

Company Registration No. 66516

WEST HAM UNITED FOOTBALL CLUB PLC

Report and Financial Statements

31 May 2006



WEST HAM UNITED FOOTBALL CLUB PLC

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 May 2006.

Principal Activity

The principal activity of the company is that of a professional football club as a member of The FA Premier League and The Football Association.

Results and Dividends

The results of the company are as set out in the profit and loss account on page 7.

The directors do not recommend the payment of a dividend (2005 - nil).

Review of the Company's Activities and Future Developments

The company's financial results in 2005/06 mirror the first team's very successful season. The company recorded an operating profit before player trading of £13.1m on record turnover of £52m. These results continue the remarkable transformation in the group's finances over the three years following relegation at the end of the 2002/03 season.

The company invested £21.4m in the first team squad in the year just ended, comprising £15.7m in net transfer fees and a further £6.7m in player wages. This investment in the squad was essential if Premier League status was to be retained following promotion and was only made possible because of the success of the group's financial strategy following relegation. The company took prompt and decisive action thereby maintaining financial stability whilst in the Championship and permitting the substantial investment in the squad following promotion.

The increase in broadcast distributions from 2007/08, a range of new commercial initiatives and very strong demand from supporters for season and match tickets all point towards strong income growth over the next few seasons. The company has taken care to control expenditure, in particular player wages, and it is vital to remain prudent in order to exploit this income growth to enable the club to challenge strongly for domestic and European honours over the forthcoming seasons.

Principal Risks and Uncertainties

The company'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 company 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 company prepares budgets up to three seasons in advance which include an evaluation of the impact of relegation and associated contingency plans. The risk is mitigated to some extent by the long term contractual nature of a significant element of the company's turnover, including centrally negotiated broadcast and sponsorship deals.

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

WEST HAM UNITED FOOTBALL CLUB PLC

DIRECTORS' REPORT

(continued)

Principal Risks and Uncertainties (continued)

The directors are of the view that the company is not exposed to any significant foreign exchange risk.

The company places its cash with creditworthy institutions. The company 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 company is exposed to.

The company's exposure to interest rate risk is managed through the use of an interest rate collar, details of which are set out in note 16 to the financial statements.

Directors and their Interests

The directors who held office throughout the year and since the year end are as follows.

TW Brown
MW Cearns
CJ Warner
N Igoe
PM Aldridge
CBC Manhire
SI Duxbury

The directors' interests in the shares of the parent company, West Ham United plc, are disclosed in that company's report and financial statements. None of the directors had an interest in the shares of the company or any other group companies.

Set out below are the directors' interests in 'C' class debentures in the company.

	31 May 2005 & 31 May 2006
TW Brown	2
MW Cearns	2
CJ Warner	6

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 company 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 company will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders.

At 31 May 2006 the aggregate amount owed to trade creditors, as a proportion of the aggregate amounts invoiced by suppliers to the company during the year then ended, represented an average of 43 days' credit (2005 – 62 days'). Average figures calculated on the basis laid down by the regulations may be distorted by the irregular pattern of invoiced supplies during the year.

WEST HAM UNITED FOOTBALL CLUB PLC

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/she ought to have taken as a director in order to make himself/herself 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 & Touche 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 Igoo
Director

27 September 2006

WEST HAM UNITED FOOTBALL CLUB PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES


The Directors are responsible for preparing the financial statements. The Directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP). United Kingdom company law requires the Directors to prepare such financial statements for each financial year which 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 and comply with UK GAAP and the Companies Act 1985.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Companies Act 1985.

By order of the board



N Igwe
Director

27 September 2006

WEST HAM UNITED FOOTBALL CLUB PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST HAM UNITED FOOTBALL CLUB PLC

We have audited the financial statements of West Ham United Football Club plc for the year ended 31 May 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 32. 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 United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

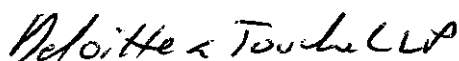
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

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 company's affairs as at 31 May 2006 and of its profit 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.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

27 September 2006

WEST HAM UNITED FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2006

		2006		2005	
	Notes	Operations excluding player trading £000	Player trading * (notes 7 & 10) £000	Total £000	Total £000
Turnover	2	52,007	-	52,007	25,142
Other operating income		843	-	843	340
Administrative expenses	3	(39,775)	(5,067)	(44,842)	(33,238)
Operating profit/(loss)	4	13,075	(5,067)	8,008	(7,756)
(Loss)/profit on disposal of players	7	-	(710)	(710)	3,871
Profit/(loss) before interest		<u>13,075</u>	<u>(5,777)</u>	7,298	(3,885)
Net interest payable	8			(1,565)	(1,925)
Profit/(loss) on ordinary activities before taxation				<u>5,733</u>	<u>(5,810)</u>
Tax (charge)/credit on profit/(loss) on ordinary activities	9			(2,117)	1,343
Profit/(loss) for the financial year	23			<u>3,616</u>	<u>(4,467)</u>

All activities derive from continuing operations.

