

WEST HAM UNITED PLC



REPORT AND FINANCIAL STATEMENTS

31 MAY 2000

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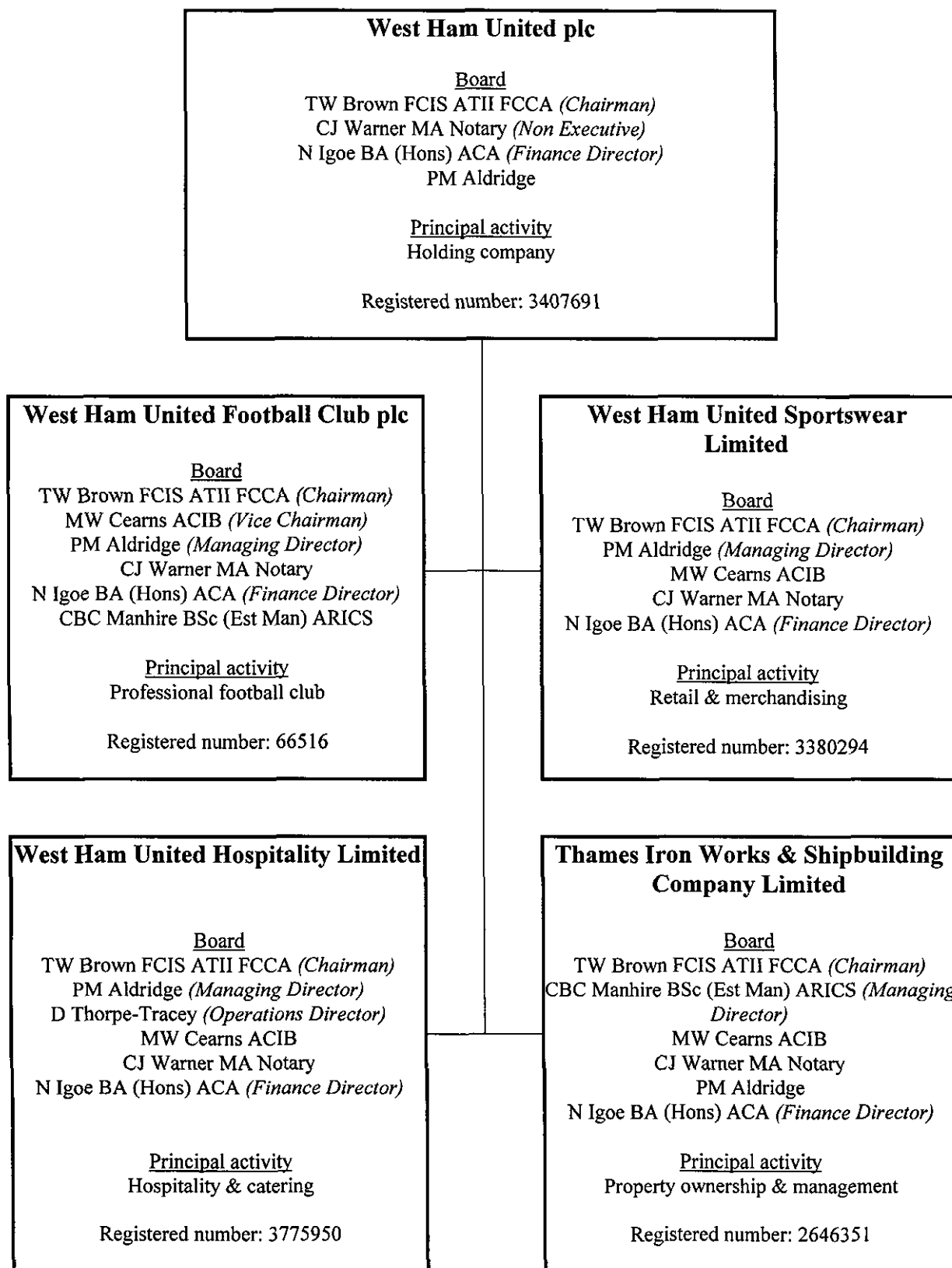
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WEST HAM UNITED PLC

GROUP STRUCTURE



West Ham United plc owns 100% of the issued share capital of each of its subsidiary companies

WEST HAM UNITED PLC



DIRECTORS AND PROFESSIONAL ADVISERS

Directors	Terence Brown FCIS, ATII, FCCA (Chairman) Charles Warner MA, Notary Nicholas Igoe BA (Hons), ACA Paul Aldridge
Company Secretary	Nicholas Igoe BA (Hons), ACA
Registered Office	Boleyn Ground Green Street Upton Park London E13 9AZ
Company Registration Number	3407691
Auditors	Deloitte & Touche Hill House 1 Little New Street London EC4A 3TR
Solicitors	Warners 180 High Street Tonbridge Kent TN9 1BD Herbert Smith Exchange House Primrose Street London EC2A 2HS
Bankers	Barclays Bank PLC 50 Pall Mall London SW1A 1QA Bank of Scotland The Mound Edinburgh EH1 1YZ
Registrars	IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ



WEST HAM UNITED PLC

CHAIRMAN'S STATEMENT

The year under review was, in footballing terms, one of the most successful in West Ham United's history, consolidating on the achievements of the preceding two seasons. By securing 9th place in the Premier League the club achieved a top ten finish for the third consecutive season, representing its best ever league performance. The club also successfully completed its 36th season in the top flight of English football during the 42 seasons since 1958-59. Admission to the UEFA Cup, via the Intertoto Cup, was the club's first qualification for a major European tournament for nineteen years and its first through league performance. The under 19 and under 17 teams achieved further cup and league success and our various youth teams have now won six major trophies in the last two seasons.

