

Company Registration Number 66516

# WEST HAM UNITED FOOTBALL CLUB LIMITED

**Report and Financial Statements**

**For the year ended 31 May 2011**



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# WEST HAM UNITED FOOTBALL CLUB LIMITED

## REPORT AND FINANCIAL STATEMENTS

For the year ended 31 May 2011

### CONTENTS

Directors' report	3
Statement of directors' responsibilities	8
Independent auditors' report	9
Profit and loss account	10
Balance sheet	11
Notes to the financial statements	12

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## DIRECTORS' REPORT For the year ended 31 May 2011

The directors present their annual report together with the audited financial statements of the company for the year ended 31 May 2011

### Principal Activity

The principal activity of the company is that of a professional football club as a member of The Football 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 10

The directors do not recommend the payment of a dividend (2010 – £nil)

### Review of the Company's Activities and Future Prospects

It was a major setback for the club to be relegated from the Premier League at the end of the 2010/11 season. However, immediately following relegation, the board took decisive action to maximise the club's prospects of an immediate return to the Premier League. A new manager was appointed and, although many players left the club in the summer 2011 transfer window, the club was successful in retaining a number of key senior players and invested a net £2.5m (£10.7m gross of player sales proceeds) in transfer fees for new signings, augmented by the recruitment of a number of senior players on free transfers.

For the period under review the company recorded an operating profit before player trading of £6.8m, after four years of operating losses, on turnover of £80.5m. The loss before taxation was £18.6m.

The principal factor contributing to the increase in turnover was increased Premier League distributions. Total wages and salaries increased by £4.5m, comprising an increase in player wages of £8m offset by savings in staff wages of £3.5m. A major factor behind the increase in player wages was the decision in the January 2011 transfer window to recruit a number of senior players in the hope that this investment would help to secure the club's Premier League status.

During the course of the year the group benefitted from an investment of £2m of equity in the parent company and the advance of a further £3m of shareholder loans. Notwithstanding this, net bank borrowings increased from £32.9m to £38m, principally as a result of net expenditure on player trading.

Participation in the Championship will result in the loss of £35-40m in income next season with a further reduction inevitable if the club were to fail to achieve promotion. In recognition of this, the group's major shareholders have demonstrated a willingness to provide significant financial support to give the club every opportunity of regaining its Premier League status at the first attempt.

In the event that promotion is not achieved, the board would have to reconsider its financial strategy next season. The Football League is considering introducing new Financial Fair Play regulations which will restrict clubs' ability to invest in their squads, even when funded by support from shareholders.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## DIRECTORS' REPORT

For the year ended 31 May 2011

(continued)

### Principal Risk and Uncertainties

The company's principal business risk is that of the football club being relegated from the FA Premier League with the serious financial consequences which follow. The new board of the company believes it has a good understanding of the strategy required in such circumstances and of paramount importance is the need to make appropriate 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.

As a consequence of this planning the group was able to take decisive action in summer 2011 to address the consequences of relegation from an informed position.

It is a feature of football clubs' income streams that a significant element is known in advance because of its long term contractual nature. Centrally negotiated broadcast and sponsorship deals are presently in place to summer 2013. The company's own major sponsorship and partnership agreements are also in place until summer 2013. Season ticket sales (including corporate sales) are made at the start of each season or accounting period and represent the bulk of the company's match day revenue. It follows that up to 70% of the company'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, although this ability can on occasion be constrained if less transfer activity is conducted by clubs (either domestically or internationally) in any one transfer window. Clubs can also normally accelerate receipt of deferred elements of transfer fees receivable by discounting those proceeds with a financial institution, although there can be no certainty of the availability of such funding.

Health and safety considerations at the Boleyn Ground on match days are of paramount importance. At the start of each season 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 £300m of public liability insurance in respect of any one occurrence.

### Financial Risk Management

Financial assets that expose the company to financial risk consist principally of cash, trade receivables and other receivables. Financial liabilities which 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.

