

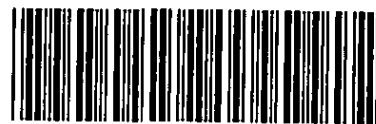
Milton Keynes Dons Limited

**Directors' report and financial
statements**

Registered number 4787003

Year ended 30 June 2007

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Directors' report

The directors present their annual report and the financial statements for the year ended 30 June 2007

Principal activities

The principal activity of the company is the operation of a professional football club, together with related commercial activities

Business review

The results for the year are set out on page 5

During the year, the club moved into a new stadium, built and owned by the parent company, Inter MK Limited. The directors look forward to improved financial results in future following this move

Directors

The directors who held office during the year, and since the end of the year, were as follows

PJ Winkelman
B Winkelman

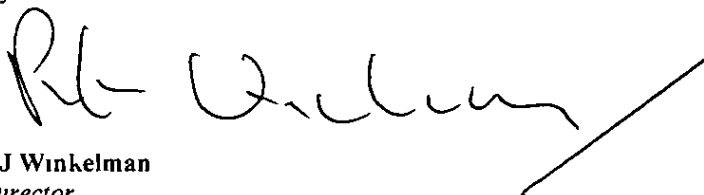
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



PJ Winkelman
Director

Seckloe House
101 North 13th Street
Central Milton Keynes
Buckinghamshire
MK9 3NX

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Altus House
One North Fourth Street
Milton Keynes
MK9 1NE

Independent auditors' report to the members of Milton Keynes Dons Limited

We have audited the financial statements of Milton Keynes Dons Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report to the members of Milton Keynes Dons Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

30 June, 2008

Profit and loss account
for the year ended 30 June 2007

	<i>Note</i>	2007 Operations (excluding player amortisation and trading) £	2007 Player amortisation and trading £	2007 Total £	2006 Total £
Turnover		2,493,598	-	2,493,598	2,554,435
Operating expenses	2-4	(5,488,873)	(142,668)	(5,631,541)	(4,954,602)
Operating loss	2-4	(2,995,275)	(142,668)	(3,137,943)	(2,400,167)
Profit on disposal of player registrations		-	(4,785)	(4,785)	810,463
Loss on ordinary activities before interest and taxation		(2,995,275)	(147,453)	(3,142,728)	(1,589,704)
Interest payable and similar charges	5			(10,296)	(11,592)
Loss on ordinary activities before taxation				(3,153,024)	(1,601,296)
Tax on loss on ordinary activities	6			-	-
Loss for the financial year	14			(3,153,024)	(1,601,296)

All results reported above relate to continuing activities

There are no gains or losses in either period other than the results reported above. Accordingly, no separate statement of total recognised gains or losses has been presented.

Balance sheet
at 30 June 2007

	<i>Note</i>	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Intangible assets	7		143,502		423,534
Tangible assets	8		182,130		188,702
			<u>325,632</u>		<u>612,236</u>
Current assets					
Stock	9	-		3,418	
Debtors	10	383,424		378,182	
Cash at bank and in hand		566,309		301,890	
			<u>949,733</u>	<u>683,490</u>	
Creditors amounts falling due within one year	11	(6,239,744)		(3,700,838)	
Net current liabilities			<u>(5,290,011)</u>		<u>(3,017,348)</u>
Total assets less current liabilities			<u>(4,964,379)</u>		<u>(2,405,112)</u>
Provisions for liabilities	12		(139,583)		(145,826)
Net liabilities			<u>(5,103,962)</u>		<u>(2,550,938)</u>
Capital and reserves					
Called up share capital	13		1,600,000		1,000,000
Profit and loss account	14		(6,703,962)		(3,550,938)
Shareholders' deficit	15		<u>(5,103,962)</u>		<u>(2,550,938)</u>

These financial statements were approved by the board of directors on 30 June 2008 and were signed on its behalf by


PJ Winkelman
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £5,103,962 (2006 £2,550,938), which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Inter MK Limited, the company's ultimate holding undertaking. Inter MK Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Cash flow statement

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Related party transactions

As more than 90% of the company's voting rights are controlled within the group headed by Inter MK Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. This period is considered to be 20 years.

Notes (continued)

1 Accounting policies (continued)

Player registrations (within intangible fixed assets)

The costs of obtaining players' registrations are capitalised and amortised evenly over the period of the associated player's contract, revised for any subsequent contract extensions. Provision is made where, in the opinion of the directors, an impairment of the carrying value of the players' registrations has occurred. Potential future registration fees, contingent on certain conditions agreed in the registration contracts with the selling company, are disclosed as contingent liabilities (see note 16).

