Company Registration No. 5993863

WH HOLDING LIMITED

Report and Financial Statements

28 May 2008

WH HOLDING LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the period from 1 June 2007 to 28 May 2008.

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 FA Premier League and The Football Association 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 9.

The directors do not propose the payment of a dividend. In accordance with the articles of association of the company, provision has been made in the accounts for the preceding period for a dividend to be paid on the 2% cumulative redeemable preference shares. Pursuant to a resolution of the members of the company dated 27 September 2007, the preference shares were converted to ordinary shares and the entitlement to a dividend on those preference shares has been waived. Consequently the dividend provided for in the accounts for the preceding period has been credited back to reserves in the current year.

Review of the Group's Activities & Future Prospects

Because the company only completed its takeover of West Ham United plc and its subsidiary companies on 1 December 2006, the comparative figures for this year's accounts only disclose trading results for the six month period thereafter and, as such, the information they convey is of limited meaning. For this reason, certain of the figures for the preceding year referred to in this review may not be identifiable within these accounts.

The financial statements of West Ham United plc disclose the group's trading activity for the full twelve month period and include a more detailed financial review.

For the period under review the group recorded a loss of £72.3m (£12.7m before exceptional expenses and provision for impairment of goodwill) on turnover of £81.5m. Having narrowly survived relegation from the Premier League in the preceding season, the first team finished the season comfortably in 10th position in the Premier League and enjoyed limited cup success reaching the quarter finals of the Carling Cup.

Whilst creditable, the 10th place finish has to be viewed in the context of a £21m increase in wages (almost exclusively player wages) and a further £15.7m net investment in transfer fees, following the £29.9m investment in the previous season. The investment was funded by a combination of equity investment of £30.5m and increased bank borrowing facilities of up to £17m when fully utilised.

Ignoring exceptional expenses, the group recorded a loss before player trading and after interest of £6.2m. Such a business model is unsustainable unless continually funded by equity. The group board had already recognised this fact and a programme of corrective action is already in place to reduce expenditure.

Of the exceptional expenses incurred in the last two seasons, totalling £35m, £31.8m can be attributed to the respective decisions of the Premier League Disciplinary Commission in April 2007, concerning charges of breaches of Premier League rules by West Ham United, and the FA Arbitration Hearing of June 2008, dealing with Sheffield United's claim for damages arising out of the Disciplinary Commission's conclusion that West Ham United had been in breach of the rules.

Review of the Group's Activities & Future Prospects (continued)

Following an impairment review as at the balance sheet date, the unamortised balance of goodwill on acquisition of £32.3m has also been written off in these accounts.

The group board has determined to adopt a more sustainable business model based on prudent investment in the playing squad where, based on a reasonable expectation of team performance, the group is capable of being self financing. The board's strategy has been implemented in the following season and evidence of this is disclosed in note 32 to these accounts, on post balance sheet events. Since the year end the club has generated £30.1m in sale proceeds (net of significant realisation costs) and invested a further £18.4m in new players, net proceeds of £11.7m.

The process of generating savings and making the group self financing has been successfully commenced in 2008/09 and cost savings have been achieved without compromising the competitiveness of the first team squad. Indeed, the club finished the 2008/09 Premier League season in 9th position on 51 points having finished the 2007/08 season in 10th position on 49 points.

Principal Risks and Uncertainties

The group's principal business risk is that of the club being relegated from the FA Premier League with the serious financial consequences which follow. Having endured this experience in 2002/03 the group believes it has a good understanding of the strategy required. However, of paramount importance is the need to make contingency plans for such an event. The group prepares budgets up to three seasons in advance which include an evaluation of the impact of relegation and associated contingency plans.

The group's policy of preparing long term forecasts also allows it to plan with some certainty for future periods in the FA Premier League. It is a feature of football clubs' income streams that a significant element of that income is known in advance because of its long term contractual nature. Centrally negotiated broadcast and sponsorship deals are presently in place to summer 2010 and the contracts for the three years thereafter are close to being finalised. The group's own sponsorship and partnership agreements are also negotiated for a number of years in advance. Season ticket sales (including corporate sales) are made at the start of each season or accounting period and represent the bulk of the group's match day revenue. It follows that up to 70% of the group's annual turnover will be guaranteed, or in many cases received, by 31 July each year.

To the extent that there are ever any material variances from forecast, football clubs are in the unique position of being able to trade footballers to address any potential liquidity risks. This can include accelerating receipt of deferred elements of transfer fees receivable by discounting those proceeds with a financial institution.

Financial assets that expose the group to financial risk consist principally of cash, trade receivables and other receivables. Financial liabilities that expose the group to financial risk consist principally of trade payables and other payables. The financial risks associated with these financial instruments are considered minimal.

The group is exposed to very occasional foreign exchange risks in respect of the purchase or sale of player registrations negotiated in foreign currency.

The group places its cash with creditworthy institutions. The group performs ongoing credit evaluation of its debtors' financial condition. The carrying amounts of cash, trade receivable and other receivables represent the maximum credit risk that the group is exposed to.

Principal Risks and Uncertainties (continued)

In April 2007 a Premier League Disciplinary Commission determined that the group had breached Premier League rules and, as a consequence, the group had to pay substantial fines and claims for damages. The board consider this was an isolated breach, linked to exceptional circumstances involving a potential takeover bid being advocated by the former chief executive and chairman, but believes that there are safeguards in place to minimise the risk of a recurrence of such a breach. It is an important part of the duties of the club secretary and in house solicitor to maintain these safeguards, supported where necessary by external solicitors.

Health and safety considerations at the Boleyn Ground on match days are of paramount importance. The group is awarded an annual safety certificate by the Safety Advisory Group, which comprises the local authority, police, fire service and other stakeholders. Thereafter the Safety Advisory Group meets monthly and also arranges for ad hoc inspections to ensure continuing compliance with all safety criteria. The group holds £300 million of public liability insurance in respect of any one occurrence.