Operating Results

Turnover increased by 35% to a record £36 million. £4 million of this increase can be attributed to the gate and broadcast revenue generated from our run in European competition while our retail operation, West Ham United Sportswear Limited, enjoyed a successful year with turnover up by almost £2 million.

In the light of this increase in turnover, the reported loss for the year of £2.1 million is disappointing, although largely attributable to a 42% rise in wages from £17.7 million in 1998/99 to £25.1 million in the year just ended. Approximately £1 million of the increase represents bonuses paid as a result of the team's success in Europe but much of the balance relates both to securing key members of the playing squad on long term contracts and to the cost of further squad strengthening.

We continue to invest all available resources in our playing squad. In the five years since 1995/96, our annual wage bill has increased by 400% from £6.1 million to £25.1 million. In that same period we have invested a net £21 million (£58 million gross) in transfer fees. Such expenditure is evidence of our determination to build a squad capable of competing at the highest level and is reflected in the value of the current playing squad which, in the opinion of the directors and subject to a satisfactory outcome to the present uncertainty regarding the transfer system referred to below, has increased by 20% during the year to £84 million.

Transfer System

Much has been written about the perceived threat to the system of transferring player registrations brought about by the European Commission's review. We, in common with other clubs and the national football authorities, believe the present system works in the interests of all parties in football, and strongly support the campaign for its retention.

Football

The team once again achieved results in 25 of its 38 League matches and qualified for the UEFA Cup by winning the Intertoto Cup.

The last three seasons' final league positions of 8th, 5th and 9th represent the club's best league performance since its formation in 1895. In total we have spent 45 seasons in either the old 1st Division or the Premier League – 9 between 1895 and 1958 and 36 since. During those 45 seasons we have finished in the top half of the table on no more than 14 occasions. Four of those occasions have occurred during the last five seasons.

Older supporters often remind me of the golden days of Bobby Moore and wonder when the success of those days will return. Golden days they most certainly were but during Bobby's 16 seasons with the club we finished in the top half of the old 1st Division on just 5 occasions and never in consecutive seasons. Our average league finishing position during the remaining 11 seasons was 15th.



CHAIRMAN'S STATEMENT (continued)

Such statistics put into perspective all the club has achieved under the management of Harry Redknapp at a time when funds have had to be carefully apportioned between the team, the stadium and revamping our famous "Academy". We have every reason to be grateful to Harry, Frank Lampard and Roger Cross for all they have achieved on our behalf.

Whilst we have made good progress in The Premier League our success in the two major English cup competitions has been less impressive and we could ill afford to lose our place in last season's Worthington Cup semi-final because of an administrative error. This was undoubtedly a bad mistake, which led to the resignation of two senior executives, and I would like to take this opportunity to apologise unreservedly to both supporters and shareholders for an error which should not have happened.

On a brighter note, our youth development programme continues to thrive with four players being selected for the same England under 18 squad (a club record) and five 18 year olds making the transition from our Academy to the first team squad. Our under 17s won their FA Premier Youth Academy group and our under 19s won their FA Premier Youth Academy League Championship having already won their group.

I would like to thank, once again, our Academy Director, Tony Carr, Director of Youth Development, Jimmy Hampson, Youth Team Coach, Peter Brabrook and all their colleagues for ensuring that our Academy remains at the forefront of English youth football.

Retail and Commercial Operations

Turnover for West Ham United Sportswear Limited increased by 66% to £4.5m following the opening of additional stores at Ilford, Beckton and Bluewater and the new four year merchandising agreement with Fila (UK) Limited.

The new product range offered by Fila has been extremely well received and, despite difficult high street trading conditions and the adverse impact on match day trading of the loss of the stadium forecourt shop due to the redevelopment, we expect income to remain stable next year with growth returning in 2001/2002.

West Ham United Hospitality Limited traded in line with expectations in its first operational period, focussing upon improvements in quality as the main priority. We believe this division is well placed to take advantage of the opportunities presented by the new West stand development.

Social Responsibility

We are fortunate to be situated in an affluent part of the United Kingdom, surrounded as we are by the City of London, Essex, Kent and the largest regeneration site in Europe, comprising 6,000 acres of land in Docklands, yet, paradoxically, we have within our immediate midst some of our country's most deprived areas.

The success of any community depends, ultimately, upon its ability to include all its people and we continue to work hard through our Community Development Scheme to assist, in our small way, those who have yet to benefit from the economic progress of our region.

We have included elsewhere in this report a detailed summary of our current community projects and I would like to thank Roger Morgan, Community Manager, Mick King, Asians in Football Manager, Jo Robson, Study Support Centre Manager, and all their colleagues who have worked extremely hard extending our presence in so many local areas.



WEST HAM UNITED PLC

CHAIRMAN'S STATEMENT (continued)

Prospects

West Ham United has made massive strides over the last three years to establish itself as a major force in English football. More importantly it has done so without the resources available to many other Premier League clubs and without resorting to an equity injection from a media company, taking the view that the short term cash benefits would be at the expense of longer term profits and flexibility. While many clubs have undertaken major stadia re-developments in recent years, the Boleyn Ground is currently only the 14th largest ground in the Premier League and its 26,000 capacity is a mere 75% of the Premier League average. However, building work commenced on the first phase of our stadium development in the summer of 2000 and, when the new West stand opens in autumn 2001, it will increase our seating capacity to just over 35,000. The second phase, the construction of a new East stand, will increase the capacity to 40,000.

The team continues to be well supported. Although average attendances declined slightly they nevertheless represented 95.6% of the Boleyn Ground's capacity. For the fourth year running season ticket sales increased and now stand at a record 16,700. We have already sold 33 of the 72 boxes in the new West stand development, for periods of up to three years in advance.