The company is exposed to very occasional foreign exchange risks in respect of the purchase or sale of player registrations negotiated in foreign currency. In the course of the period just ended, the company incurred a loss on foreign currency translation of £0.2m which forms part of the exceptional expenses for the year.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## DIRECTORS' REPORT For the year ended 31 May 2011 (continued)

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 receivables and other receivables represent the maximum credit risk to which the company is exposed.

### Going Concern

The difficult economic conditions have continued to have a significant impact upon world credit markets and accordingly raising finance in this environment remains challenging. Despite these prevailing conditions the board was pleased to be able to finalise, on 10 June 2011, the renewal and extension of the loan and revolving credit facility, which totalled £35m as at 31 May 2011, from August 2011 to December 2013.

The board has to assess the risk in relation to the company's forecast trading performance. The company has prepared and approved forecasts for the current and forthcoming two seasons including the period of twelve months from the date of signing these financial statements. The board also performs sensitivity analyses on these forecasts, including identification of mitigating actions, to take account of any projected shortfalls. Mitigating actions include the option of player disposals to generate transfer fee income and wage savings as well as support from its investing owners.

The board has concluded that its forecast for the period in question and the assumptions on which it is based are sufficiently robust to justify confidence in the company's going concern status. A major element of the company's annual turnover comes from contractual broadcasting and central sponsorship distributions and is therefore effectively guaranteed for the seasons covered by the company's forecasts. The company also generates turnover from season ticket, match ticket, corporate and retail sales and, while the board recognises uncertainties about these sources of income in the current economic climate, the evidence of the current season is that demand remains strong due to the high level of supporter loyalty enjoyed by the club.

In the event that the foregoing initiatives did not generate the necessary cash flows to allow the company to operate within its borrowing limits certain of the company's investing owners have undertaken to provide what the board has concluded would be a sufficient level of financial support to allow the company to continue to operate within its agreed borrowing limits and meet its debts as they fall due.

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

### Key Performance Indicators

The company does not monitor its performance against a range of key performance indicators in its own right. However, the board of the parent company, WH Holding Limited does monitor group performance on this basis and the accounts of that company disclose group performance against certain of the major KPIs. These include league and cup performance, average league attendances, wage to turnover ratio and operating profit or loss before exceptional items. Because, historically, certain elements of the financial performance were contributed by trading companies within the group other than West Ham United Football Club Limited, it would be of limited relevance to review the performance of that company alone by reference to those indicators.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## DIRECTORS' REPORT For the year ended 31 May 2011 (continued)

### Directors

The directors who were in office during the year and up to the date of signing the financial statements were

D Sullivan  
D Gold  
K Brady  
N Igoe  
R Ellis

### Employee Consultation and Involvement

The company'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 vice-chairman 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. Regular Heads of Department meetings are held and committees have been established charged with reviewing contracts, controlling costs and maximising the company's income from staging events. Employees across the entire range of the group's operations participate in these committees.

### Employees

West Ham United FC has a duty to nurture equality and diversity for all. To meet this goal we are concentrating on promoting disability and equality awareness across the organisation and we have comprehensive employment policies in place designed to motivate our employees in ways in which their knowledge and skills can best contribute towards its success.

We are committed to ensuring that our workplaces are free from unlawful or unfair discrimination on the grounds of disability, colour, race, nationality, ethnic or national origin, gender, sexual orientation, age, marital status or religion.

We aim to ensure that our employees achieve their full potential by encouraging them to attend courses and embrace development opportunities. All employee recruitment, development and promotion decisions are taken without reference to irrelevant or discriminatory criteria.

### Community

West Ham United continue to lead the way in terms of community engagement.

As we head into Olympic year in east London, all levels of the club embrace the work done by the West Ham United Community Sports Trust. Utilising our sites at Chadwell Heath, Beckton and Upton Park, we have staged a number of events for local people of all ages and backgrounds.