Going Concern

The directors are responsible for drawing up the accounts on a going concern basis and in doing so have considered the period for at least 12 months from the date of signing these accounts. The Financial Reporting Council has issued guidelines in December 2008 for directors to assess and disclose going concern and liquidity risks. Although the guidelines with respect to disclosure are primarily for directors of listed companies it is considered good practice for directors of all companies to take account of them and accordingly the directors have set out herein their rationale for concluding that these accounts should be prepared on a going concern basis.

The principal risks to the group's going concern status are two fold. Firstly, the board has to assess the risk in relation to the group's forecast trading performance, in particular in the current economic climate. A major element of the group's annual turnover comes from contractual broadcasting and central sponsorship distributions and is therefore already known. The group also generates turnover from season ticket and corporate sales and, while the board is confident that supporters will continue to support the club, it recognises uncertainties exist as a result of the current economic climate. The group's forecasts and projections are also reliant upon the club's strategy of player disposals in the transfer window. However, as explained in the foregoing section, the group has prepared forecasts for the period for at least 12 months from the date of signing these accounts and has performed sensitivity analyses on these forecasts, including identification of mitigating actions, to take account of any projection shortfalls.

Secondly, the group remains dependent on the availability of bank finance and this is likely to remain the case for the foreseeable future. Note 17 to the accounts drew attention to the fact that, at 28 May 2008, the group was in breach of certain financial covenants in its loan agreements with its syndicate of banks. For this reason the term loan is classified as a current liability in these accounts. However, as also recorded in note 17, the syndicate has agreed to waive these historical breaches of covenant and, in doing so has reaffirmed its support for the group by amending the covenants of the facility to levels within which the group should be able to operate. The term loan and revolving credit facilities remain in place until 31 August 2011 and the board is satisfied that these facilities will remain available throughout that period.

Consequently, after making enquiries and taking account of the uncertainties described above, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operation existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

DIRECTORS' REPORT
(continued)

Directors

The directors who held office throughout the year, except as noted, are as follows.

B Gudmundsson
A Fridgeirsson (appointed 12 December 2007)
S Duxbury (appointed 12 December 2007)
N Igoe (appointed 12 December 2007)
M Lee (appointed 12 December 2007; resigned 4 November 2008)
GJ Oddsson (resigned 4 November 2008)
EA Magnusson (resigned 12 December 2007)
T Kristjansson (resigned 19 February 2008)

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 28 May 2008 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 65 days' credit (2007 – 51 days'). Average figures calculated on the basis laid down by the regulations may be distorted by the irregular pattern of invoiced supplies during the period.

Employee Consultation and Involvement

The group's policy is to communicate honestly with employees and encourage consultation between employees and management. It places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings usually with the chief executive or other senior management and has been underpinned this year by the introduction of a group intranet and a performance appraisal system for all staff.

Disabled Employees

The group gives full consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

WH HOLDING LIMITED

DIRECTORS' REPORT
(continued)

Statement on Information Given to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2) the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

Deloitte LLP 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

N Igoe
Secretary

5 June 2009

WH HOLDING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

N Igoe
Secretary

5 June 2009

WH HOLDING LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WH HOLDING LIMITED

We have audited the group and parent company financial statements (the "financial statements") of WH Holding Limited for the period from 1 June 2007 to 28 May 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 35. 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 auditors' 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 group's and 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 28 May 2008 and of the group's loss for the period 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

5 June 2009

WH HOLDING LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period ended 28 May 2008

	Notes	Period ended 28 May 2008 Operations excluding player trading £000	Period ended 28 May 2008 Player trading * (notes 8 & 12) £000	Period ended 28 May 2008 Total £000	1 December 2006 - 31 May 2007 Total £000
Turnover	3	81,543	-	81,543	35,348
Other operating income		183	-	183	970
Exceptional expenses	4	(27,313)	-	(27,313)	(7,685)
Administrative expenses		(86,030)	-	(86,030)	(35,944)
Amortisation of intangible fixed assets #		(3,797)	(18,836)	(22,633)	(9,333)
Provision for impairment of goodwill		(32,270)	-	(32,270)	-
Total operating expenses		(149,410)	(18,836)	(168,246)	(52,962)
Operating loss	5	(67,684)	(18,836)	(86,520)	(16,644)
Profit on disposal of players	8	-	16,114	16,114	507
Loss before interest		(67,684)	(2,722)	(70,406)	(16,137)
Net interest payable	9			(1,887)	(2,605)
Loss on ordinary activities before taxation				(72,293)	(18,742)
Tax credit on loss on ordinary activities	10			-	994
Loss for the period	26			(72,293)	(17,748)

* Player trading represents the amortisation of registrations and the profit or loss on disposal of registrations.

Amortisation of intangible fixed assets for the year ended 31 May 2007 includes an amount of £7,435,000 in respect of amortisation of player registrations.

All activities derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 28 May 2008

	Period ended 28 May 2008 £000	1 December 2006 – 31 May 2007 £000
Loss for the period	(72,293)	(17,748)
Unrealised surplus on revaluation of properties	-	3,237
Unrealised loss on revaluation of properties	-	(24)
Total recognised gains and losses for the period	(72,293)	(14,535)

WH HOLDING LIMITED

CONSOLIDATED BALANCE SHEET
as at 28 May 2008

	Note	28 May 2008		31 May 2007	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	12		48,349		71,358
Tangible assets	11		86,740		89,397
			135,089		160,755
Current assets					
Stocks	14	469		313	
Debtors	15	15,659		8,064	
Cash at bank and in hand		2,389		13,718	
		18,517		22,095	
Creditors - amounts falling due within one year	16	(84,036)		(81,311)	
Net current liabilities			(65,519)		(59,216)
Total assets less current liabilities			69,570		101,539
Creditors – amounts falling due after more than one year	16		(38,871)		(107,838)
Deferred grants	21		(2,829)		(2,896)
Provisions for liabilities and charges	22,23		(4,198)		(5,764)
Net assets/(liabilities)			23,672		(14,959)
Capital and reserves					
Called up share capital	24		110,500		10
Revaluation reserve	25		2,538		3,213
Profit and loss account	26		(89,366)		(18,182)
Total shareholders' funds/(deficit)	27		23,672		(14,959)

These financial statements were approved by the board of directors on 5 June 2009.