The club has successfully retained on long term contracts all its key young players, many of whom now feature regularly in both the senior and under 21 England squads. We have also brought a number of outstanding Continental players to the club.

The Football Association recently estimated that 570 million people in 150 countries around the world watch English football each week and such interest has contributed to new enhanced Premier League broadcasting contracts which, from 2001/02 and depending on the outcome of negotiations to sell pay-per-view rights, are likely to generate incremental revenue of £10-15 million per club over 1999/2000 figures.

All of these factors leave West Ham United extremely well positioned to exploit the opportunities presented to it over the forthcoming seasons and permit us to face the future with considerable confidence.

Acknowledgements

The redevelopment of our stadium has strengthened still further our links with the London Borough of Newham and I would like to thank the Councillors and Officers of Newham for their continued advice and assistance.

I would like to place on record our gratitude to Stephen and Max Griggs and their colleagues at R Griggs Group Limited, manufacturers of the world famous Dr Martens footwear, for their sponsorship and enthusiastic support of all our activities. I am pleased to announce that the new West stand is to be known as The Dr Martens Stand.

Our relationship with Fila (UK) Limited goes from strength to strength and we are indebted to Mike Baxter and his team for their contribution to the company.

Finally, may I thank my fellow group directors, our management team and all our staff for their hard work throughout the year. May I also thank all those who have supported our commercial activities and, of course, our ever increasing number of season ticket holders and other supporters whose loyalty and enthusiasm has made so much possible and ensures that West Ham United remains one of our country's leading football clubs.

Terence Brown
Chairman

22 November 2000



STATEMENT ON SOCIAL RESPONSIBILITY

"Football in the Community really means something to West Ham United. They're one of the most socially aware clubs in the country and I'm very proud of them".

Tony Banks (Minister for Sport: 1997-99)

In 1986 the Footballers' Further Education and Vocational Training Society formed the National Football in the Community Scheme to promote links between professional football clubs and their community.

Our own scheme commenced on 5th November 1990, with support from the boroughs of Newham and Barking & Dagenham, and targets under-represented groups such as young people, the elderly, black, Asian and disabled people.

During the past year we have provided 4,610 sessions for 58,275 participants as detailed below through each of the respective initiatives.

Learning Through Football

This initiative targets local schools and educates children in anti-racist attitudes, integration, fitness, diet and nutrition. 120 sessions, which include football training at our stadium, were provided for 1,200 children.

Coach Education and Teacher Training

Coaching, training and certification courses are provided at all levels and in various sports.

Playing for Success

Our Study Support Centre was officially opened by the Rt Hon David Blunkett MP, Secretary of State for Education and Employment on 10th November 1998. To-date we have worked with 111 schools and 1,930 pupils have passed through our centre.

The Prince's Trust Volunteers Programme

The Prince's Trust Football Initiative, which was launched at Old Trafford in autumn 1997, is a personal development programme for 16-25 year olds and aims to develop such key skills as team work, communication, caring for others, problem solving and accepting responsibility.

The programme encourages self assessment and brings together young people, in teams of ten, of different abilities, experience, circumstances and backgrounds.

Our initiative, run in conjunction with Newham College, has been a major success and recently received the "Best Franchise in London Award" from the Prince's Trust.

The twelve week course contributes directly to the local community and leads to a recognised qualification.

North East London Probation Service

The partnership between West Ham United, NELPS and Barking College targets young people across five London boroughs who have offended or are at risk of offending by offering coaching sessions and an accreditation scheme which enables students to become coaches and sports administrators.

Issues such as truancy, unemployment, alcohol dependency and drug abuse are confronted by crime diversion strategies using football as a vehicle to progress users from "offending to employment". 520 sessions have been provided for 2,500 referrals.



WEST HAM UNITED PLC

STATEMENT ON SOCIAL RESPONSIBILITY (continued)

Thames Gateway Youth Football Project

The project is directed by the Thames Gateway London Partnership and delivered across seven London boroughs by The Community Programme in Professional Football and four London football clubs: Charlton Athletic, Leyton Orient, Millwall and ourselves.

The project has been running with growing success for almost two years and tackles social exclusion, juvenile crime and truancy in some of the most deprived areas in London.

The five elements within the project are after-school clubs, coaching sessions on housing estates with particular problems of deprivation and crime, probation, truancy and a coach education programme.

480 sessions have been provided for 1,400 referrals.

Asians in Football Project

This project is provided in partnership with Sport England to encourage Asian participation in football. The scheme provides opportunities for young Asian players of all abilities to progress from grass roots to excellence through the Club and 1,068 sessions have been provided for 18,240 participants. The project has been extremely effective and attracts positive national media coverage as a model of good practice for addressing issues of social inclusion and integration.

Earlier this season the Canary Wharf Group sponsored a match between West Ham United's under 19 team and Bangladesh's most successful football club, Dhaka Mohammedan, in front of 5,000 local football fans, predominantly Asian, at the East London Stadium.

Community Coaching

2,560 sessions have been provided for 30,920 participants throughout London, Essex and Hertfordshire.

Holiday Football Courses

35 week long courses were attended by 2,841 participants.

In addition to these initiatives, the club contributes to the local community in many more ways, not least by way of investment in local infrastructure and services.

St Edwards RC Primary School

The club has built and donated a new school, at a cost of £2.4m, to replace the former school in Castle Street demolished to make way for the new Dr Martens Stand.

The new school, which accommodates 446 children and 22 staff, comprises an area of 2,579 m² and is finished in our colours of claret and blue. It was built within budget and delivered ahead of schedule and we would like to thank the builders, D J Higgins & Sons Limited, for their most efficient handling of the building contract.