These are not just PR-friendly exercises. They are designed to have a lasting impact on all who take part – whether from the club or from the community – long after the cameras and press have left.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## DIRECTORS' REPORT For the year ended 31 May 2011 (continued)

This wide-ranging programme includes multi-sport sessions with first-team players on the Boleyn Ground pitch, Olympic borough school visits, holiday coaching courses across the city and into south Essex, education-based activity in our Learning Zone and health awareness programmes

We have set the standard for promoting diversity, recognised by the Professional Footballers' Association scoring the club the highest of the country's 92 professional clubs for its efforts in raising awareness of anti-racism and disabilities

And we also continue to make the experience of watching live football more accessible and affordable, particularly during these difficult times. Our football-for-all family initiative offers regular discounts on match prices for young people, including the highly popular Kids for a Quid tickets

Our job is to make a difference in our community, we understand and aspire to delivering that to everyone who the club is and wants to be associated with

### Exceptional Items

Note 3 discloses exceptional items of £1,566,000 in the year (2010 - £5,226,000)

### Post Balance Sheet Events

Note 30 provides details of material events which have occurred since the balance sheet date

### Statement on Information Given to Independent 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 s418 of the Companies Act 2006

### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

On behalf of the board

  
N Igoo  
Director

19 December 2011

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board



**N Igoo**  
**Director**

19 December 2011



# WEST HAM UNITED FOOTBALL CLUB LIMITED

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

We have audited the financial statements of West Ham United Football Club Limited for the year ended 31 May 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implication of our report.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**Julian Jenkins (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
London

19 December 2011

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 May 2011

	Note	2011			2010		
		Operations excluding player trading £000	Player trading * (notes 7 & 11) £000	Total £000	Operations excluding player trading £000	Player trading * (notes 7 & 11) £000	Total £000
Turnover	2	80,544	-	80,544	71,741	-	71,741
Other operating income		395	-	395	399	-	399
Exceptional items	3	(1,566)	-	(1,566)	(5,226)	-	(5,226)
Administrative expenses		(72,599)	(14,545)	(87,144)	(70,707)	(14,555)	(85,262)
Total operating expenses		(74,165)	(14,545)	(88,710)	(75,933)	(14,555)	(90,488)
Operating loss	4	6,774	(14,545)	(7,771)	(3,793)	(14,555)	(18,348)
(Loss)/profit on disposal of players	7	-	(8,121)	(8,121)	-	606	606
Loss on ordinary activities before interest and taxation		<u>6,774</u>	<u>(22,666)</u>	<u>(15,892)</u>	<u>(3,793)</u>	<u>(13,949)</u>	<u>(17,742)</u>
Interest payable and similar charges	8			(2,697)			(3,774)
Interest receivable and similar income	9			24			31
Loss on ordinary activities				<u>(18,565)</u>			<u>(21,485)</u>
Tax on loss on ordinary activities	10			-			-
Loss for the financial year	24			<u>(18,565)</u>			<u>(21,485)</u>

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

The historical cost loss for the year was £17,694,000 (2010 – £20,736,000) The difference from the loss for the year arises from the historical cost depreciation charge being lower than the actual depreciation charge for the year

All activities derive from continuing operations


The company has no recognised gains or losses other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## BALANCE SHEET as at 31 May 2011

	Note	2011 £000	2010 £000
<b>Fixed assets</b>			
Intangible assets	11	14,705	26,628
Tangible assets	12	72,979	75,545
		<u>87,684</u>	<u>102,173</u>
<b>Current assets</b>			
Stocks	13	431	241
Debtors	14	7,660	6,552
Cash at bank and in hand		3,258	11,273
		<u>11,349</u>	<u>18,066</u>
<b>Creditors – amounts falling due within one year</b>	15	(113,075)	(112,315)
<b>Net current liabilities</b>		<u>(101,726)</u>	<u>(94,249)</u>
<b>Total assets less current liabilities</b>		<u>(14,042)</u>	<u>7,924</u>
<b>Creditors – amounts falling due after more than one year</b>	15	(48,310)	(51,621)
<b>Provisions for liabilities</b>	20,21	(364)	(454)
<b>Net liabilities</b>		<u>(62,716)</u>	<u>(44,151)</u>
<b>Capital and reserves</b>			
Called up share capital	22	5,500	5,500
Share premium account		4,847	4,847
Revaluation reserve	23	35,873	36,744
Profit and loss account	24	(108,936)	(91,242)
<b>Total shareholders' deficit</b>	25	<u>(62,716)</u>	<u>(44,151)</u>