Signed on behalf of the board of directors

S Duxbury **Director**

N Igoe **Director**

WH HOLDING LIMITED

COMPANY BALANCE SHEET
as at 28 May 2008

	Note	28 May 2008		31 May 2007	
		£000	£000	£000	£000
Fixed assets					
Investments	13		119,384		88,888
Current assets					
Debtors	15	11,115		1,106	
Cash at bank and in hand		-		5	
		11,115		1,111	
Creditors - amounts falling due within one year	16	(10,000)		(1,580)	
Net current assets/(liabilities)			1,115		(469)
Total assets less current liabilities			120,499		88,419
Creditors - amounts falling due after one year			(10,000)		(89,990)
Net assets/(liabilities)			110,499		(1,571)
Capital and reserves					
Called up share capital	24		110,500		10
Profit and loss account	26		(1)		(1,581)
Total shareholders' funds/(deficit)			110,499		(1,571)

These financial statements were approved by the board of directors on 5 June 2009.

Signed on behalf of the board of directors

S Duxbury **Director**

N Igoe **Director**

WH HOLDING LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 28 May 2008

	Note	Period ended 28 May 2008		1 December 2006 – 31 May 2007	
		£000	**£000**	**£000**	**£000**
Net cash outflow from operating activities	A		(4,904)		(8,123)
Returns on investments & servicing of finance					
Interest paid		(2,265)		(2,625)	
Interest received		378		20	
Net cash outflow from returns on investments & servicing of finance			(1,887)		(2,605)
Corporation tax paid			-		(385)
Capital expenditure & financial investment					
Purchase of tangible fixed assets		(1,112)		113	
Proceeds on disposal of tangible fixed assets		17		-	
Purchase of player registrations		(26,329)		(13,919)	
Proceeds on disposal of player registrations		12,304		199	
Net cash outflow from capital expenditure & financial investment			(15,120)		(13,607)
Acquisitions and disposals					
Purchase of subsidiary undertaking (note 12)			4		(88,888)
Net cash outflow before financing			(21,907)		(113,608)
Financing					
Issue of ordinary shares		110,490		10	
(Conversion to equity)/issue of redeemable preference shares		(44,990)		44,990	
(Conversion to equity)/issue of loan notes		(45,000)		45,000	
Bank loans advanced		21,907		13,905	
Revolving credit facility drawn down		8,000		-	
Loans (repaid to)/advanced from companies controlled by major investor		(16,600)		26,600	
Bank and other loans repaid		(22,671)		-	
Hire and lease purchase loans repaid		(558)		(222)	
Net cash inflow from financing			10,578		130,283
(Decrease)/increase in cash & bank balances	C		(11,329)		16,675

WH HOLDING LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
For the period ended 28 May 2008

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

	Period ended 28 May 2008 £000	1 Dec 2006 - 31 May 2007 £000
Operating loss from continuing activities	(86,520)	(16,644)
Depreciation charge	3,784	1,703
Loss on disposal of tangible fixed assets	-	1
Release of deferred grant income	(67)	(34)
Amortisation of cost of player registrations	18,836	7,435
Amortisation of goodwill	3,797	1,898
Provision for impairment of goodwill	32,270	-
(Increase)/decrease in stocks	(156)	305
(Increase) in debtors	(1,053)	(1,858)
Increase/(decrease) in creditors	24,205	(929)
Net cash outflow from operating activities	(4,904)	(8,123)

B Analysis of Changes in Net Debt

	1 June 2007 £000	Cash flows £000	Other non-cash changes £000	28 May 2008 £000
Cash at bank and in hand	13,718	(11,329)	-	2,389
Revolving credit facility	-	(8,000)	-	(8,000)
Loans from companies controlled by major shareholder	(26,600)	16,600	-	(10,000)
	(12,882)	(2,729)	-	(15,611)
Debt due within one year	(22,671)	22,671	(35,000)	(35,000)
Debt due after one year	(13,704)	(21,907)	35,000	(611)
Loan notes	(45,000)	45,000	-	-
Redeemable preference shares	(44,990)	44,990	-	-
Hire and lease purchase loans	(2,707)	558	(32)	(2,181)
	(129,072)	91,312	(32)	(37,792)
	(141,954)	88,583	(32)	(53,403)

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 £32,000 (2007 – £705,000).

C Reconciliation of Net Cash Flow to Movement in Net Debt

	Period ended 28 May 2008 £000	1 Dec 2006 - 31 May 2007 £000
(Decrease) in cash & short term loans in the year	(2,729)	(9,925)
Cash inflow/(outflow) from decrease in debt and lease financing	91,312	(103,673)
Change in net debt resulting from cash flows	88,583	(113,598)
New hire purchase loans	(32)	(705)
Net debt at 1 June 2007	(141,954)	(27,651)
Net debt at 28 May 2008	(53,403)	(141,954)

WH HOLDING LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 May 2008

1 Accounting Policies

The accounts have been prepared in accordance with applicable United Kingdom accounting standards. The following are the accounting policies used by the company. These policies have been consistently applied throughout the current and preceding period.

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

Going concern
The accounts have been prepared on the going concern basis as discussed further in the Directors' Report on page 4.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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. Gate receipts and other match day revenue is recognised as games are played. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees received for live coverage or highlights are taken when earned. Merit awards are accounted for only when known at the end of the football season.

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
In accordance with Financial Reporting Standard 15 "Tangible Fixed Assets", the Boleyn Ground stadium and adjoining land, the Chadwell Heath training ground and the Beckton Community Centre are valued on a depreciated replacement cost basis. The Little Heath training ground is valued on a current existing use value basis. Full valuations are undertaken at least every five years as required by FRS 15 and any surplus or deficit is transferred to the revaluation reserve.

Where depreciation charges are increased following a revaluation, where material, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Depreciation is provided at the following 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.