Redevelopment of the Dr Martens Stand

Linked to the granting of planning permission for the development of the Dr Martens Stand, the club has agreed to meet the cost of certain improvements to Upton Park station and to provide closed circuit television, street works and lighting along the route from the station to the ground as well as contributing towards the cost of building new public toilets in Green Street. In addition the club is renovating a community hall adjoining the stadium.

WEST HAM UNITED PLC



DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 May 2000.

Principal Activity

The principal activity of the company is to act as a holding company. The principal activity of the group is that of a professional football club as a member of The Football Association and The FA Premier League together with related and ancillary activities.

Results and Dividends

The results of the group are as set out in the profit and loss account on page 13. The directors do not propose the payment of a dividend (1999 – nil).

Review of the Group's Activities

A review of the group's activities and future prospects is set out in the Chairman's statement on pages 4 to 6.

Directors and their Interests

The directors who held office during the year, and their beneficial interests in the shares and debentures of group companies, are as follows.

	<u>25p ordinary shares</u>		<u>'C' class debentures in West Ham United Football Club plc</u>	
	31 May 2000	31 May 1999	31 May 2000	31 May 1999
TW Brown	7,392,000	7,392,000	2	2
CJ Warner	4,252,000	4,252,000	6	6
N Igoe	200	200	-	-
PM Aldridge (appointed 16 February 2000)	600	600	-	-
IR Ritchie (resigned 9 August 2000)	1,500	1,500	-	-
MB France (resigned 10 August 2000)	-	-	-	-

Included within CJ Warner's interests at 31 May 1999 and 31 May 2000 are 1,750,000 shares held as one of the trustees of the PHL Hills 1995 settlement and 762,000 shares held by the trustees of the CJ Warner 1997 settlement.

The directors had no interests in the shares of the company's subsidiaries. Since the year end, Messrs Igoe and Aldridge have each purchased 300 shares and Mr Warner has purchased 100 shares in the company. There have been no other changes in directors' share or debenture interests between the year end and 22 November 2000.

Set out below are the beneficial interests in the shares and debentures of group companies held by directors of subsidiary companies.

	<u>25p ordinary shares</u>		<u>'C' class debentures in West Ham United Football Club plc</u>	
	31 May 2000	31 May 1999	31 May 2000	31 May 1999
MW Cearns	1,844,000	1,844,000	2	2



WEST HAM UNITED PLC

DIRECTORS' REPORT (continued)

Directors and their Interests (continued)

In accordance with the Articles of Association of the company, Messrs Aldridge and Warner will retire at the forthcoming Annual General Meeting of the company and, being eligible, offer themselves for re-election.

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

At 31 May 2000 the aggregate amount owed to trade creditors, as a proportion of the aggregate amounts invoiced by suppliers to the group during the year then ended, represented an average of 58 days' credit (1999 – 57 days). Average figures calculated on the basis laid down by the regulations bear little or no relation to actual days' credit taken as a result of the irregular pattern of invoiced supplies during the year.

Auditors

Deloitte & Touche 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

A handwritten signature in black ink, appearing to be 'N Igoo', written over a horizontal line.

N Igoo
Secretary

22 November 2000



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

By order of the board

N Igwe
Secretary

22 November 2000



WEST HAM UNITED PLC

REPORT OF THE AUDITORS TO THE MEMBERS OF WEST HAM UNITED PLC

We have audited the financial statements on pages 13 to 31, which have been prepared under the accounting policies set out on pages 18 and 19.

Respective responsibilities of directors and auditors

As described on page 11 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, likely reading 'Deloitte & Touche'.

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

22 November 2000

WEST HAM UNITED PLC



CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 May 2000

		2000			1999
	Notes	Operations excluding player trading £000	Player trading £000	Total £000	Total £000
Turnover	3	35,699	-	35,699	26,536
Other operating income		-	-	-	1
Administrative expenses		(36,417)	(5,966)	(42,383)	(33,314)
Operating loss	4	<u>(718)</u>	<u>(5,966)</u>	<u>(6,684)</u>	<u>(6,777)</u>
Profit on disposal of players	5	-	5,642	5,642	4,898
Loss before interest and taxation		<u>(718)</u>	<u>(324)</u>	<u>(1,042)</u>	<u>(1,879)</u>
Net interest payable	6			(1,060)	(778)
Loss for the financial year	25			<u>(2,102)</u>	<u>(2,657)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2000 £000	1999 £000
Total recognised losses relating to the year (as above)	(2,102)	(2,657)
Unrealised surplus on revaluation of properties	6,785	-
Total gains/(losses) recognised since the last annual report	<u>4,683</u>	<u>(2,657)</u>

All activities derive from continuing operations.



WEST HAM UNITED PLC

CONSOLIDATED BALANCE SHEET

as at 31 May 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		39,163		29,674
Intangible assets	11		19,089		17,309
			<u>58,252</u>		<u>46,983</u>
Current assets					
Stocks	13	863		594	
Debtors – due within one year	14	4,047		3,908	
Debtors – due after more than one year	14	44		67	
Cash at bank and in hand		105		261	
		<u>5,059</u>		<u>4,830</u>	
Creditors - amounts falling due within one year	15	(19,136)		(17,049)	
Net current liabilities			<u>(14,077)</u>		<u>(12,219)</u>
Total assets less current liabilities			<u>44,175</u>		<u>34,764</u>
Creditors – amounts falling due after more than one year	15		(10,532)		(6,550)
Deferred grant income	20		(3,648)		(3,648)
Provisions for liabilities and charges	21		(3,449)		(2,703)
Total net assets			<u>26,546</u>		<u>21,863</u>
Capital and reserves					
Called up share capital	23		5,500		5,500
Share premium account			4,847		4,847
Revaluation reserve	24		14,466		7,983
Profit and loss account	25		1,733		3,533
Total equity shareholders' funds	26		<u>26,546</u>		<u>21,863</u>

These financial statements were approved by the board of directors on 22 November 2000.