These financial statements, on pages 10 to 24 for company registration number 66516, were approved by the board of directors on 19 December 2011 and signed on its behalf

  
N Igwe  
Director

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

### 1 Accounting Policies

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of freehold land and buildings, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### *Cash flow statement*

The company is a wholly owned subsidiary company of a group headed by WH Holding Limited and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within Financial Reporting Standard No 1 (revised 1996) "Cash Flow Statements" from preparing a cash flow statement.

#### *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.

Non trading income is disclosed as other operating income and is recognised once there is certainty that the income will be received.

#### *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.

#### *Exceptional items*

Items of income and expenditure, which fall within the ordinary activities of the company, may be considered to be exceptional by virtue of their size or the frequency with which they occur and these are disclosed in the financial statements as exceptional items.

#### *Tangible fixed assets and depreciation*

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. The Rush Green training ground, which was acquired in September 2009, is included at cost. 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.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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.

The club is considering bidding to lease the Olympic Stadium but no formal decision has been reached. Accordingly no decision has been reached on any change of use of the Boleyn Ground.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 1 Accounting Policies (continued)

#### *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 during the football season 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 together with any costs associated with the renegotiation.

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.

#### *Stocks*

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

#### *Grants and deferred income*

Grants receivable from the Football Stadium 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 years 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.

#### *Provisions*

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### *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.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 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. Assets held under finance leases are depreciated over the lower of the useful lives and the term of the lease.

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.

### 2 Turnover

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

	2011 £000	2010 £000
Match receipts and related football activities	18,808	16,916
Broadcast and central sponsorship distributions	46,265	38,008
Commercial activities	11,879	12,682
Retail and merchandising	3,592	4,135
	<u>80,544</u>	<u>71,741</u>

### 3 Exceptional Items

	2011 £000	2010 £000
Compensation for loss of office and associated professional fees	885	3,350
Loss on foreign exchange transactions	212	-
Exceptional bank charges and associated professional fees	-	603
Provision against amount owed by fellow group undertaking	-	837
Settlement of litigation	229	436
Olympic Stadium project costs	240	-
	<u>1,566</u>	<u>5,226</u>

Tax attributable to exceptional items was £438,000 (2010 – £1,463,000). As the company is loss making this merely serves to increase tax losses (see note 10).

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 4 Operating Loss

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

	2011 £000	2010 £000
Employment costs (note 5)	55,704	53,647
Amortisation of intangible assets (note 11)	14,545	14,555
Depreciation on tangible assets (note 12)		
- owned assets	2,620	2,726
- assets held under hire and lease purchase contracts	517	514
Release of grant income	(67)	(67)
Fees payable to the company's auditors for the audit of the annual financial statements		
- PricewaterhouseCoopers LLP	42	40
Other services pursuant to legislation		
- PricewaterhouseCoopers LLP	10	3
- Deloitte LLP	-	12
Fees payable to Deloitte LLP for the provision of tax services	-	37
Operating leases – land and buildings	259	260
Operating leases – plant and machinery	94	121
Loss on disposal of tangible assets	28	7