Freehold buildings	2%
Plant, fittings & equipment	10-33%
Motor vehicles	25%

Assets are stated net of any provision for impairment.

Intangible assets – player registrations
Payments made to third parties in order to acquire a player's registration, including agents' fees and transfer fee levy, are capitalised at cost. The cost is then amortised on a straight line basis over the period of the player's contract. In accordance with FRS 10, where a player's contract is renegotiated before its expiry, on broadly similar financial terms, the unamortised balance of the original capitalised cost is then amortised over the term of the new contract. Where the contract is renegotiated on materially improved financial terms, the capitalised cost continues to be amortised over the term of the original contract.

1 Accounting Policies (continued)

Intangible assets – player registrations (continued)
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.

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 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.

Intangible assets – goodwill
Following the purchase of the share capital of West Ham United plc and its subsidiary companies, the surplus of the total consideration (including cost of acquisition) over the fair value of the net assets acquired at the date of takeover, has been capitalised as "Goodwill on Acquisition" in these group accounts. Goodwill is amortised over ten years, that being the estimated uselful economic life. Following an impairment review as at the balance sheet date, the unamortised balance of goodwill has been written off in these accounts. This impairment review incorporated a discount rate of 11% in its value in use calculations.

Grants and deferred income
Grants receivable from the Football Stadia Improvement Fund (formerly 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.

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.

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise 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. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs
The group makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes the principal one of which is The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate.

In addition the group is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). Contributions are charged to the profit and loss account as soon as they are claimed by the Scheme. Under FRS 17 - Retirement Benefits - The Scheme would be treated as a defined benefit multi-employer scheme. The Scheme's actuary has advised that the participating employers' share of the underlying assets and liabilities cannot be identified on a reasonable basis and accordingly no disclosures are made under the provisions of FRS 17.

The assets of all schemes are held in funds independent from the group.

1 Accounting Policies (continued)

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 £1,146,000 (2007: loss – £1,147,000) for the period.

3 Turnover

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

	Group	
	Period ended 28 May 2008 £000	**1 Dec 2006 - 31 May 2007 £000**
Match receipts and related football activities	18,337	10,757
Broadcast and central sponsorship distributions	40,790	15,651
Commercial activities	12,504	5,432
Retail and merchandising	5,357	1,346
Catering and hospitality	4,555	2,162
	81,543	35,348

4 Exceptional Items

	Group	
	Period ended 28 May 2008 £000	**1 Dec 2006 - 31 May 2007 £000**
Settlement of claim for damages	21,000	-
Settlement of litigation (net of amount recovered)	750	-
Legal fees in respect of the above	3,709	-
Grant payable	500	
Contributions towards deficit on Football League Pension and Life Assurance Scheme	896	-
Premier League fine and associated legal fees	-	5,917
Compensation for loss of office	458	1,768
	27,313	7,685

Tax attributable to exceptional items was £7,648,000 (2007 – £656,000).

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NOTES TO THE ACCOUNTS
(continued)

5 Operating Loss

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

	Group	
	Period ended 28 May 2008 £000	**1 Dec 2006 - 31 May 2007 £000**
Employment costs (note 6)	64,687	27,085
Depreciation on tangible fixed assets (note 11):		
- owned assets	3,266	1,445
- assets held under hire and lease purchase contracts	518	258
Release of grant income	(67)	(34)
Fees payable to the company's auditors for the audit of the company's annual accounts	6	4
Fees payable to the company's auditors for other services:		
- audit of company's subsidiaries pursuant to legislation	80	37
- tax services	33	13
Operating leases	399	168
Loss on disposal of fixed assets	-	1

The audit fee for the company of £6,000 (2007 - £4,000) is borne by West Ham United Football Club plc.

6 Staff Costs and Employees

	Group	
	Period ended 28 May 2008 £000	**1 Dec 2006 - 31 May 2007 £000**
Wages and salaries	56,365	22,502
Directors' fees	73	-
Compensation for loss of office	458	1,768
Social security costs	6,655	2,671
Other pension contributions	1,136	144
	64,687	27,085
	Number	**Number**
Average number of persons employed (including directors)		
Players, team management & training	103	82
Commercial & administrative	156	138
	259	220
Part-time employees	1,122	1,134
	1,381	1,354

Staff costs include exceptional expenditure of £458,000 (2007 – £1,768,000) (see note 4).

7 Directors' Emoluments

	Period ended 28 May 2008 £000	1 Dec 2006 - 31 May 2007 £000
Emoluments	682	490
Fees	73	-
Aggregate payments made to a defined contribution pension scheme	20	-
	775	490
Emoluments of highest paid director		
Emoluments	420	490
	420	490
	Number	**Number**
Directors who are members of a defined contributions pension scheme	2	-

8 Profit on Disposal of Players

	Group	
	Period ended 28 May 2008 £000	1 Dec 2006 - 31 May 2007 £000
Disposal proceeds (net of costs of realisation)	18,846	1,524
Net book value of players sold (note 12)	(2,732)	(1,017)
	16,114	507

Tax attributable to the profit on disposal of players was £4,512,000 (2007 – £152,000).

9 Net Interest Payable

	Group	
	Period ended 28 May 2008 £000	1 Dec 2006 - 31 May 2007 £000
Interest payable on bank overdrafts and loans	3,111	1,354
Interest (waived)/payable on loan notes	(1,147)	1,147
Hire purchase loan interest	181	72
Bill discounting costs	85	-
Interest payable on loans from companies controlled by major shareholder	35	52
	2,265	2,625
Bank and other interest receivable	(378)	(20)
	1,887	2,605

Pursuant to a resolution of the members of the company dated 27 September 2007, the loan notes were converted to ordinary shares and accrued interest on the loan notes was waived.

10 Taxation on Loss on Ordinary Activities

	Group	
	Period ended 28 May 2008 £000	1 Dec 2006 - 31 May 2007 £000
Deferred tax credit	-	(994)

As at 28 May 2008, cumulative tax losses available to carry forward against future trading profits were approximately £47,000,000 (2007 – £12,800,000) subject to agreement with HM Revenue & Customs.

