the overall cost of a playing squad in Division 1 of the Football League is inevitably higher than in Division 2, there are also increases in revenues received directly from the Football League and, we anticipate, from increased crowd attendance at matches. Season ticket sales have already exceeded 5,000, generating gross receipts of over £1,000,000. In order to encourage the next generation of Millwall supporters, the junior season ticket in the Family Enclosure is being offered at a price which equates to £2 per match. We are confident that this strategy combined with a successful team will help secure our long term future.

Results and dividends

During the period under review, the company reported a loss of £1,263,000 compared with a loss of £2,433,000 in the previous period. The turnover for the current period was £3,491,000 (30 November 2000: £4,760,000).

The directors are unable to recommend payment of a dividend (30 November 2000: £nil).

Directors and their interests

The current directors who served during the period, are as follows:

T Paphitis
PW Mead
DP Sullivan
RI Burr
DW Woodward

None of the directors held any of the shares in the company throughout the period.

Messrs Mead and Paphitis were also directors of the holding company at 31 May 2001, and their interests in the shares of Millwall Holdings Plc are disclosed in that company's accounts.

The following directors are not directors of the holding company at 31 May 2001, and their interest in the ordinary shares of Millwall Holdings plc are set out below:


	31 May 2001	30 November 2000
DP Sullivan	-	-
RI Burr	1,500,000	1,500,000
DW Woodward	25,000,000	25,000,000

Directors report (continued)

Political and charitable donations

During the period, the company made no charitable or political donations.

This report was approved by the Board of Directors on 13 July 2001

A handwritten signature in black ink, appearing to read 'R Towner', with a stylized flourish at the end.

R Towner
Secretary

Auditors' report

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

We have audited the accounts on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

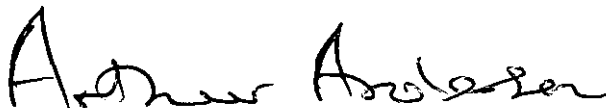
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs as at 31 May 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
17 Lansdowne Road
Croydon
CR9 2PL

13 July 2001

Profit and loss account

For the period ended 31 May 2001

		Period ended 31 May 2001	Year ended 30 November 2000
	Notes	£'000	£'000
Turnover	1	3,491	4,760
Other operating income		—	3
		<u>3,491</u>	<u>4,763</u>
Other administrative expenses		(1,607)	(2,550)
Staff costs	5	(2,754)	(3,863)
Amortisation of players' registrations	7	(400)	(719)
Depreciation	8	(107)	(201)
Profit on disposal of players' registrations		127	172
Administrative expenses		<u>(4,741)</u>	<u>(7,161)</u>
Operating loss		<u>(1,250)</u>	<u>(2,398)</u>
Other interest receivable	2	4	8
Interest payable and similar charges	3	(17)	(43)
Loss on ordinary activities before taxation	4	<u>(1,263)</u>	<u>(2,433)</u>
Taxation	6	—	—
Loss for the financial period	16	<u>(1,263)</u>	<u>(2,433)</u>

All operations of the company continued throughout both periods and no operations were acquired or discontinued.

There are no recognised gains or losses for either period apart from the results shown above.

The accompanying notes form an integral part of this profit and loss account.

Balance sheet

31 May 2001

	Notes	31 May 2001 £'000	30 November 2000 £'000
Fixed assets			
Intangible assets	7	1,169	1,329
Tangible assets	8	16,681	16,780
		<u>17,850</u>	<u>18,109</u>
Current assets			
Stocks	9	100	197
Debtors	10	426	570
Cash at bank and in hand		362	133
		<u>888</u>	<u>900</u>
Creditors: Amounts falling due within one year	11	(2,358)	(1,923)
Net current liabilities		<u>(1,470)</u>	<u>(1,023)</u>
Total assets less current liabilities		16,380	17,086
Creditors: Amounts falling due after more than one year	12	(29,068)	(28,286)
Deferred income	13	(4,011)	(4,236)
Net liabilities		<u>(16,699)</u>	<u>(15,436)</u>
Capital and reserves			
Called up share capital	15	455	455
Share premium account		3	3
Profit and loss account	16	(17,157)	(15,894)
Shareholders' funds	17	<u>(16,699)</u>	<u>(15,436)</u>
Shareholders' funds may be analysed as:			
Equity interests		(16,754)	(15,491)
Non-equity interests		55	55
		<u>(16,699)</u>	<u>(15,436)</u>