Turnover

Turnover represents income from commercial activities excluding income from disposal of player registrations and value added tax. Revenue relating to ticket sales, plus revenue relating to other associated commercial income, is deferred and recognised on the associated matchday.

Fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land and Building	5 years
Office equipment	3 years
Plant and Machinery	5 years

No depreciation is provided in relation to assets whilst in the course of construction.

Stock

Stocks, which comprise goods for resale, are valued on a first in, first out basis at the lower of cost and net realisable value.

Signing on fees

Signing on fees are recognised evenly over the period covered by the players' contract.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Pensions

The company contributes to the Football League Limited Pension and Life Assurance Scheme for certain former employees, the assets of which are held separately from those of the company in independently administered funds. The pension cost charges represent contributions payable by the company during the year towards an actuarial deficit on the scheme, and a provision for the future settlement of the deficit in the Scheme, as advised by the Trustees (see note 17).

Notes (continued)

2 Loss on ordinary activities before taxation

	2007 £	2006 £
<i>Loss on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets		
- owned assets	45,324	19,755
Amortisation and impairment of goodwill	210,899	11,717
Amortisation of players' registrations	142,668	110,014
Auditors' remuneration		
- audit	11,500	11,000
- tax services	3,500	3,000
Operating lease rentals – hire of land and buildings	280,000	280,000

3 Directors' remuneration

Neither director received any compensation in respect of their services to the company in the either period.
 The company does not contribute to any pension arrangements in favour of the directors.

Notes (continued)

4 Staff costs and numbers

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows

	Number of employees	
	2007	2006
Full-time playing, training and management	63	62
Administration and commercial	11	9
	<u>74</u>	<u>71</u>

In addition to the above, the company employs an average of 90 (2006 91) temporary staff on matchdays

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	3,043,306	2,511,655
Social security costs	336,834	236,180
Other pension costs (see note 12)	22,629	51,876
	<u>3,402,769</u>	<u>2,799,711</u>

The other pension costs above relates to payments made in relation to the service of past employees (see note 17) and excludes movements on provisions made in this respect (see note 12)

5 Interest payable and similar charges

	2007 £	2006 £
Bank charges	10,296	11,592
	<u>10,296</u>	<u>11,592</u>

Notes (continued)

6 Taxation

Analysis of charge in period

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period differs to the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,153,024)	(1,601,296)
	<hr/>	<hr/>
Current tax at 30%	(945,907)	(480,389)
<i>Effects of</i>		
Expenses not deductible for tax purposes	64,388	4,987
Differences between depreciation and capital allowances	845	(5,854)
Other short term timing differences	(1,748)	(1,101)
Surrender for group relief	413,540	482,357
Tax losses carried forward	437,684	-
Impact of rate change on current year deferred tax	31,198	-
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

The elements of deferred tax, not recognised, are as follows

	£	£
Accelerated capital allowances	(21,198)	(5,854)
Other short term timing differences	39,083	43,748
Tax losses	437,684	1,628
	<hr/>	<hr/>
Deferred tax asset (not recognised)	455,569	39,522
	<hr/>	<hr/>

The deferred tax asset has not been recognised on the basis that, in the directors' opinion, there is not sufficient certainty that taxable profits will be available in the foreseeable future against which to utilise these tax losses

Notes (continued)

7 Intangible Fixed Assets

	Goodwill £	Player registrations £	Total £
Cost			
At start of period	234,333	371,250	605,583
Additions	-	95,000	95,000
Disposals	-	(81,250)	(81,250)
At end of period	234,333	385,000	619,333
Amortisation			
At start of period	23,434	158,615	182,049
Charge for period	-	142,668	142,668
Impairment charge	210,899	-	210,899
Disposals	-	(59,785)	(59,785)
At end of period	234,333	241,498	475,831
Net book value			
At 30 June 2007	-	143,502	143,502
At 30 June 2006	210,899	212,635	423,534

8 Tangible fixed assets

	Land and Buildings £	Office Equipment £	Plant & Machinery £	Total £
Cost				
At start of period	195,742	12,715	-	208,457
Additions	-	29,465	9,287	38,752
At end of period	195,742	42,180	9,287	247,209
Amortisation				
At start of period	16,160	3,595	-	19,755
Charge for period	39,149	6,175	-	45,324
At end of period	55,309	9,770	-	65,079
Net book value				
At 30 June 2007	140,433	32,410	9,287	182,130
At 30 June 2006	179,582	9,120	-	188,702