Signed on behalf of the board of directors

TW Brown

Director

N Igoe

Director

WEST HAM UNITED PLC





COMPANY BALANCE SHEET as at 31 May 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Investments	12		5,500		5,500
Current assets					
Debtors	14	2,715		1,000	
Creditors - amounts falling due within one year	15	-		(130)	
Net current assets			2,715		870
Total net assets			<u>8,215</u>		<u>6,370</u>
Capital and reserves					
Called up share capital	23		5,500		5,500
Profit and loss account	25		2,715		870
Total equity shareholders' funds			<u>8,215</u>		<u>6,370</u>

These financial statements were approved by the board of directors on 22 November 2000.

Signed on behalf of the board of directors

 **TW Brown** **Director**
 **N Igoe** **Director**



WEST HAM UNITED PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2000

	Note	2000 £000	1999 £000
Net cash inflow from operating activities	A	1,571	941
Returns on investments and Servicing of finance			
Interest paid	(1,101)	(881)	
Interest received	41	103	
Net cash outflow from returns on investments and servicing of finance		(1,060)	(778)
Capital expenditure			
Purchase of tangible fixed assets	(2,853)	(1,071)	
Proceeds on disposal of tangible fixed assets	48	16	
Purchase of intangible fixed assets	(16,118)	(9,108)	
Proceeds on disposal of intangible fixed assets	10,688	9,765	
Net cash outflow from capital expenditure		(8,235)	(398)
Net cash outflow before financing		(7,724)	(235)
Financing			
Repayment of debenture	(1)	-	
Bills of exchange payable	(625)	(2,005)	
Bank and other loans advanced	5,253	-	
Bank and other loans repaid	(264)	(267)	
Hire and lease purchase loans repaid	(551)	(328)	
Grants received	-	150	
Net cash inflow/(outflow) from financing		3,812	(2,450)
Decrease in cash	C	<u>(3,912)</u>	<u>(2,685)</u>

WEST HAM UNITED PLC



NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2000

A Reconciliation of Operating Loss to Net Cash Inflow from Operating Activities

	2000 £000	1999 £000
Operating loss from continuing activities	(6,684)	(6,777)
Depreciation charge	791	577
Loss/(profit) on disposal of fixed assets	9	(1)
Amortisation of players	5,966	7,752
Increase in stocks	(269)	(199)
Increase in debtors	(344)	(281)
Increase/(decrease) in creditors	2,102	(130)
Net cash inflow from operating activities	<u>1,571</u>	<u>941</u>

B Analysis of Changes in Net Debt

	1 June 1999 £000	Cash flows £000	Other non-cash changes £000	31 May 2000 £000
Cash at bank and in hand	261	(156)	-	105
Overdrafts	(1,470)	(3,756)	-	(5,226)
	<u>(1,209)</u>	<u>(3,912)</u>	<u>-</u>	<u>(5,121)</u>
Debt due within one year	(889)	(517)	-	(1,406)
Debt due after one year	(5,336)	(3,846)	-	(9,182)
Hire and lease purchase loans	(1,725)	551	(699)	(1,873)
	<u>(7,950)</u>	<u>(3,812)</u>	<u>(699)</u>	<u>(12,461)</u>
	<u>(9,159)</u>	<u>(7,724)</u>	<u>(699)</u>	<u>(17,582)</u>

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £699,000 (1999 - £1,479,000)

C Reconciliation of Net Cash Flow to Movement in Net Debt

	2000 £000	1999 £000
Decrease in cash in the year	(3,912)	(2,685)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(3,812)	2,600
Change in net debt resulting from cash flows	<u>(7,724)</u>	<u>(85)</u>
New hire and lease purchase loans	(699)	(1,479)
Movement in net debt in the year	<u>(8,423)</u>	<u>(1,564)</u>
Net debt at 1 June 1999	(9,159)	(7,595)
Net debt at 31 May 2000	<u>(17,582)</u>	<u>(9,159)</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS for the year ended 31 May 2000

1 Accounting Policies

The accounts have been prepared in accordance with applicable accounting standards. The following are the accounting policies used by the company.

Accounting convention

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

Basis of consolidation

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

Turnover

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

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 Football League and 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

Depreciation is not provided on freehold land and buildings. The Boleyn Ground stadium and adjoining land are valued, in accordance with FRS15, on a depreciated replacement cost basis. Other freehold properties are valued by reference to current open market value but the directors consider that any depreciation chargeable on the freehold buildings would be immaterial. Depreciation in respect of all other fixed assets 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.

Plant & equipment	15 – 25%
Motor vehicles	25%

Intangible assets – player registrations

Following the implementation of FRS 10 on Goodwill and Intangible Assets the group has changed its accounting policy for the cost of 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.

Following the implementation of FRS 12 on Provisions, Contingent Liabilities and Contingent Assets, 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 now 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.



NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

Stocks

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

Deferred taxation

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

Grants and deferred income

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

Pension costs

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

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the 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.

2 Company Profit and Loss Account

In accordance with the provisions of section 230 of the Companies Act 1985, the profit and loss account for the parent company is not included in these accounts. The retained profit for the parent company amounted to £1,845,000 for the year (1999 - £125,000 loss).



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

3 Turnover

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

	Group	
	2000	1999
	£000	£000
Match receipts and related football activities	12,596	10,080
Television and FA Premier League distributions	13,053	9,886
Retail and merchandising	4,533	2,731
Commercial activities	4,754	3,839
Catering & hospitality	763	-
	<u>35,699</u>	<u>26,536</u>

The directors have not provided an analysis of operating profit or net assets by class of business as they believe it would be prejudicial to the interests of the group to do so.