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

There are no recognised gains or losses for the current or previous year other than as stated in the profit and loss account. Consequently no statement of total recognised gains and losses has been prepared.

WEST HAM UNITED FOOTBALL CLUB PLC

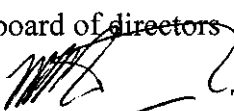

BALANCE SHEET

as at 31 May 2006

	Notes	2006		2005	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		14,389		4,462
Tangible assets	11		69,340		70,133
			<u>83,729</u>		<u>74,595</u>
Current assets					
Debtors	12	7,654		9,003	
Cash at bank and in hand		607		42	
		<u>8,261</u>		<u>9,045</u>	
Creditors – amounts falling due within one year	13	(22,843)		(17,923)	
Net current liabilities			<u>(14,582)</u>		<u>(8,878)</u>
Total assets less current liabilities			<u>69,147</u>		<u>65,717</u>
Creditors – amounts falling due after more than one year	13		(24,323)		(26,408)
Deferred grants	18		(2,964)		(3,023)
Provisions for liabilities and charges	19,20		(2,378)		(420)
Net assets			<u><u>39,482</u></u>		<u><u>35,866</u></u>
Capital and reserves					
Called up share capital	21		5,500		5,500
Share premium account			4,847		4,847
Revaluation reserve	22		27,722		28,081
Profit and loss account	23		1,413		(2,562)
Total equity shareholders' funds	24		<u><u>39,482</u></u>		<u><u>35,866</u></u>

These financial statements were approved by the board of directors on 27 September 2006.

Signed on behalf of the board of directors

TW Brown

Director

N Igoe

Director

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

for the year ended 31 May 2006

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 which have been applied consistently throughout the current and preceding financial year.

Accounting convention

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

Turnover

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

Signing on fees

Signing on fees payable under an employment contract are accounted for on an earnings basis. Where such fees are payable in equal annual instalments, under 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 followings rates on a straight line basis. The rates used are expected to write off the cost, less any estimated residual value, of each asset over its expected useful life.

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 are capitalised at cost. The cost is then amortised on a straight line basis over the period of the player's contract.

In the event of disposal of a player's registration, the unamortised cost of acquiring the registration is deducted from the net proceeds of disposal to arrive at a profit or loss on disposal.

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.

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

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.

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 company 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 company 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 company.

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 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.

Cash flow statement

The cash flows of the company are included in the consolidated group cash flow statement of West Ham United plc, the ultimate holding company. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (revised) from preparing a cash flow statement.

Financial Instruments

The Company uses an interest rate collar agreement to mitigate interest rate risk. Amounts payable or receivable in respect of the interest rate collar are recognised on an accruals basis and are shown as interest expense or income respectively. The Company does not hold or issue derivative financial instruments for speculative purposes.

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

2 Turnover

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

	2006 £000	2005 £000
Match receipts and related football activities	16,483	12,651
Broadcast and central sponsorship distributions	24,242	8,344
Commercial activities	7,282	4,147
	<u>52,007</u>	<u>25,142</u>

3 Exceptional Items

	2006 £000	2005 £000
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Administrative expenses include:

Contribution towards deficit of the

Football League Limited Pension and Life Assurance Scheme (note 27)

287	-
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Tax attributable to exceptional items was £86,000.

4 Operating Profit/(Loss)

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

	2006 £000	2005 £000
Employment costs (note 5)	28,397	17,731
Depreciation on tangible fixed assets (note 11):		
- owned assets	2,688	2,575
- assets held under hire and lease purchase contracts	4	4
Release of grant income	(59)	(90)
Auditors' remuneration:		
- audit	29	28
- other services	23	4
Operating leases	103	76
Loss/(profit) on disposal of fixed assets	1	(7)

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

5 Staff Costs and Employees

	2006 £000	2005 £000
Wages and salaries	24,422	15,633
Directors' fees	150	34
Compensation for loss of office	121	-
Social security costs	3,051	1,884
Other pension contributions	653	180
	<u>28,397</u>	<u>17,731</u>
	Number	Number
<u>Average number of persons employed (including directors)</u>		
Players, team management & training	77	78
Commercial & administrative	67	64
	<u>144</u>	<u>142</u>
Part time employees	593	579
	<u>737</u>	<u>721</u>

Staff costs for 2006 include exceptional expenditure of £287,000 (see note 3).