The accounts on pages 6 to 18 were approved by the Board of Directors on 13 July 2001

T Paphitis
Director

The accompanying notes form an integral part of this balance sheet

Notes to the accounts

for the period ended 31 May 2001

1 Accounting policies

The accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Long leasehold premises	- 1% per annum
Fixtures and fittings	- 20% per annum
Motor vehicles	- 25% per annum

Residual value is calculated on prices prevailing at the date of acquisition or valuation.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Pension costs and other post retirement benefits

For defined benefit schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

Notes to the accounts (continued)

1 Accounting policies (continued)

Pension costs and other post retirement benefits (continued)

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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.

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. An exception is when the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Grants

Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Players' registrations

The cost of players' registrations, comprising transfer fees payable and signing on fees, is capitalised and the cost is amortised over the period of the contract to which the registration relates. The carrying value is reviewed to take into account any perceived impairment of the value of the registrations.

Transfer fees receivable are recognised in the period in which they are receivable, and any profit or loss arising is dealt with in the profit and loss account.

Notes to the accounts (continued)

2 Other interest receivable

	Period ended 31 May 2001 £'000	Year ended 30 November 2000 £'000
Other interest receivable and similar income	<u>4</u>	<u>8</u>

3 Interest payable and similar charges

	Period ended 31 May 2001 £'000	Year ended 30 November 2000 £'000
Bank loans, overdrafts and other loans	16	36
Finance leases and hire purchase contracts	<u>1</u>	<u>7</u>
	<u>17</u>	<u>43</u>

4 Loss on ordinary activities before taxation

	Period ended 31 May 2001 £'000	Year ended 30 November 2000 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets		
- owned	103	173
- held under finance leases and hire purchase contracts	4	28
Amortisation of grant	(19)	(39)
Operating lease rentals		
- plant and machinery	9	11
- other	39	84
Auditors' remuneration		
- audit services	9	15
- non-audit services	3	7
Profit on sale of fixed assets	—	(18)
Amortisation of players' registrations	400	719
Profit on sale of players' registrations	<u>(127)</u>	<u>(172)</u>

Notes to the accounts (continued)

5 Staff costs

The average monthly number of employees (including directors) was

	Period ended 31 May 2001 Number	Year ended 30 November 2000 Number
Football team management	8	8
Administrative and ground staff	39	39
Players	52	48
	<u>99</u>	<u>95</u>

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	2,497	3,466
Social security costs	251	392
Defined benefit pension costs	—	4
Defined contribution pension costs	6	1
	<u>2,754</u>	<u>3,863</u>

Directors' remuneration, interests and transactions

No director received remuneration for his services during the period (30 November 2000: £nil).

6 Tax on loss on ordinary activities

No taxation charge arises due to the incidence of losses increased in previous periods and during this period (30 November 2000: £nil).

Notes to the accounts (continued)

7 Intangible fixed assets

	Players' Registrations £'000
Cost	
30 November 2000	2,287
Additions	348
Disposals	(309)
31 May 2001	2,326
Depreciation	
30 November 2000	958
Charge for the period	400
Disposals	(201)
31 May 2001	1,157
Net book value	
31 May 2001	1,169
30 November 2000	1,329

The cost of a player's registration is capitalised and amortised over the term of the player's initial contract. At the balance sheet date, an amount of £1,169,000 (30 November 2000: £1,329,000) is carried in intangible fixed assets, representing the unamortised cost of players' registrations.

The directors consider that the proposed changes to the transfer system relating to players registrations will not necessitate a reduction in the carrying value in future periods.

Notes to the accounts (continued)

8 Tangible fixed assets

	Long leasehold assets £'000	Short leasehold land £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
30 November 2000	17,629	300	2,342	135	20,406
Additions	—	—	7	—	7
31 May 2001	17,629	300	2,349	135	20,413
Depreciation					
30 November 2000	1,272	—	2,242	111	3,625
Charge for the period	87	—	10	10	107
31 May 2001	1,359	—	2,252	121	3,732
Net book value					
31 May 2001	16,270	300	97	14	16,681
30 November 2000	16,357	300	100	24	16,780

Long leasehold premises represents costs associated with the building of a football stadium at Senegal Fields.