### 5 Staff Costs and Employees

	2011 £000	2010 £000
Wages and salaries	48,538	44,676
Directors' fees	75	66
Compensation for loss of office	885	3,350
Social security costs	6,059	5,345
Other pension costs (note 27)	147	210
	<u>55,704</u>	<u>53,647</u>
	<b>Number</b>	<b>Number</b>
<u>Average monthly number of persons employed (including directors)</u>		
Players, team management & training	101	104
Commercial & administrative	84	92
	<u>185</u>	<u>196</u>
Part time employees	517	590
	<u>702</u>	<u>786</u>

Staff costs include exceptional expenditure of £885,000 (2010 – £3,350,000) (see note 3)

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 6 Directors' Emoluments

	2011 £000	2010 £000
Emoluments	456	518
Fees	75	66
Aggregate payments made to a defined contribution pension scheme	26	53
	<u>557</u>	<u>637</u>
<u>Emoluments of highest paid director</u>		
Emoluments	256	301
Aggregate payments made to a defined contribution pension scheme	26	31
	<u>282</u>	<u>332</u>
	Number	Number
Directors who are members of a defined contributions pension scheme	1	2

There were no payments to directors for compensation for loss of office (2010 – £nil)

### 7 (Loss)/Profit on Disposal of Players

	2011 £000	2010 £000
Disposal proceeds (net of costs of realisation)	1,992	7,180
Net book value of players sold (note 11)	(10,113)	(6,574)
	<u>(8,121)</u>	<u>606</u>

Tax attributable to the (loss)/profit on disposal of players was a credit of £2,274,000 (2010 - £170,000 charge) As the company is loss making this merely serves to increase tax losses (see note 10)

### 8 Interest Payable and Similar Charges

	2011 £000	2010 £000
Interest payable on bank loans and revolving credit facility	1,428	1,676
Hire purchase loan interest	52	99
Discounting costs	280	1,488
Other finance costs	937	511
	<u>2,697</u>	<u>3,774</u>

### 9 Interest Receivable and Similar Income

	2011 £000	2010 £000
Bank and other interest receivable	<u>24</u>	<u>31</u>



# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 10 Tax on Loss on Ordinary Activities

As at 31 May 2011, cumulative tax losses available to carry forward against future trading profits were approximately £96,800,000 (2010 – £80,300,000), subject to agreement with HM Revenue & Customs

Factors affecting the corporation tax charge for the year are explained below

	2011 £000	2010 £000
Loss on ordinary activities before tax	(18,565)	(21,485)
Tax credit @ 28% thereon	(5,198)	(6,016)
Expenses not deductible for tax purposes	378	671
Depreciation for year less than capital allowances	244	191
Other timing differences	(52)	(30)
Increase in tax losses	4,628	5,184
Current corporation tax charge	-	-

### 11 Intangible Assets

	£000
<u>Cost of player registrations</u>	
1 June 2010	65,663
Additions	12,735
Disposals	(23,138)
31 May 2011	55,260
<u>Accumulated amortisation of player registrations</u>	
1 June 2010	39,035
Charge for the year	14,545
Disposals	(13,025)
31 May 2011	40,555
<u>Net book value</u>	
31 May 2011	14,705
31 May 2010	26,628

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 May 2011 (continued)

### 12 Tangible Assets

	Freehold land & buildings £000	Plant, fittings & equipment £000	Motor vehicles £000	Total £000
<u>Cost or valuation</u>				
1 June 2010	85,943	15,683	268	101,894
Additions	392	223	-	615
Disposals	-	(124)	(111)	(235)
31 May 2011	86,335	15,782	157	102,274
<u>Depreciation</u>				
1 June 2010	15,932	10,226	191	26,349
Charge for the year	1,822	1,293	21	3,136
Disposals	-	(96)	(94)	(190)
31 May 2011	17,754	11,423	118	29,295
<u>Net book value</u>				
31 May 2011	68,581	4,359	39	72,979
31 May 2010	70,011	5,457	77	75,545

Edward Symmons & Partners, Chartered Surveyors, undertook valuations of the freehold properties belonging to the company as at 16 July 2009. 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	66,300
Chadwell Heath training ground	Depreciated replacement cost	4,550
Little Heath training ground	Existing use value	1,500
Beckton Community Centre	Depreciated replacement cost	700

The value of land included in the above is £13,510,000. The valuation of the Boleyn Ground included plant, fittings & equipment valued at £1,940,000. The valuation of the Chadwell Heath training ground included plant, fittings & equipment valued at £1,279,000.