In the course of 2005, match day staff formerly engaged on a casual basis became employees of the company and this is reflected in the number of part time employees shown above. Prior year figures have therefore been re-stated to show an additional 539 part time employees at 31 May 2005.

6 Directors' Emoluments

	2006 £000	2005 £000
Emoluments	2,014	633
Fees	150	34
Aggregate payments made to a defined contribution pension scheme	258	72
	<u>2,422</u>	<u>739</u>
<u>Emoluments of highest paid director</u>		
Emoluments	815	227
Aggregate payments made to a defined contribution pension scheme	202	36
	<u>1,017</u>	<u>263</u>
	Number	Number
Directors who are members of a defined contributions pension scheme	4	4

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

7 (Loss)/Profit on Disposal of Players

	2006 £000	2005 £000
Disposal proceeds (net of costs of realisation)	882	4,634
Net book value of players sold (note 10)	(1,592)	(763)
	<u>(710)</u>	<u>3,871</u>

Tax attributable to the loss on disposal of players was a credit of £213,000 (2005 - £1,161,000 charge).

8 Net Interest Payable

	2006 £000	2005 £000
Interest payable on bank loans and overdrafts	1,692	1,891
Hire purchase loan interest	14	28
Bill of exchange discounting costs	-	63
	<u>1,706</u>	<u>1,982</u>
Bank and other interest receivable	(51)	(57)
Group interest receivable	(90)	-
	<u>1,565</u>	<u>1,925</u>

9 Taxation on Profit/(Loss) on Ordinary Activities

	2006 £000	2005 £000
Corporation tax charge	383	-
Deferred tax charge/(credit)	1,734	(1,343)
	<u>2,117</u>	<u>(1,343)</u>

The profit for the period has eliminated brought forward tax losses. As at 31 May 2005, cumulative tax losses available to carry forward against future trading profits had been approximately £4,900,000, subject to agreement with the Inland Revenue.

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

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

9 Taxation on Profit/(Loss) on Ordinary Activities (continued)

	2006 £000	2005 £000
Profit/(loss) on ordinary activities before tax	5,733	(5,810)
Tax charge/(credit) @ 30% thereon	1,720	(1,743)
Expenses not deductible for tax purposes	287	285
Depreciation for period in excess of (2005 – less than) capital allowances	38	(59)
Disposal of intangible assets – timing differences on allowances for tax	(104)	-
Other timing differences	3	(69)
Group relief – prior year	-	115
(Decrease)/increase in tax losses	(1,561)	1,471
Current corporation tax charge for year	383	-

10 Intangible Fixed Assets

	£000
<u>Cost of player registrations</u>	
1 June 2005	24,131
Additions	16,586
Disposals	(16,069)
31 May 2006	24,648
<u>Amortisation of player registrations</u>	
1 June 2005	19,669
Charge for the year	5,067
Disposals	(14,477)
31 May 2006	10,259
<u>Net book value</u>	
31 May 2006	14,389
31 May 2005	4,462

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

11 Tangible Fixed Assets

	Freehold land & buildings £000	Plant, fittings & equipment £000	Motor vehicles £000	Total £000
<u>Cost or valuation</u>				
1 June 2005	71,817	8,769	173	80,759
Additions	237	1,608	60	1,905
Disposals	-	(7)	(23)	(30)
31 May 2006	72,054	10,370	210	82,634
<u>Depreciation</u>				
1 June 2005	6,224	4,229	173	10,626
Charge for the year	1,846	837	9	2,692
Disposals	-	(1)	(23)	(24)
31 May 2006	8,070	5,065	159	13,294
<u>Net book value</u>				
31 May 2006	63,984	5,305	51	69,340
31 May 2005	65,593	4,540	-	70,133

Edward Symmons & Partners, Chartered Surveyors, undertook valuations of the freehold properties belonging to the company as at 15 July 2004. A summary of valuations of the properties and the bases of valuation is set out below.

Property	Basis of valuation	£000
Boleyn Ground and adjoining land	Depreciated replacement cost	62,000
Chadwell Heath training ground	Depreciated replacement cost	4,485
Little Heath training ground	Existing use value	850
Beckton Community Centre	Depreciated replacement cost	1,475

The value of land included in the above is £17,970,000. The valuation of the Boleyn Ground includes plant, fittings & equipment valued at £943,000. The valuation of the Chadwell Heath training ground includes plant, fittings & equipment valued at £520,000.

