



ARTHUR ANDERSEN

The Millwall Football and Athletic Company (1985) plc

Annual report and accounts
for the year ended 30 November 1999

Registered number: 1924222



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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

For the year ended 30 November 1999

The directors present their annual report, together with the accounts and auditors' report for the year ended 30 November 1999.

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

The financial year covered by these statements spans the second half of the 1998/9 season and the first half of the 1999/2000 season – a period of substantial progress for the Club, both financially and on the pitch.

The talented young players who had begun to emerge towards the end of the previous season have formed the backbone of the team, with increasing success as the year unfolded. It has been our stated policy to resist the temptation to sell these players for short term profit and the playing results completely vindicate this decision. It is also pleasing that, overall, players salaries and other staff costs, representing 75 per cent of turnover (1998: 101 per cent), have remained virtually flat despite a significant increase in the quality of the team and some high calibre signings. This position is a marked improvement over last year when staff costs marginally exceeded turnover.

As a result of our playing performance and improved marketing, Millwall fans are returning to the New Den in ever greater numbers and gate receipts for the year increased 21 per cent, despite only modest rises in ticket prices. Our appearance at Wembley in the Auto Windscreens Shield, which attracted an amazing 46,000 Millwall fans, gave a welcome boost to turnover and contributed extra impetus to 1999/2000 season ticket sales.

Directors' report

For the year ended 30 November 1999

Review of the business (continued)

In addition to the success of the first team and our commitment to retaining high quality players, we have continued to invest substantially in our Academy – the breeding ground of so many of our current and future stars. Millwall has a justifiably outstanding reputation for the quality of its youth set-up and its ability to identify and nurture talent. The Academy is vital to the future success of the Club. The benefits of hard work and investment are already beginning to emerge and there are a number of exciting young players coming through who will challenge for first team places next season.

In our current financial position when we are attempting to move to profitability at the same time as investing in our future, it is important to assess whether the additional value being created through the development of new players, is greater than the losses being incurred. As a measure of our progress in this regard, it is interesting to note that, while the carrying value of the squad in the balance sheet is just £1,239,000. However, the Directors believe that the true collective value of our players is substantially in excess of this, a belief borne out by the substantial number of enquiries received about, and values placed upon, our players.

Since the financial year end, the team's success on the pitch culminated in winning a place in the Second Division play-offs. While we ultimately missed promotion, the season as a whole must be judged a success. Gate receipts have now almost doubled within two years and other areas of income – an astonishing 10,000 shirts have been sold for example - have been most encouraging. The performance of the first team and the wealth of talent coming through, demonstrated in the achievement of our reserve team winning the Avon Insurance Combination trophy, bodes well for the future.

Results and dividends

During the year under review, the company reported a loss of £2,123,741 compared with a loss of £2,875,447 in the previous year. The company turnover for the current year was £4,051,771 (1998: £2,923,168).

The directors are unable to recommend payment of a dividend.

Directors' report

For the year ended 30 November 1999

Directors and their interests

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

T Paphitis
PW Mead
DP Sullivan
RI Burr
DW Woodward

Mr SBD Ring, who also served as a director throughout the year, resigned on 7 February 2000.

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

Messrs Mead, Paphitis, and Ring were also directors of the holding company at 30 November 1999, and their interests in the shares of Millwall Holdings Plc are disclosed in that company's accounts.

Political and charitable donations

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

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

^{a Committee of}
This report was approved by the Board of Directors on

31st May 2000



RE Towner
Secretary



ARTHUR ANDERSEN

Auditors' report

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

We have audited the accounts on pages 6 to 16 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 30 November 1999 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