Short leasehold land represents costs associated with the purchase and subsequent sale and leaseback by the company of training facilities. The sale and leaseback agreements 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. The lease rentals are treated as a financing cost.

Included in the net book value of motor vehicles and fixtures and fittings is £20,685 (2000: £24,285) relating to assets acquired under finance lease and hire purchase agreements. The depreciation charge for the period in respect of these assets is £3,600 (2000: £28,120).

9 Stocks

	31 May 2001 £'000	30 November 2000 £'000
Goods for resale	100	197

Notes to the accounts (continued)

10 Debtors:

	31 May 2001 £'000	30 November 2000 £'000
Trade debtors		
-amounts falling due within one year	276	328
-amounts falling due after one year	25	112
Other debtors	15	9
Prepayments and deferred expenditure	110	121
	<u>426</u>	<u>570</u>

11 Creditors: Amounts falling due within one year

	31 May 2001 £'000	30 November 2000 £'000
Bank loans and overdrafts	615	389
Signing on fees	318	296
Obligations under finance leases and hire purchase contracts	5	5
Taxation and social security	528	273
Other creditors	533	444
Accruals and deferred income	359	516
	<u>2,358</u>	<u>1,923</u>

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

12 Creditors: Amounts falling due after more than one year

	31 May 2001 £'000	30 November 2000 £'000
Signing on fees	272	181
Obligations under finance leases and hire purchase contracts	313	316
Amount owed to holding company	28,483	27,789
	<u>29,068</u>	<u>28,286</u>

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

Notes to the accounts (continued)

13 Deferred income

	31 May 2001 £'000	30 November 2000 £'000
Payments received in advance in respect of season tickets, boxes and sponsorship	593	799
Grants received in respect of the new stadium	3,418	3,436
Grants received in respect of the shop	—	1
	<u>4,011</u>	<u>4,236</u>

14 Provision for liabilities and charges

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

15 Called up share capital

	31 May 2001 Number	30 November 2000 Number	31 May 2001 £'000	30 November 2000 £'000
Authorised				
Ordinary shares of £1 each	450,000	450,000	450	450
5% Cumulative Redeemable Preference shares of £1 each	<u>55,000</u>	<u>55,000</u>	<u>55</u>	<u>55</u>
	<u>505,000</u>	<u>505,000</u>	<u>505</u>	<u>505</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	400,000	400,000	400	400
5% Cumulative Redeemable Preference shares of £1 each	<u>55,000</u>	<u>55,000</u>	<u>55</u>	<u>55</u>
	<u>455,000</u>	<u>455,000</u>	<u>455</u>	<u>455</u>

Under their terms, the 5% cumulative redeemable preference shares should have been redeemed by 4 March 1998, but the holders have not yet taken up their rights of redemption. 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 period under review together with the arrears of preference dividends.

Notes to the accounts (continued)

16 Reserves

	Profit and loss account £'000
30 November 2000	(15,894)
Loss for the financial period	(1,263)
31 May 2001	<u>(17,157)</u>

17 Reconciliation of movements in shareholders' funds

	2001 £'000
Loss for the financial period	(1,263)
Opening shareholders' funds	(15,436)
Closing shareholders' funds	<u>(16,699)</u>

18 Finance lease and hire purchase creditors

	31 May 2001 £'000	30 November 2000 £'000
Amounts payable:		
- within one year	5	5
- within two to five years	313	316
	<u>318</u>	<u>321</u>

Notes to the accounts (continued)

19 Financial commitments

a) Contractual commitments

The company is committed to pay £589,611 (30 November 2000: £477,217) in respect of players' signing on fees under current contracts. These amounts have been capitalised as a component of players' registrations and the cost is accrued in these accounts.

b) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other assets	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Expiry date:				
- within one year	—	—	5	—
- between two and five years	30	30	8	5
- after five years	49	54	—	7
	<u>79</u>	<u>84</u>	<u>13</u>	<u>12</u>

c) Pensions

The company is one of 54 participating employers in the Football League Pension and Life Assurance Scheme, a contracted-out defined benefit pension scheme. Until 31 August 1999, this scheme was a defined benefit scheme. After that date, the scheme benefit structure was changed to provide benefits on a defined contribution basis. The assets of the scheme are held in funds separate from the company.