The comparable amounts for freehold land and buildings determined according to the historical cost convention are cost of £38,575,000 (2005 – £38,338,000) and accumulated depreciation of £8,064,000 (2005 – £6,577,000).

The Boleyn Ground and Chadwell Heath and Little Heath training grounds are charged to Barclays Bank PLC as trustee for themselves, Bank of Scotland and Lombard North Central plc.

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

	2006 £000	2005 £000
Plant, fittings & equipment	48	469
Motor vehicles	20	-
	68	469

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

12 Debtors

	2006 £000	2005 £000
Trade debtors	1,525	204
Amounts owing by fellow group undertakings	1,854	1,858
Other debtors	780	5,065
Prepayments and accrued income – due within one year	3,333	1,696
Prepayments and accrued income – due after more than one year	162	180
	<u>7,654</u>	<u>9,003</u>

In June 2000 the company entered into a loan agreement to finance, inter alia, the redevelopment of the Boleyn Ground. The associated arrangement fee is amortised over the period of the loan from 2001 to 2016. The element of these costs relating to periods beyond 31 May 2007 is shown as prepayments due after more than one year.

13 Creditors

	2006 £000	2005 £000
<u>Due within one year</u>		
Bank overdrafts (note 16)	-	3,295
Bank loans (notes 14 & 16)	2,220	2,220
Obligations under hire and lease purchase contracts (notes 14 & 17)	18	105
Trade creditors	1,066	1,002
Amounts owing to group undertakings	1,570	1,571
Corporation tax	383	-
Taxation and social security	3,116	959
Other creditors	6,255	3,978
Season ticket and other receipts in advance	2,256	482
Accruals	5,959	4,311
	<u>22,843</u>	<u>17,923</u>
<u>Due after more than one year</u>		
Debenture loans and subscriptions (notes 14 & 15)	611	611
Bank loans (notes 14 & 16)	21,859	24,079
Obligations under hire and lease purchase contracts (notes 14 & 17)	41	-
Season ticket and other receipts in advance	840	1,065
Other creditors	972	653
	<u>24,323</u>	<u>26,408</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

14 Total Loans and Hire Purchase Obligations

	2006 £000	2005 £000
Debenture loans and subscriptions repayable after 5 years or more	611	611
Bank loan repayable:		
Within 1 year or on demand	2,220	2,220
Between 1 and 2 years	2,220	2,220
Between 2 and 5 years	6,660	6,660
After 5 years or more	12,979	15,199
	24,079	26,299
Obligations under hire and lease purchase contracts repayable:		
Within 1 year	18	105
Between 1 and 2 years	41	-
	59	105
	<u>24,749</u>	<u>27,015</u>

15 Debenture Loans and Subscriptions

The balance of £611,000 comprises both full and part payments towards the purchase of debentures under the Hammers Bond Scheme. Under the terms of the issue the definitive certificate can only be issued once payment has been received in full. At 31 May 2006 and 2005 the following applications had been received.

	2006 £000	2005 £000
97 'A' bonds	49	49
641 'B' bonds	481	481
70 'C' bonds	68	68
Part payments	13	13
	<u>611</u>	<u>611</u>

Under the terms and conditions of the scheme, the debentures are repayable at par after 150 years. The debentures are non interest bearing and are unsecured.

16 Bank Loan and Overdraft

The loan is provided by a syndicate of three banks. This loan is repayable between July 2002 and July 2016 and interest is charged at 1.5% over LIBOR.

This loan and the bank overdraft are secured by legal charges on certain of the company's freehold land and buildings and debentures over all the assets and undertaking of the company in favour of the syndicate of three banks.

At the date of draw down of the loan the company was required to enter into an interest rate collar agreement whereby the interest rate on the loan (subject to a maximum of £15 million) is capped at 9.25% per annum and has a floor of 5.25% per annum. At the balance sheet date, this interest rate collar agreement had a negative fair value of £353,000 (2005 – £559,000).

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

17 Obligations Under Hire and Lease Purchase Contracts

Obligations under hire and lease purchase contracts are in respect of certain assets of the company and are secured on the assets themselves.

18 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 company'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.

	2006 £000	2005 £000
1 June	3,023	3,113
Released to profit & loss account	(59)	(90)
31 May	<u>2,964</u>	<u>3,023</u>

19 Provisions for Liabilities and Charges – Cost of Player Registrations

	2006 £000	2005 £000
1 June	196	-
Movement for year	224	196
31 May	<u>420</u>	<u>196</u>

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

20. Provisions for Liabilities and Charges – Deferred Taxation

The movement in the provision is as follows.