Notes (continued)

9 Stocks

	2007 £	2006 £
Finished goods held for resale	-	3,418
	<u>-</u>	<u>3,418</u>

10 Debtors

	2007 £	2006 £
Trade debtors	251,044	298,525
Prepayments	132,380	79,657
	<u>383,424</u>	<u>378,182</u>

11 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	461,164	131,834
Amounts owed to group undertakings	4,920,320	2,975,320
Tax and social security	107,645	171,633
Other creditors	81,695	55,817
Accruals and deferred income	668,920	296,234
	<u>6,239,744</u>	<u>3,630,838</u>

12 Provisions for liabilities

	Other provisions £
At beginning of year	145,826
Amounts utilised in year	(6,243)
	<u>139,583</u>
At end of year	<u>139,583</u>

The amount provided relates to a share of a Football League pension scheme deficit attributable to the company – see note 17. The actuarial deficit is now being settled through monthly contributions up to 2016.

Notes (continued)

13 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
Ordinary shares of £1 each	4,000,000	1,000,000
	<u> </u>	<u> </u>
<i>Allotted and called up</i>		
Ordinary shares of £1 each	1,600,000	1,000,000
	<u> </u>	<u> </u>

On 30 August 2006 the company increased its authorised share capital by 3,000,000 ordinary shares of £1 each. On the same day the company issued 225,000 ordinary shares of £1 and, further, also issued ordinary shares on 30 September 2006, 31 October 2006 and 30 November 2006 amounting to 150,000, 100,000 and 125,000 respectively. All shares were issued at par and were for the purpose of providing additional capital to the company.

14 Reserves

	Profit and loss account £
At the beginning of the period	(3,550,938)
Loss for the period	(3,153,024)
	<u> </u>
At the end of the period	(6,703,962)
	<u> </u>

15 Reconciliation of movements in shareholders' deficit

	2007 £	2006 £
Opening shareholders' deficit	(2,550,938)	(949,642)
Loss for the period	(3,153,024)	(1,601,296)
Issue of ordinary share capital	600,000	-
	<u> </u>	<u> </u>
Closing shareholders' deficit	(5,103,962)	(2,550,938)
	<u> </u>	<u> </u>

16 Contingent liabilities and assets

Player registration fees

At 30 June 2007, additional transfer fees payable of £104,000 (2006: £nil) will arise contingent upon certain contractual events occurring after the year end, such as players making specific numbers of appearances and gaining international honours.

Similarly, additional fees of £2,413,000 (2006: £2,135,000) may become receivable where the above contingent events occur in respect of players already sold by 30 June 2007.

Notes (continued)

17 Pension scheme

Certain former staff of the company are members of the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS') comprising both defined benefit (suspended from 31 August 1999) and defined contribution sections. The company makes no contributions to any scheme in respect of current employees.

Following a review of the Minimum Funding Requirement ('MFR') of the FLLPLAS, accrual of benefits of the final salary section of the scheme was suspended as at 31 August 1999. In light of the exceptional circumstances affecting the scheme, the trustees of the scheme commissioned an independent actuary's report on the MFR position and a substantial deficit was identified. Under the Pensions Act 1985, participating employers will be required to contribute to the deficiency. The Club was advised that a basis of apportionment of the deficit had been approved by the trustees and their advisers, although in practice there are a number of important issues which remain that could impact on the final quantification of this liability. The remaining amount payable on the allocation notified to the company on 3 April 2007, in respect of the actuarial deficit calculated as at 31 August 2006, is £149,495 and accordingly a provision for this amount was made in the financial statements (see note 12).

An amount of £6,243 (2006 £3,669) was utilised against this provision in the year and the provided amount is now £139,583 (2006 £145,826).

18 Commitments

Capital commitments

At the end of the financial year the Company had entered into commitments amounting to £47,998 (2006 £nil) in respect of capital projects.

Other commitments

There are no other commitments as at the end of the financial year (2006 £nil).

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Inter MK Limited, a company incorporated in the United Kingdom. Inter MK Limited is the immediate and ultimate parent undertaking of Milton Keynes Dons Limited.

20 Control

The controlling and ultimate controlling party is considered to be Mr PJ Winkelman by virtue of his shareholding in Inter MK Limited.