17 Lansdowne Road

Croydon

CR9 2PL

31 May 2000

Profit and loss account

For the year ended 30 November 1999

	Notes	1999 £000	1998 £000
Turnover		4,052	2,923
Other operating income		<u>4</u>	<u>17</u>
		4,056	2,940
External charges		(2,369)	(1,910)
Staff costs	5	(3,034)	(2,896)
Depreciation	8	(224)	(429)
Amortisation of players' registrations	4	(594)	(659)
Profit on disposal of players' registrations	4	<u>99</u>	<u>105</u>
Operating loss		(2,066)	(2,849)
Other interest receivable	2	8	5
Interest payable and similar charges	3	<u>(66)</u>	<u>(31)</u>
Loss on ordinary activities before taxation		(2,124)	(2,875)
Taxation	6	<u>-</u>	<u>-</u>
Loss for the financial year	16	<u>(2,124)</u>	<u>(2,875)</u>

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

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

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

Balance sheet

30 November 1999

	Notes	1999 £000	1998 £000
Fixed assets			
Intangible assets	7	1,239	1,003
Tangible assets	8	16,951	17,127
		<u>18,190</u>	<u>18,130</u>
Current assets			
Stocks	9	183	254
Debtors	10	328	334
Cash at bank and in hand		39	44
		<u>550</u>	<u>632</u>
Creditors: Amounts falling due within one year	11	<u>(1,804)</u>	<u>(2,549)</u>
Net current liabilities		<u>(1,254)</u>	<u>(1,917)</u>
Total assets less current liabilities		16,936	16,213
Creditors: Amounts falling due after more than one year	12	(26,195)	(23,400)
Deferred income	13	<u>(3,744)</u>	<u>(3,692)</u>
Net liabilities		<u>(13,003)</u>	<u>(10,879)</u>
Capital and reserves			
Called up share capital	15	455	455
Share premium account		3	3
Profit and loss account	16	<u>(13,461)</u>	<u>(11,337)</u>
Shareholders' funds	17	<u>(13,003)</u>	<u>(10,879)</u>
Shareholders' funds may be analysed as:			
Equity interests		(13,058)	(10,934)
Non-equity interests		55	55
		<u>(13,003)</u>	<u>(10,879)</u>

The accounts on pages 6 to 16 re approved by ^{a Committee 16} the Board of Directors on 31st May 2000


T Paphitis
Director

The accompanying notes form an integral part of this balance sheet

Notes to the accounts

for the year ended 30 November 1999

1 Accounting policies

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

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 year, 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 year. Differences between contributions payable in the year 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

	1999 £000	1998 £000
Other interest receivable and similar income	<u>8</u>	<u>5</u>

3 Interest payable and similar charges

	1999 £000	1998 £000
Bank loans, overdrafts and other loans	60	24
Finance leases and hire purchase contracts	<u>6</u>	<u>7</u>
	<u>66</u>	<u>31</u>

4 Loss on ordinary activities before taxation

	1999 £000	1998 £000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets		
- owned	201	411
- held under finance leases and hire purchase contracts	23	18
Amortisation of grant	(39)	(38)
Operating lease rentals		
- plant and machinery	7	7
- other	90	76
Auditors' remuneration		
- audit services	15	15
- non-audit services	7	7
Profit on sale of fixed assets	(4)	-
Amortisation of players' registrations	594	659
Profit on sale of players' registrations	<u>(99)</u>	<u>(105)</u>

Notes to the accounts (continued)

5 Staff costs

The average monthly number of employees (including directors) was

	1999 Number	1998 Number
Football team management	8	9
Administrative and ground staff	35	35
Players	46	46
	<u>89</u>	<u>90</u>

Their aggregate remuneration comprised:

	£000	£000
Wages and salaries	2,731	2,596
Social security costs	295	295
Pension costs	8	5
	<u>3,034</u>	<u>2,896</u>

Directors' remuneration, interests and transactions

No director received remuneration for his services during the year (1998: £nil).

6 Tax on loss on ordinary activities

No taxation charge arises due to the incidence of losses during the year (1998: £nil).