	2006 £000	2005 £000
1 June	224	1,567
Charged/(credited) to profit & loss account	1,734	(1,343)
31 May	<u>1,958</u>	<u>224</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

20. Provisions for Liabilities and Charges – Deferred Taxation (continued)

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

	2006 £000	2005 £000
Capital allowances in excess of depreciation	2,023	1,984
Other timing differences	(65)	(288)
Unutilised tax losses	-	(1,472)
Total deferred tax liability	<u>1,958</u>	<u>224</u>

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

	2006 £000	2005 £000
Surplus on revaluation of properties	<u>5,307</u>	<u>5,819</u>

The company's freehold properties have been revalued in accordance with FRS15 "Tangible Fixed Assets". It is the company'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.

21 Called up Share Capital

	2006 £000	2005 £000
<u>Authorised, called up, allotted and fully paid</u> 11,000,000 ordinary shares of 50 pence each	<u>5,500</u>	<u>5,500</u>

22 Revaluation Reserve

	2006 £000	2005 £000
1 June	28,081	28,441
Transfer to profit and loss account	(359)	(360)
31 May	<u>27,722</u>	<u>28,081</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

23 Profit and Loss Account

	2006 £000	2005 £000
1 June	(2,562)	1,545
Retained profit/(loss) for the year	3,616	(4,467)
Transfer from revaluation reserve	359	360
31 May	<u>1,413</u>	<u>(2,562)</u>

The historical cost profit for the period was £3,975,000 (2005: loss – £4,107,000). The difference from the retained profit/(loss) for the year arises from the historical cost depreciation charge being lower than the actual depreciation charge for the year.

24 Reconciliation of Movements in Shareholders' Funds

	2006 £000	2005 £000
Retained profit/(loss) for the year	3,616	(4,467)
Opening shareholders' funds	35,866	40,333
Closing shareholders' funds	<u>39,482</u>	<u>35,866</u>

25 Capital Commitments

	2006 £000	2005 £000
Contracted for but not provided in the financial statements	<u>2,950</u>	<u>145</u>

26 Operating Lease Commitments

At 31 May 2006 the company was committed to making the following payments in respect of operating leases.

	2006 £000	2005 £000
<u>Other operating leases</u>		
Expiring within one year	-	16
Expiring within two to five years	113	86
	<u>113</u>	<u>102</u>
	<u>113</u>	<u>102</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

27 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 company, 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 a review of the minimum funding requirement (MFR) 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 the Pensions Act 1995, participating employers to the scheme, including the company, are required to contribute to the deficit in accordance with an agreed schedule of contributions. An MFR valuation of the deficit as at 31 August 1999 was carried out and a schedule of contributions was put in place in July 2001. Since it is necessary to carry out a revaluation of the deficit every three years MFR valuations of the deficit at 31 August 2002 and 31 August 2005 were certified by the scheme actuary in January 2003 and March 2006 respectively. New schedules of contributions were put in place in April 2003 and April 2006 which took account of market movements since the date of certification.

Following these three valuations, the company's total contribution towards the deficit was calculated as £2,327,000. 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 April 2006 and May 2016.

Total pension costs charged during the year amounted to £653,000 (2005 - £180,000).

28 Contingent Liabilities & Guarantees

Under a group banking facility, the company has guaranteed certain bank overdrafts of other group companies. At 31 May 2006 the balances outstanding on these overdrafts was nil (2005 – nil).

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 £250,000 (2005 – nil).

Contingent liabilities are not expected to give rise to any material losses.

29 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.

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

30 Post Balance Sheet Events

Transfers of player registrations completed subsequent to 31 May 2006 amount to a net £5,543,000 payable by the company (2005 – £9,142,000 payable) with a further net £8,100,000 payable (2005 – £2,035,000 payable) contingent on certain future events.

31 Ultimate Parent Company

In the opinion of the directors the ultimate and immediate parent company and controlling party is West Ham United plc, incorporated in Great Britain. Copies of the group financial statements of West Ham United plc are available from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.

32 Related Party Transactions

Mr CBC Manhire, a director of the company, is also a director of Nash & Partners Limited, a firm of surveyors, which undertook work on behalf of the company in the course of the year. Fees paid to Nash & Partners Limited in respect of these services totalled £29,600 (2005 - £5,200).

Mr CJ Warner, a director of the company, is also a partner in Warners, a firm of solicitors, which undertook legal work on behalf of the company in the course of the year. Fees paid to Warners in respect of these services totalled £2,600 (2005 - £4,100).

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.