Rush Green Training Ground, acquired on 30 September 2009 in the sum of £1.4 million, was not valued by Edward Symmons and is included at cost.

The comparable amounts for freehold land and buildings determined according to the historical cost convention are cost of £41,660,000 (2010 – £41,268,000) and accumulated depreciation of £13,130,000 (2010 – £12,058,000).

All of the freehold properties are charged to Standard Bank plc as agent for a syndicate of banks.

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

	2011 £000	2010 £000
Plant, fittings & equipment	917	1,421
Motor vehicles	26	39
	<u>943</u>	<u>1,460</u>

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 13 Stocks

	2011 £000	2010 £000
Goods held for resale	431	241

### 14 Debtors

	2011 £000	2010 £000
Trade debtors	824	2,007
Debtors arising from player transfers	1,553	112
Other debtors	333	584
Prepayments and accrued income – due within one year	4,950	3,820
Prepayments and accrued income – due after more than one year	-	29
	7,660	6,552

### 15 Creditors

	2011 £000	2010 £000
<u>Amounts falling due within one year</u>		
Revolving credit facility (note 19)	12,000	12,000
Bank loans (notes 16 & 19)	4,500	3,500
Obligations under hire and lease purchase contracts (notes 16 & 18)	338	667
Trade creditors	3,032	2,219
Amounts owed to group undertakings	36,354	36,354
Amount owed to UK parent company	26,628	24,421
Taxation and social security	5,069	2,166
Creditors arising from player transfers	8,060	11,117
Other creditors	6,287	5,767
Season ticket and other receipts in advance	8,670	9,581
Accruals	2,138	4,523
	113,075	112,315
<u>Amounts falling due after more than one year</u>		
Debenture loans and subscriptions (notes 16 & 17)	611	611
Bank loans (notes 16 & 19)	21,095	24,545
Loans from shareholders (note 16)	3,000	-
Obligations under hire and lease purchase contracts (notes 16 & 18)	-	338
Season ticket and other receipts in advance	7,248	7,340
Creditors arising from player transfers	3,165	255
Other creditors	10,563	15,837
Deferred grant income	2,628	2,695
	48,310	51,621

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.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 May 2011 (continued)

### 16 Total Borrowings and Hire Purchase Obligations

	2011 £000	2010 £000
Debenture loans and subscriptions repayable after 5 years or more (note 17)	611	611
Revolving credit facility	12,000	12,000
Secured bank loan repayable		
Within 1 year or on demand	4,500	3,500
After 1 year or more	18,527	23,027
	23,027	26,527
Unsecured bank loan repayable		
After 1 year or more	2,568	1,518
Loans from shareholders repayable		
After 1 year or more	3,000	-
Obligations under hire and lease purchase contracts repayable		
Within 1 year	338	667
Between 2 and 5 years	-	338
	338	1,005
	<u>41,544</u>	<u>41,661</u>

The loans from shareholders are unsecured and are subordinated to the secured bank loan. Interest is accrued at bank base rate plus 5% but will not be paid or added to the loans until the loans are repaid.

### 17 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 2011 and 31 May 2010 the following applications had been received:

	2011 £000	2010 £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.

### 18 Obligations Under Hire and Lease Purchase Contracts

Obligations under hire and lease purchase contracts of £338,000 (2010 - £1,005,000) are in respect of certain assets of the company and are secured on the assets themselves.

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 19 Bank Loans and Revolving Credit Facility

The secured bank loan, in the sum of £23,027,000 (2010 - £26,527,000) is provided by a syndicate of five banks. This loan had been repayable between August 2008 and August 2011 but, following renegotiation of the group banking facilities in February 2011, the expiry date was extended to 31 December 2013. Interest is charged at 2.5% over LIBOR.