Factors affecting the corporation tax charge for the period are explained below.

	Group	
	Period ended 28 May 2008 £000	1 Dec 2006 - 31 May 2007 £000
Loss on ordinary activities before tax	(72,293)	(18,742)
Tax credit @ 29.67% (2007 – 30%) thereon	(21,447)	(5,623)
Expenses not deductible for tax purposes	10,730	2,759
Capital allowances for period less than depreciation	141	(21)
Disposal of intangible assets – timing differences on allowances for tax	-	225
Other timing differences	385	(19)
Increase in tax losses	10,191	2,679
Current corporation tax charge for year	-	-

11 Group Tangible Fixed Assets

	Freehold land & buildings £000	Plant, fittings & equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
1 June 2007	90,887	14,950	200	106,037
Additions	296	816	32	1,144
Disposals	-	(17)	-	(17)
28 May 2008	91,183	15,749	232	107,164
Depreciation				
1 June 2007	9,917	6,574	149	16,640
Charge for the year	2,162	1,604	18	3,784
Disposals	-	-	-	-
28 May 2008	12,079	8,178	167	20,424
Net book value				
28 May 2008	79,104	7,571	65	86,740
31 May 2007	80,970	8,376	51	89,397

Edward Symmons & Partners, Chartered Surveyors, undertook valuations of the freehold properties belonging to the group as at 6 September 2007. A summary of valuations of the properties and the bases of valuation is set out below.

11 Group Tangible Fixed Assets (continued)

Property	Basis of valuation	£000
Boleyn Ground and adjoining land	Depreciated replacement cost	77,600
Chadwell Heath training ground	Depreciated replacement cost	5,385
Little Heath training ground	Existing use value	960
Beckton Community Centre	Depreciated replacement cost	1,265

The value of land included in the above is £23,051,000. The valuation of the Boleyn Ground includes plant, fittings & equipment valued at £2,801,000. The valuation of the Chadwell Heath training ground includes plant, fittings & equipment valued at £1,438,000.

The comparable amounts for freehold land and buildings determined according to the historical cost convention are cost of £38,934,000 (2007 – £38,638,000) and accumulated depreciation of £9,685,000 (2007 – £8,197,000).

All of the freehold properties are charged to Lombard North Central plc as agent for a syndicate of banks. On 22 April 2009, Standard Bank plc replaced Lombard North Central plc as agent.

The net book value of assets held under hire and lease purchase contracts is as follows.

	Group	
	28 May 2008 £000	31 May 2007 £000
Plant, fittings & equipment	2,461	2,972
Motor vehicles	39	14
	2,500	2,986

The company does not hold any tangible fixed assets.

12 Intangible Fixed Assets

	Player Registrations £000	Goodwill on acquisition £000	Total £000
Cost			
1 June 2007	53,614	37,969	91,583
Additions/adjustments	34,630	(4)	34,626
Disposals	(9,359)	-	(9,359)
28 May 2008	78,885	37,965	116,850
Amortisation			
1 June 2007	18,327	1,898	20,225
Charge for the year	18,836	3,797	22,633
Impairment provision	-	32,270	32,270
Disposals	(6,627)	-	(6,627)
28 May 2008	30,536	37,965	68,501
Net book value			
28 May 2008	48,349	-	48,349
31 May 2007	35,287	36,071	71,358

NOTES TO THE ACCOUNTS
(continued)

13 Investments held as Fixed Assets

	Company	
	28 May 2008 £000	31 May 2007 £000
Ordinary shares in subsidiary undertakings at cost	119,384	88,888

Subsidiary undertakings comprise the following.

Company	Percentage of ordinary shares held	Country of incorporation and operation	Principal activities
West Ham United plc	100%	Great Britain	Holding company
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
West Ham United FC Limited	100%	Great Britain	Non trading
Thames Iron Works & Shipbuilding Company Limited	100%	Great Britain	Non trading

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

14 Stocks

	Group	
	28 May 2008 £000	31 May 2007 £000
Goods for resale	469	313

The company does not hold any stock.

There is no material difference between the balance sheet value of stocks and their replacement cost.

15 Debtors

	Group		Company	
	28 May 2008 £000	31 May 2007 £000	28 May 2008 £000	31 May 2007 £000
Trade debtors	1,797	1,025	-	-
Amounts owing by group undertaking	-	-	11,115	569
Debtors arising from player transfers	8,395	1,853	-	-
Other debtors	430	781	-	537
Corporation tax recoverable	384	384	-	-
Prepayments and accrued income				
– due within one year	4,403	3,877	-	-
– due after more than one year	250	144	-	-
	15,659	8,064	11,115	1,106

NOTES TO THE ACCOUNTS
(continued)

16 Creditors

	Group		Company	
	28 May 2008	**31 May 2007**	**28 May 2008**	**31 May 2007**
	£000	**£000**	**£000**	**£000**
<u>Due within one year</u>				
Revolving credit facility (note 19)	8,000	-	-	-
Bank loan (notes 17 & 19)	35,000	22,671	-	-
Loans from companies controlled by major shareholder	-	26,600	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	600	554	-	-
Trade creditors	4,035	2,745	-	-
Amounts owing to group undertaking	-	-	10,000	
Dividend payable	-	434	-	434
Taxation and social security	3,508	2,803	-	-
Creditors arising from player transfers	16,899	11,645	-	-
Other creditors	8,235	6,236	-	-
Season ticket and other receipts in advance	2,190	963	-	-
Accruals	5,569	6,660	-	1,146
	84,036	81,311	10,000	1,580
<u>Due after more than one year</u>				
Loan notes	-	45,000	-	45,000
Redeemable preference shares	-	44,990	-	44,990
Debenture loans & subscriptions (notes 17 & 18)	611	611	-	-
Bank loan (notes 17 & 19)	-	13,093	-	-
Obligations under hire and lease purchase contracts (notes 17 & 20)	1,581	2,153	-	-
Loan from company controlled by major shareholder	10,000	-	10,000	-
Season ticket and other receipts in advance	420	630	-	-
Creditors arising from player transfers	5,113	500	-	-
Other creditors	21,146	861	-	-
	38,871	107,838	10,000	89,990

In June 2007, £6,100,000 of the above figure for loans from companies controlled by major shareholder was repaid. In September 2007, the balance of £20,500,000 was converted to equity (see note 24).