7 Intangible fixed assets

	Players' Registrations £'000
Cost	
1 December 1998	2,368
Additions	943
Disposals	(1,075)
30 November 1999	<u>2,236</u>
Depreciation	
1 December 1998	1,365
Charge for the year	594
Disposals	(962)
30 November 1999	<u>997</u>
Net book value	
30 November 1999	<u>1,239</u>
30 November 1998	<u>1,003</u>

Notes to the accounts (continued)

8 Tangible fixed assets

	Long leasehold assets £000	Short leasehold land £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost					
1 December 1998	17,629	300	179	2,290	20,398
Additions	-	-	17	31	48
Disposals	-	-	(11)	-	(11)
30 November 1999	17,629	300	185	2,321	20,435
Depreciation					
1 December 1998	921	-	113	2,237	3,271
Charge for the year	175	-	44	5	224
Disposals	-	-	(11)	-	(11)
30 November 1999	1,096	-	146	2,242	3,484
Net book value					
30 November 1999	16,533	300	39	79	16,951
30 November 1998	16,708	300	66	53	17,127

Long leasehold premises represents costs to date associated with the building of a new football stadium at Senegal Fields. Costs include interest capitalised amounting to £982,000 (1998: £982,000).

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 is £82,260 (1998: £72,735) relating to assets acquired under hire and lease purchase agreements. The depreciation charge for the period in respect of these assets is £23,276 (1998: £17,720).

9 Stocks

	1999 £000	1998 £000
Goods for resale	183	254

Notes to the accounts (continued)

10 Debtors: Amounts falling due within one year

	1999 £'000	1998 £'000
Trade debtors	196	161
Other debtors	1	54
Prepayments and deferred expenditure	131	119
	<u>328</u>	<u>334</u>

11 Creditors: Amounts falling due within one year

	1999 £'000	1998 £'000
Bank loans and overdrafts	238	1,066
Loans	-	40
Transfer fees	62	82
Signing on fees	290	239
Obligations under finance leases and hire purchase contracts	26	21
Other creditors	600	666
Other taxes and social security	214	236
Accruals	374	199
	<u>1,804</u>	<u>2,549</u>

12 Creditors: Amounts falling due after more than one year

	1999 £'000	1998 £'000
Signing on fee	253	177
Obligations under finance leases and hire purchase contracts	331	333
Amount owed to holding company	25,611	22,890
	<u>26,195</u>	<u>23,400</u>

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

13 Deferred income

	1999 £'000	1998 £'000
Payments received in advance in respect of season tickets, boxes and sponsorship	268	177
Grants received in respect of the new stadium	3,473	3,510
Grants received in respect of the shop	3	5
	<u>3,744</u>	<u>3,692</u>

Notes to the accounts (continued)

14 Provision for liabilities and charges

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

15 Called up share capital

	1999 Number	1998 Number	1999 £000	1998 £000
Authorised	<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.

16 Reserves

	Profit and loss account £'000
1 December 1998	(11,337)
Loss for the financial year	<u>(2,124)</u>
30 November 1999	<u>(13,461)</u>

17 Reconciliation of movements in shareholders' funds

	1999 £000
Loss for the financial year	(2,124)
Opening shareholders' funds	<u>(10,879)</u>
Closing shareholders' funds	<u>(13,003)</u>

Notes to the accounts (continued)

18 Hire and lease purchase creditors

	1999 £000	1998 £000
Amounts payable:		
- within one year	26	21
- within two to five years	331	333
	<u>357</u>	<u>354</u>

19 Financial commitments

a) Transfer fees and loyalty payments

Loyalty payments of up to £nil (1998: £15,000) are payable to football players as part of their contract of employment in the event they remain with the club for specified periods and are accounted for as they fall due.

b) Contractual commitments

The company is committed to pay £543,417 (1998: £416,331) 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.

c) Operating lease commitments

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

	Land and buildings		Other assets	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Expiry date:				
- within one year	-	9	-	-
- between two and five years	30	-	6	-
- after five years	49	49	12	12
	<u>79</u>	<u>58</u>	<u>18</u>	<u>12</u>

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

At 30 November 1999, 1 (1998: 1) of the company's employees were members of the scheme. Contributions payable by the company are 10.4% (1998: 10.4%) of the members' pensionable salary for the period.

Notes to the accounts (continued)

19 Financial commitments (continued)

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 1 September 1997, 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 represented a funding level of 85%. The scheme is in the process of being wound up.

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.

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.