4 Operating Loss

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

	Group	
	2000	1999
	£000	£000
Employment costs (note 8)	25,126	17,659
Depreciation on tangible fixed assets (note 10):		
- owned assets	485	396
- assets held under hire and lease purchase contracts	306	181
Auditors' remuneration:		
- audit	21	18
- other services	66	26
Operating leases	268	142
Loss/(profit) on disposal of fixed assets	9	(1)

5 Profit on Disposal of Players

	Group	
	2000	1999
	£000	£000
Disposal proceeds (net of costs of realisation)	10,460	10,651
Net book value of players sold (note 11)	(4,818)	(5,753)
	<u>5,642</u>	<u>4,898</u>

WEST HAM UNITED PLC



NOTES TO THE ACCOUNTS (continued)

6 Net Interest Payable

	Group	
	2000 £000	1999 £000
Interest payable on bank overdrafts and loans	594	548
Hire purchase loan interest	142	112
Bill of exchange discounting costs	360	211
Interest on other loans	5	10
	<hr/> 1,101	<hr/> 881
Bank and other interest receivable	(41)	(103)
	<hr/> <hr/> 1,060	<hr/> <hr/> 778

7 Taxation on Loss on Ordinary Activities

The tax charge in the year was nil (1999 – nil). As at 31 May 2000, cumulative group tax losses available to carry forward against future trading profits were approximately £6,000,000 (1999 – £2,400,000) subject to agreement with the Inland Revenue.

8 Staff Costs and Employees

	Group	
	2000 £000	1999 £000
Wages and salaries	22,329	15,823
Directors' fees	58	52
Social security costs	2,516	1,628
Other pension contributions	223	156
	<hr/> 25,126	<hr/> 17,659
	<hr/> <hr/>	<hr/> <hr/>
<u>Average number of persons employed</u>	Number	Number
Full time employees	197	158
Part time employees	243	20
	<hr/> 440	<hr/> 178
	<hr/> <hr/>	<hr/> <hr/>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

9 Directors' Emoluments

	Group	
	2000 £000	1999 £000
<u>Total emoluments</u>		
Emoluments	523	377
Fees	58	-
Aggregate payments made to a defined contribution pension scheme	45	29
	<u>626</u>	<u>406</u>
<u>Emoluments of highest paid director</u>		
Emoluments	368	261
Aggregate payments made to a defined contribution pension scheme	30	27
	<u>398</u>	<u>288</u>
	Number	Number
Directors who are members of a defined contribution pension scheme	3	2

10 Group Tangible Fixed Assets

	Freehold land & buildings £000	Assets under construction £000	Plant, fittings & equipment £000	Motor vehicles £000	Total £000
<u>Cost or valuation</u>					
1 June 1999	26,485	-	4,776	356	31,617
Additions	141	2,259	1,026	126	3,552
Adjustment arising on revaluation	6,558	-	227	-	6,785
Reclassification	(99)	99	-	-	-
Disposals	(4)	-	(70)	(102)	(176)
31 May 2000	<u>33,081</u>	<u>2,358</u>	<u>5,959</u>	<u>380</u>	<u>41,778</u>
<u>Depreciation</u>					
1 June 1999	-	-	1,805	138	1,943
Charge for the year	-	-	705	85	791
Disposals	-	-	(59)	(60)	(119)
31 May 2000	<u>-</u>	<u>-</u>	<u>2,451</u>	<u>164</u>	<u>2,615</u>
<u>Net book value</u>					
31 May 2000	<u>33,081</u>	<u>2,358</u>	<u>3,508</u>	<u>216</u>	<u>39,163</u>
31 May 1999	<u>26,485</u>	<u>-</u>	<u>2,971</u>	<u>218</u>	<u>29,674</u>



NOTES TO THE ACCOUNTS (continued)

10 Group Tangible Fixed Assets (continued)

Edward Symmons Hotel & Leisure, Chartered Surveyors, undertook a valuation of the freehold properties belonging to the group as at 20 July 2000 the results of which have been reflected in these accounts. The valuation of the stadium and adjoining land was on a depreciated replacement cost basis and the valuations of the Chadwell Heath training ground and freehold shops were based on current open market value. No separate valuation of land was undertaken.

A summary of valuations of the properties is set out below.

Property	Valuation £000
Boleyn Ground and adjoining land	34,000
Chadwell Heath training ground	800
Freehold shop at Southend-on-Sea	205
Freehold shop at Romford	425

The valuation of the Boleyn Ground at 20 July 2000 includes plant, fittings & equipment valued at £1,947,000 and the valuation of the Chadwell Heath training ground includes plant, fittings & equipment valued at £402,000.

The comparable amounts for freehold land and buildings determined according to the historical cost convention are costs of £13,447,000 (1999 – £13,409,000) and accumulated depreciation of £1,833,000 (1999 – £1,606,000).

Assets under construction comprise a new west stand to the Boleyn Ground and a school in the course of construction on land owned by the group. Subsequent to the year end the group disposed of its freehold interest in the school building and land on which it had been constructed in exchange for another parcel of land adjoining the site of the Boleyn Ground.

All freehold land and buildings owned by the group are charged to Barclays Bank PLC as trustee for themselves, Bank of Scotland and Lombard North Central plc.

The net book value of the group's assets includes £2,469,000 (1999 – £2,081,000) in respect of assets held under hire and lease purchase contracts.

The company does not hold any tangible fixed assets.