Pursuant to a resolution of the members of the company dated 27 September 2007, the loan notes and redeemable preference shares were converted to ordinary shares. Accrued interest payable on the loan notes and the accrued dividend on the preference shares were both waived.

As disclosed in note 17, the bank loan was technically repayable on demand at 28 May 2008 and, accordingly, the entire loan is classified as a current liability in these financial statements.

The loan from a company controlled by the major shareholder and payable after more than one year is referred to in note 35 and is repayable at the discretion of WH Holding Limited.

17 Total Borrowings and Hire Purchase Obligations

	Group	
	28 May 2008	**31 May 2007**
	£000	**£000**
Debenture loans & subscriptions repayable after 5 years or more	611	611
Revolving credit facility	8,000	-
Bank loan repayable:		
Within 1 year or on demand	35,000	22,671
Between 1 and 2 years	-	1,480
Between 2 and 5 years	-	4,440
After 5 years or more	-	7,173
	35,000	35,764
Obligations under hire and lease purchase contracts repayable:		
Within 1 year	600	554
After 1 year or more	1,581	2,153
	2,181	2,707
	45,792	39,082

The bank loan of £35,000,000 is made available to West Ham United plc and its subsidiary companies. At 28 May 2008 the group was in default of certain financial covenants, specifically in relation to interest cover and the ratio of player wages to group turnover. In such circumstances, the bank loan was technically repayable on demand and, accordingly, the entire loan is classified as a current liability in these financial statements. However, since the end of the financial period, the group's syndicate of banks has agreed to waive these historical breaches of covenant and, accordingly, the loan will be repaid over the following period.

	28 May 2008
	£000
Within 1 year or on demand	3,500
Between 1 and 2 years	3,500
Between 2 and 5 years	28,000
	35,000

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 28 May 2008 and 31 May 2007 the following applications had been received.

	Group	
	28 May 2008	**31 May 2007**
	£000	**£000**
97 'A' bonds	49	49
641 'B' bonds	481	481
70 'C' bonds	68	68
Part payments	13	13
	611	611

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 Bank Loan and Revolving Credit Facility

The bank loan, in the sum of £35,000,000 is provided by a syndicate of five banks. This loan is repayable between August 2008 and August 2011 and interest is charged at 2.5% over LIBOR.

The revolving credit facility is in the sum of £12,000,000 and provided by four members of the syndicate of banks. The facility is available until August 2011. Drawdowns are for a maximum of three months at a time but may be rolled over on maturity and interest is charged at 2.5% over LIBOR.

This loan and the revolving credit facility are secured by legal charges on the group's freehold land and buildings and debentures over all the assets and undertaking of West Ham United plc and its subsidiary companies in favour of the syndicate of five banks.

20 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.

21 Deferred Grants

Grant income has been received from the Football Stadia Improvement Fund (formerly 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.

The movements for the year are as follows.

	Group	
	28 May 2008 £000	31 May 2007 £000
1 June / 1 December	2,896	2,930
Released to profit & loss account	(67)	(34)
28 / 31 May	2,829	2,896

22 Provisions for Liabilities and Charges – Cost of Player Registrations

	Group	
	28 May 2008 £000	31 May 2007 £000
1 June / 1 December	5,764	3,843
Utilised in the period	(1,566)	1,921
28 / 31 May	4,198	5,764

The above provision represents estimated contingent amounts payable under the terms of transfer agreements.

23 Provisions for Liabilities and Charges – Deferred Taxation

The movements in the provision are as follows.

	Group	
	28 May 2008	**31 May 2007**
	£000	**£000**
1 June / 1 December	-	994
Credited to profit and loss account	-	(994)
28 / 31 May	-	-

The amount of deferred taxation provided in the accounts is as follows.

	Group	
	28 May 2008	**31 May 2007**
	£000	**£000**
Capital allowances in excess of depreciation	1,581	2,082
Other timing differences	(609)	(262)
Unutilised tax losses	(972)	(1,820)
Total deferred tax liability	-	-

The amount of potential deferred taxation not provided in the accounts is as follows.

	Group	
	28 May 2008	**31 May 2007**
	£000	**£000**
Depreciation in excess of capital allowances	(65)	(63)
Other timing differences	-	(2)
Unutilised tax losses	(12,170)	(2,008)
	(12,235)	(2,073)
Surplus on revaluation of properties	7,625	8,974
Unprovided deferred tax (asset)/liability	(4,610)	6,901

The deferred tax asset of £12,235,000 (2007 – £2,073,000) has not been recognised as, in the opinion of the board, there is insufficient evidence of appropriate profits in the future that would lead to the asset crystallising.

The group's freehold properties have been revalued in accordance with FRS15 "Tangible Fixed Assets". It is the group's intention to retain these properties for the foreseeable future. No deferred tax has therefore been provided on the gains arising from the revaluation as such tax would only become payable if any of the properties were sold without rollover relief being obtained.

NOTES TO THE ACCOUNTS
(continued)

24 Called up Share Capital

	Number of shares	Group & Company 28 May 2008 £000	Group & Company 31 May 2007 £000
Authorised (ordinary shares of £1)			
1 June / 1 December	*500,000*	500	500
Creation of new shares	*199,500,000*	199,500	-
	200,000,000	200,000	500
Called up, allotted and fully paid (ordinary shares of £1)			
1 June / 1 December	*10,000*	10	10
Conversion of redeemable preference shares to ordinary shares	*44,990,000*	44,990	-
Capitalisation of loan notes	*45,000,000*	45,000	-
Share issue	*20,500,000*	20,500	-
31 May	*110,500,000*	110,500	10

As set out in note 16, creditors at 31 May 2007 included a loan of £20,500,000 made by Hansa ehf., a company controlled by the company's major shareholder, Mr B Gudmundsson. On 27 September 2007, this loan was converted to equity by the issue of 20,500,000 £1.00 ordinary shares by the company. The £20,500,000 loan already advanced by Hansa ehf. was applied in consideration for the share issues. Interest on the loan, from the date first advanced to 27 September 2007, has been waived by Hansa ehf.