At 31 May 2001, 1 (30 November 2000: 1) of the company's employees were members of the scheme. Contributions payable by the company are 10.4% (30 November 2000: 10.4%) of the members' pensionable salary for the period.

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 scheme data on 31 August 1999, using main assumptions of 8% yield with no further salary increases.

This valuation showed that the market value of the scheme's assets at that date represented a funding level of 95%. The deficit will be spread over a period of 7 years from the date of the valuation.

Certain employees of the group are eligible to be members of defined contribution schemes except football players who are responsible for their own pension arrangements.

Notes to the accounts (continued)

20 Ultimate parent company

The directors regard Millwall Holdings plc a company incorporated in Great Britain 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.

Detailed profit and loss account

For the period ended 31 May 2001

	Period ended 31 May 2001 £	Year ended 30 November 2000 £
Event revenue		
Gate receipts	1,222,795	1,718,710
Season tickets	309,248	393,669
Executive boxes	59,215	98,826
Football league and Association levies	323,361	278,998
Executive club	17,499	56,244
Advertising and sponsorship	217,450	348,274
TV fees	44,545	22,848
Catering revenue	612,198	812,291
Shop revenue	365,733	525,986
Programme income	187,698	252,590
Sundry income	131,367	251,740
	<u>3,491,109</u>	<u>4,760,176</u>
Staff costs		
Salaries and players' wages	2,496,593	3,466,036
Social security costs	250,775	392,334
Pension costs	5,997	4,572
	<u>(2,753,365)</u>	<u>(3,862,942)</u>
Event and ground expenses		
Training and team expenses	162,714	291,910
Scouting	10,601	16,274
Event expenses	319,001	504,312
Catering costs	273,043	370,272
Ground maintenance	120,569	180,569
Club shop	198,307	275,846
Programme expenses	85,513	129,838
Sundry	16,572	23,281
	<u>(1,186,320)</u>	<u>(1,792,302)</u>
Balance carried forward	(448,576)	(895,068)

Detailed profit and loss account (continued)

	Period ended 31 May 2001 £	Year ended 30 November 2000 £
Balance brought forward	(448,576)	(895,068)
Depreciation		
- leasehold buildings	87,600	175,200
- ground equipment	—	—
Safety Grants amortised	(19,373)	(38,747)
	<u>(68,227)</u>	<u>(136,453)</u>
Administrative expenses		
Medical expenses	66,743	93,856
Motor expenses	25,047	62,852
Printing, postage, stationery and advertising	25,923	58,303
Telephone	16,222	28,553
Equipment hire	10,869	10,510
Rent and rates	107,623	213,162
Light and heat	55,400	76,938
Insurance	24,537	94,613
Legal and professional	27,045	39,170
Audit and accountancy	9,000	18,000
Hire purchase interest	1,392	6,864
Interest payable	15,930	35,831
Bank charges	12,530	36,478
Sundry expenses	1,552	4,327
Depreciation		
- motor vehicles	9,102	16,360
- equipment	9,956	8,904
- leased equipment	720	15
Commercial department	4,499	20,647
Catering department	49,368	58,416
Bad debts	1,982	3
	<u>(475,440)</u>	<u>(883,802)</u>
Balance carried forward	(992,243)	(1,915,323)

Detailed profit and loss account (continued)

	Period ended 31 May 2001 £	Year ended 30 November 2000 £
Balance brought forward	(992,243)	(1,915,323)
Other income		
Insurance claims for players' injuries	—	3,425
Donations	—	(190)
	—	3,235
Profit on disposal of fixed assets	—	18,453
Interest receivable	4,014	7,453
	<u>4,014</u>	<u>29,141</u>
Transfer fees		
Profit on disposal of players' registrations	126,644	171,529
Amortisation of players' registrations	(400,477)	(718,834)
	<u>(273,833)</u>	<u>(547,305)</u>
Loss for the period before taxation	<u>(1,262,062)</u>	<u>(2,433,487)</u>

This statement does not form part of the audited accounts and is for the information of the directors only.