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

11 Intangible Fixed Assets

	Group £000
<u>Cost of player registrations</u>	
1 June 1999	28,502
Additions	12,564
Disposals	(7,543)
31 May 2000	<u>33,523</u>
<u>Amortisation of player registrations</u>	
1 June 1999	11,193
Charge for the year	5,966
Disposals	(2,725)
31 May 2000	<u>14,434</u>
<u>Net book value</u>	
31 May 2000	<u>19,089</u>
31 May 1999	<u>17,309</u>

Following the implementation of FRS 10 on Goodwill and Intangible Assets the company changed its accounting policy for the treatment of future payments for the acquisition of player registrations which may become due dependent on future events causing a restatement of the opening balances.

The European Commission is currently reviewing the transfer system for European nationals in Europe. At present the outcome of the review is unknown. The directors have therefore decided that any adjustment to player carrying values would be speculative and have prepared the accounts on a basis consistent with prior years.

12 Investments held as Fixed Assets

	Company	
	2000 £000	1999 £000
Ordinary shares in subsidiary undertakings at cost	<u>5,500</u>	<u>5,500</u>

Subsidiary undertakings comprise the following.

Company	Percentage of ordinary shares held	Country of incorporation and operation	Principal activities
West Ham United Football Club plc	100%	Great Britain	Professional football club
West Ham United Sportswear Limited	100%	Great Britain	Retail & merchandising
West Ham United Hospitality Limited	100%	Great Britain	Catering & hospitality
Thames Iron Works & Shipbuilding Company Limited	100%	Great Britain	Property ownership and management

The proportion of voting rights held in respect of each of the investments above is the same as the proportion of ordinary shares held.

WEST HAM UNITED PLC



NOTES TO THE ACCOUNTS (continued)

13 Stocks

	Group	
	2000 £000	1999 £000
Goods for resale	863	594

The company does not hold any stock.

14 Debtors

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
<u>Due within one year</u>				
Trade debtors	1,136	863	-	-
Amounts owing by group undertaking	-	-	2,715	1,000
Freehold property	251	-	-	-
Other debtors	975	1,281	-	-
Prepayments and accrued income	1,685	1,764	-	-
	<u>4,047</u>	<u>3,908</u>	<u>2,715</u>	<u>1,000</u>
<u>Due after more than one year</u>				
Prepayments and accrued income	44	67	-	-

In 1994 the company entered into an interest rate cap agreement which effectively limits the maximum rate of interest payable on part of the company's borrowings at 6% per annum. The company paid a premium to acquire the capping agreement of which £67,000 (1999 - £94,000) is included in prepayments. The premium is amortised over the ten year life of the cap.

15 Creditors

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
<u>Due within one year</u>				
Bank overdrafts (notes 16 & 17)	5,226	1,470	-	-
Bank loans (notes 16 & 17)	1,406	264	-	-
Bills of exchange payable	-	625	-	-
Obligations under hire and lease purchase contracts (notes 16 & 19)	523	511	-	-
Trade creditors	1,846	1,439	-	-
Amounts owing to group undertaking	-	-	-	130
Taxation and social security	2,177	2,277	-	-
Season ticket and other receipts in advance	5,222	3,552	-	-
Other creditors	1,283	5,444	-	-
Accruals	1,453	1,467	-	-
	<u>19,136</u>	<u>17,049</u>	<u>-</u>	<u>130</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

15 Creditors (continued)

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
<u>Due after more than one year</u>				
Debenture loans & subscriptions (notes 16 & 18)	611	612	-	-
Bank loans (notes 16 & 17)	8,571	4,724	-	-
Obligations under hire and lease purchase contracts (notes 16 & 19)	1,350	1,214	-	-
	<u>10,532</u>	<u>6,550</u>	<u>-</u>	<u>-</u>

16 Total Borrowings

	Group	
	2000 £000	1999 £000
Debenture loans & subscriptions repayable after 5 years or more	611	612
Bank loans repayable:		
Within 1 year or on demand	1,406	264
Between 1 and 2 years	1,331	264
Between 2 and 5 years	6,433	786
After 5 years or more	807	3,674
	9,977	4,988
Obligations under hire and lease purchase contracts repayable:		
Within 1 year	523	511
Between 1 and 2 years	442	486
Between 2 and 5 years	908	728
	1,873	1,725
	<u>12,461</u>	<u>7,325</u>

17 Bank Loans

The loans held by the company and in respect of which an amount is repayable after more than five years include four loans which were refinanced on 19 July 2000 by a single loan provided by a syndicate of three banks. This loan is repayable between July 2002 and July 2011 and interest is charged at between 1.5% and 1.65% over LIBOR.

The above bank loan and the bank overdrafts are secured by legal charges on the Boleyn Ground land and buildings and the adjoining land and debentures over all the assets and undertaking of the company in favour of the syndicate of three banks.



NOTES TO THE ACCOUNTS (continued)

18 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 1999 and 2000 the following applications had been received.

	Group	
	2000	1999
	£000	£000
97 'A' bonds	49	49
641 'B' bonds	481	481
70 'C' bonds	68	68
Part payments	13	14
	<u>611</u>	<u>612</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.

19 Obligations Under Hire and Lease Purchase Contracts

Obligations under hire and lease purchase contracts are in respect of certain assets of the group and are secured on the assets themselves. One of the contracts is additionally secured by a charge over certain debts of a group company.

20 Deferred Grant Income

Grant income has been received from the Football Trust against approved capital projects and is not repayable. It is the group'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. However, since the group maintains all its properties in such a condition that the estimated residual value of buildings is at least equal to their book value no depreciation is currently being provided on freehold buildings. Consequently, no deferred grant income has been released to profit and loss account in either the current or preceding accounting periods. The movements for the year are as follows.