As also set out in note 16, pursuant to a resolution of the members of the company dated 27 September 2007, loan notes in the sum of £45,000,000 and redeemable preference shares in the sum of £44,990,000 were converted to ordinary shares. Accrued interest payable on the loan notes and the accrued dividend on the preference shares were both waived.

25 Revaluation Reserve

	Group 28 May 2008 £000	Group 31 May 2007 £000
1 June /1 December	3,213	-
Surplus on revaluation of properties	-	3,213
Transfer to profit and loss account	(675)	-
28 / 31 May	2,538	3,213

26 Profit and Loss Account

	Group 28 May 2008 £000	Group 31 May 2007 £000	Company 28 May 2008 £000	Company 31 May 2007 £000
1 June /1 December	(18,182)	-	(1,581)	-
Retained profit/(loss) for the period	(72,293)	(17,748)	1,146	(1,147)
Preference dividend waived/(accrued)	434	(434)	434	(434)
Transfer from revaluation reserve	675	-	-	-
28 / 31 May	(89,366)	(18,182)	(1)	(1,581)

The historical cost loss for the group for the period was £71,618,000. The difference from the retained loss for the year arises from the historical cost depreciation charge being lower than the actual depreciation charge for the year.

27 Reconciliation of Movements in Shareholders' Funds/(Deficit)

	Group	
	28 May 2008	**31 May 2007**
	£000	**£000**
Retained loss for the year	(72,293)	(17,748)
Preference dividend waived/(accrued)	434	(434)
Issue of ordinary shares	110,490	10
Surplus on revaluation of properties	-	3,213
Opening shareholders' deficit	(14,959)	-
Closing shareholders' funds/(deficit)	23,672	(14,959)

28 Capital Commitments

There were no capital commitments contracted for but not provided in the financial statements.

29 Operating Lease Commitments

At 28 May 2008 the group was committed to making the following annual payments in respect of operating leases.

	Group	
	28 May 2008	**31 May 2007**
	£000	**£000**
Land and buildings		
Expiring after five years	253	195
Other operating leases		
Expiring within one year	14	63
Expiring within two to five years	88	128
	102	191
	355	386

30 Contingent Liabilities & Guarantees

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.

Under the terms of transfer agreements for certain players additional transfer fees might be payable dependent on the success of the football club or those players making a certain number of club or international appearances. At the balance sheet date the maximum contingent liability was £1,250,000 (2007 – £250,000).

West Ham United Football Club plc is presently the subject of a joint Premier League/Football Association enquiry dealing with certain matters following the Premier League Disciplinary Commission on 26-27 April 2007. The enquiry is expected to report its findings in the course of the next month.

HM Revenue & Customs has recently made certain enquiries with West Ham United Football Club plc regarding image rights contracts entered into between the company and companies holding the image rights of certain employees. To date, the company has merely furnished HM Revenue & Customs with any information requested in relation to these contracts.

Other than with regard to the potential contingent liability in respect of additional transfer fees, contingent liabilities are not expected to give rise to any material losses.

31 Contingent Assets

Under the terms of certain contracts for the sale of players' registrations, future payments may be received over a number of years, dependent on the future performance of the players sold and the future success of the buying clubs. At this stage it is impractical to quantify the likely financial effect of these provisions or to state with any degree of certainty that any payments will be received. Accordingly no further disclosure is made.

32 Post Balance Sheet Events

Transfers of player registrations completed subsequent to 31 May 2008 amount to a net £11,673,000 receivable by the company (2007 – £17,719,000 payable) with a further net £3,754,000 receivable (2007 – £300,000 receivable) contingent on certain future events.

On 12 September 2008, West Ham United Football Club plc's shirt sponsor, XL Leisure Group plc, was placed in administration. On 3 December 2008, West Ham United Football Club plc entered into an agreement appointing Celton Manx Marketing Limited (SBOBET.com) as its shirt sponsor for the period until the final day of the 2009/10 football season. The effect on commercial and retail income for 2008/09 is estimated to be in the region of £4 million. There will be a further impact on commercial revenue for 2009/10 although this has been partially mitigated by the appointment of SBOBET.com as the new sponsor.

As shown in note 17, since the end of the financial period, the group's syndicate of banks has agreed to waive certain breaches of financial covenants in respect of the period ended 28 May 2008.

As shown in note 35, since the period end, on 20 October 2008, Straumur-Burdaras Investment Bank hf. has made available to the company an uncommitted revolving credit facility of £5,000,000. The company has drawn down £2,700,000 of this facility.

As stated in note 11, Edward Symmons & Partners, Chartered Surveyors, last undertook valuations of the freehold properties belonging to the group as at 6 September 2007, valuing them at an aggregate £85.2 million. Since the year end property values have dropped considerably and the group will be arranging for a full valuation of its freehold properties as at 31 May 2009. In the meantime, the group has received a preliminary indication that the value of its freehold properties has fallen since the balance sheet date by an amount within the range of £10-15 million as at the date of signing these accounts.

In July 2008 the group outsourced its catering and hospitality operation, formerly undertaken by West Ham United Hospitality Limited, to Compass Group plc.

33 Pension Scheme

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

Until 31 August 1999 the Football League Limited Pension and Life Assurance Scheme had been a defined benefit scheme. Following an actuarial funding review of the scheme, the scheme actuary identified a substantial deficit and accrual of benefits was suspended with effect from 31 August 1999. Thereafter, the defined contributions section was established for future contributions on behalf of members.

Under UK pensions legislation, participating employers to the scheme, including the group, are required to contribute to the deficit in accordance with an agreed schedule of contributions. Following the actuarial valuation as at 31 August 1999 a schedule of contributions was put in place in July 2001 to pay off the deficit disclosed. It is required to carry out actuarial valuations every three years and updated deficits as at 31 August 2002 and 31 August 2005 were certified by the scheme actuary in January 2003 and March 2006 with new schedules of contributions put in place in April 2003 and April 2006 which took account of market movements since the valuation date. An actuarial valuation as at 31 August 2008 is currently being completed and a further revised schedule of contributions will be put in place with effect from September 2009.

33 Pension Scheme (continued)

Following these four valuations, the group's total contribution towards the deficit was calculated as £3,222,000. Legislation permits participating employers to make good any deficit over a ten year period and so the revised schedule provides for the balance of contributions to be paid between September 2009 and August 2019.

Total pension costs charged during the period amounted to £1,136,000 (2007 – £144,000).

34 Ultimate Parent Company

Hansa ehf. (company number 560793-2009), a company incorporated in Iceland, is the immediate parent company.

On 17 November 2008, the District Court of Reykjavik granted a moratorium to Hansa ehf. for an initial period to 8 December 2008. The moratorium has subsequently been extended to 8 March and 8 June 2009, during which time the company's creditors are unable to enforce any rights or claims against the company.

The shares in Hansa ehf. are held by Bell Global Investments Sarl (51.4%), Monte Cristo Capital Limited (25%) and Mr B Gudmundsson (23.6%). Bell Global Investments Sarl (company registration number B 135 850) is a company incorporated in Luxembourg and is in turn owned by Bell Global Investments Limited (company registration number HE76793), a company incorporated in Cyprus. Monte Cristo Capital Limited (company registration number 466 584) is a company incorporated in the British Virgin Islands. Companies registered in Cyprus and the British Virgin Islands are not required to make their financial statements publicly available. Mr Gudmundsson is the beneficial owner of Bell Global Investments Limited and Monte Cristo Capital Limited.

Mr Gudmundsson, a director of the company, is the ultimate controlling party of the company as a result of controlling, directly or indirectly, 100% of the issued share capital of the company.

CB Holding ehf., a company incorporated in Iceland (registration number 660209-0930), has notified the company of its intention to acquire all of the issued share capital of the company. The change of ownership from Hansa to CB Holding ehf. is expected to take place following signing of these accounts. Straumur-Burdaras Investment Bank hf. holds 69.4% of the shares in CB Holding ehf..

35 Related Party Transactions

Note 16 disclosed loans made to the group by companies controlled by its major shareholder in the sum of £26,600,000. These loans included a loan of £2,000,000 from Bentis Holdings Limited and a loan of £4,100,000 from Fjarfestingarfelagid Grettir hf which were repaid in June 2007. These loans attracted interest at 7.5% per annum. A further £3,000,000 was loaned by Bentis Holdings Limited between December 2007 and February 2008 with interest charged at 8.15%. Interest of £34,300 and £5,050 was paid respectively to Bentis Holdings Limited and Fjarfestingarfelagid Grettir hf during the year. A further £10,000,000 was advanced by Bentis Holdings Limited between October and December 2007. This loan is interest free and there are no repayment terms. The group's major shareholder, Mr B Gudmundsson, is the controlling shareholder of both Bentis Holdings Limited and Fjarfestingarfelagid Grettir hf.

As set out in note 16, creditors at 31 May 2007 included a loan of £20,500,000 made by Hansa ehf., a company controlled by the company's major shareholder, Mr B Gudmundsson. On 27 September 2007, this loan was converted to equity by the issue of 20,500,000 £1.00 ordinary shares by WH Holding Limited, the company's UK parent company. On the same date, West Ham United plc issued 5,125,000 ordinary shares at a price of £4.00 each to WH Holding Limited. The £20,500,000 loan already advanced by Hansa ehf. was applied in consideration for the share issues. Interest on the loan, from the date first advanced to 27 September 2007, has been waived by Hansa ehf.

In February 2007 the group obtained a loan in the sum of £5,555,000 from Straumur-Burdaras Investment Bank hf. ("Straumur"), an Icelandic bank in which the son of the group's major shareholder, Mr B Gudmundsson, has a significant interest. The loan was repaid in February 2008. The loan bore interest at 3% over LIBOR and total interest and charges paid in the course of the year amounted to £366,000.

In January 2008 the group concluding negotiations for a new combined term loan and revolving credit facility with a syndicate of five banks of which Straumur is a member. Amounts owing to Straumur at 28 May 2008 totalled £7,000,000 in respect of the term loan and £2,000,000 in respect of the revolving credit facility. Straumur's share of interest and charges paid to the syndicate or accrued as at the year end totalled £333,700.

35 Related Party Transactions (continued)

Since the period end, on 20 October 2008, Straumur has made available to the company an uncommitted revolving credit facility of £5,000,000. The company has drawn down £2,700,000 of this facility.

On 9 March 2009, the Financial Supervisory Authority of Iceland ("FME") appointed a Resolution Committee to take control of Straumur and on 19 March 2009 the District Court of Reykjavik granted a moratorium to Straumur.

In the course of the year the group provided match day hospitality facilities to Landsbanki Islands hf. ("Landsbanki") in the sum of £510,600. There were no amounts owing by Landsbanki at 28 May 2008. The group's major holder, Mr B Gudmundsson, together with his son, had a significant interest in Landsbanki and was chairman of that company. Mr T Kristjansson was also a director of Landsbanki.

On 7 October 2008, the FME appointed a Resolution Committee to take control of Landsbanki and, on 5 December 2008, the District Court of Reykjavik granted a moratorium to Landsbanki.

Mr GJ Oddsson, a director of the company, is also a partner in Logos, a firm of solicitors, which undertook legal work on behalf of the group in the course of the year. Fees paid to Logos in respect of these services totalled £36,800.

Mr M Lee, a director of the company, is also a director of and controlling shareholder in Vero Communications Limited which undertook work on behalf of the group in the course of the year. Fees paid to Vero in respect of these services totalled £158,500.

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.