	Group	
	2000	1999
	£000	£000
1 June 1999	3,648	3,498
Grant received	-	150
31 May 2000	<u>3,648</u>	<u>3,648</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

21 Provisions for Liabilities and Charges – Cost of Player Registrations

Following the implementation of FRS 12 on Provisions, Contingent Liabilities and Contingent Assets, 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 now recognised within the original cost of acquisition if, in the opinion of the directors, it is probable that these payments will eventually be made. Provision has been made for these future payments as follows.

	Group	
	2000	1999
	£000	£000
1 June 1999	2,703	777
Movement for year	746	1,926
31 May 2000	<u>3,449</u>	<u>2,703</u>

22 Provisions for Liabilities and Charges – Deferred Taxation

No provision has been made for deferred taxation as, in the opinion of the board, no liability is likely to crystallise in the foreseeable future. The amount of potential deferred taxation not provided in the accounts is as follows.

	Group	
	2000	1999
	£000	£000
Capital allowances in excess of depreciation	937	771
Other timing differences	(108)	(66)
	<u>829</u>	<u>705</u>
Less unutilised tax losses	(829)	(705)
Surplus on revaluation of properties	4,061	2,516
Unprovided deferred tax liability	<u>4,061</u>	<u>2,516</u>

23 Called up Share Capital

	Company	
	2000	1999
	£000	£000
<u>Authorised</u>		
27,500,000 ordinary shares of 25 pence each	<u>6,875</u>	<u>6,875</u>
<u>Called up, allotted and fully paid</u>		
22,000,000 ordinary shares of 25 pence each	<u>5,500</u>	<u>5,500</u>

WEST HAM UNITED PLC



NOTES TO THE ACCOUNTS (continued)

24 Revaluation Reserve

	Group	
	2000 £000	1999 £000
1 June 1999	7,983	7,983
Adjustment arising on revaluation	6,785	-
Transfer to profit and loss account relating to prior year	(302)	-
31 May 2000	<u>14,466</u>	<u>7,983</u>

As a result of the revaluation of the group's freehold land and buildings included in the financial statements for the year ended 31 May 1997 depreciation previously charged on freehold buildings, totalling £471,000, was credited to the revaluation reserve. Of this total, £302,000 had originally been charged on historical cost and £169,000 on the surplus arising on earlier revaluations. The above transfer of £302,000 corrects the misposting in 1997.

25 Profit and Loss Account

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
1 June 1999	3,533	6,190	870	995
(Loss)/profit for the year	(2,102)	(2,657)	1,845	(125)
Transfer from revaluation reserve				
Relating to prior year	302	-	-	-
31 May 2000	<u>1,733</u>	<u>3,533</u>	<u>2,715</u>	<u>870</u>

26 Reconciliation of Movements in Shareholders' Funds

	Group	
	2000 £000	1999 £000
Loss for the year	(2,102)	(2,657)
Adjustment arising on revaluation	6,785	-
Opening shareholders' funds	21,863	24,520
Closing shareholders' funds	<u>26,546</u>	<u>21,863</u>



WEST HAM UNITED PLC

NOTES TO THE ACCOUNTS (continued)

27 Capital Commitments

	Group	
	2000 £000	1999 £000
Contracted for but not provided in the financial statements	<u>19,657</u>	<u>430</u>

28 Post Balance Sheet Events

Net transfers of player registrations completed subsequent to 31 May 2000 amounted to a minimum of £2,820,000 receivable (1999 – £972,000 receivable) by the company with a further £270,000 payable (1999 – £500,000 receivable) contingent on certain future events.

29 Pension Scheme

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

Total pension costs charged during the year amounted to £223,000 (1999 - £156,000).

30 Contingent Liabilities

Under a group banking facility, the company has guaranteed certain bank overdrafts and loans of other group companies. At 31 May 2000 the balances outstanding on these overdrafts and loans totalled £10,803,000 (1999 - £3,996,000).

The company has given a guarantee in respect of hire purchase contracts entered into by another group company for the finance of certain items of plant and equipment. The total liability which the company has guaranteed at 31 May 2000 was £57,000 (1999 - £266,000).

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.

Certain employees of the group are members of the Football League Limited Pension and Life Assurance Scheme. Following a review of the minimum funding requirement (MFR) of the scheme the scheme actuary has identified a substantial deficit and accrual of benefits has been suspended with effect from 31 August 1999. Under the Pensions Act 1995, participating employers to the scheme, including the group, will be required to contribute to the deficit in accordance with an agreed schedule of contributions. At this stage no schedule of contributions has been prepared and, since the group's liability cannot therefore be accurately quantified, no provision has been made in these financial statements.



NOTES TO THE ACCOUNTS (continued)

31 Operating Lease Commitments

At 31 May 2000 the group was committed to making the following payments in respect of operating leases.

	2000 £000	1999 £000
<u>Land and buildings</u>		
Expiring within two to five years	29	-
Expiring after five years	413	206
	<hr/> 442	<hr/> 206
<u>Other operating leases</u>		
Expiring within one year	5	8
Expiring within two to five years	21	38
	<hr/> 26	<hr/> 46
	<hr/> 468	<hr/> 252

32 Related Party Transactions

Mr Charles Warner, a director of the company, is also a partner in the firm of Messrs Warners, Solicitors, which undertook legal work on behalf of group companies in the course of the year. Fees paid by those companies to Messrs Warners in respect of these services totalled £40,000 (1999 - £43,000) and are disclosed separately in the financial statements of the respective group companies.

Mr CBC Manhire, a director of certain subsidiary companies, is also a director of Nash & Partners Limited, a firm of surveyors, which undertook work on behalf of the group in the course of the year. Fees paid by group companies to Nash & Partners Limited in respect of these services totalled £23,000 (1999 - £16,000) and are disclosed separately in the financial statements of the respective companies.

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.