The revolving credit facility is in the sum of £12,000,000 (2010 - £12,000,000) and is provided by four members of the syndicate of banks. The facility had been available until August 2011 but, in August 2011 and following renegotiation of the group banking facilities, the balance of £12,000,000 was added to the loan, referred to above, expiring on 31 December 2013. Interest is charged at 2.5% over LIBOR.

This loan and the revolving credit facility are secured by legal charges on the company's freehold land and buildings and debentures over all the assets and undertaking of the company in favour of the syndicate of five banks.

An unsecured bank loan in the sum of £1,568,000 is provided by CB Holding ehf and is repayable on 1 January 2014. Interest is charged at 2.5% over LIBOR.

A further unsecured bank loan in the sum of £1,000,000 is provided by ALMC hf and is also repayable on 1 January 2014. Interest is charged at 5% over LIBOR.

### 20 Provisions for Liabilities – Cost of Player Registrations

	2011 £000	2010 £000
At start of year	454	1,727
Utilised in the year	(90)	(1,273)
At end of year	<u>364</u>	<u>454</u>

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

### 21 Provisions for Liabilities – Deferred Taxation

The amount of deferred taxation provided in the financial statements is as follows:

	2011 £000	2010 £000
Capital allowances in excess of depreciation	887	1,135
Other timing differences	(357)	(409)
Unutilised tax losses	(530)	(726)
Total deferred tax liability	<u>-</u>	<u>-</u>

The amount of potential deferred taxation not provided in the financial statements is as follows:

	2011 £000	2010 £000
Unutilised tax losses	(26,585)	(21,755)
Surplus on revaluation of properties	2,330	3,328
Unprovided deferred tax asset	<u>(24,255)</u>	<u>(18,427)</u>

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 21 Provisions for Liabilities – Deferred Taxation (continued)

The deferred tax asset of £26,585,000 (2010 – £21,755,000) 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 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.

### 22 Called up Share Capital

	2011 £000	2010 £000
<u>Authorised, allotted and fully paid</u>		
11,000,000 ordinary shares of 50 pence each	5,500	5,500

### 23 Revaluation Reserve

	2011 £000	2010 £000
At start of the year	36,744	37,493
Transfer to profit and loss account	(871)	(749)
At end of the year	35,873	36,744

### 24 Profit and Loss Account

	2011 £000	2010 £000
At start of the year	(91,242)	(70,506)
Loss for the financial year	(18,565)	(21,485)
Transfer from revaluation reserve	871	749
At end of the year	(108,936)	(91,242)

### 25 Reconciliation of Movements in Shareholders' Deficit

	2011 £000	2010 £000
Loss for the financial year	(18,565)	(21,485)
Opening shareholders' deficit	(44,151)	(22,666)
Closing shareholders' deficit	(62,716)	(44,151)

# WEST HAM UNITED FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 May 2011 (continued)

### 26 Operating Lease Commitments

At 31 May 2011 the company was committed to making the following annual payments in respect of operating leases

	2011 £000	2010 £000
<u>Land and buildings</u>		
Expiring within one year	1	-
Expiring within two to five years	253	253
	<u>254</u>	<u>253</u>
<u>Other operating leases</u>		
Expiring within one year	16	2
Expiring within two to five years	15	60
	<u>31</u>	<u>62</u>
	<u>285</u>	<u>315</u>

### 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 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 company, 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, 31 August 2005 and 31 August 2009 were certified by the scheme actuary in January 2003, March 2006 and July 2009 with new schedules of contributions put in place in April 2003, April 2006 and September 2009 which took account of market movements since the valuation date.

Following these four valuations, the company'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 year amounted to £147,000 (2010 - £210,000).

### 28 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 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2011

(continued)

### 29 Contingent Liabilities & Guarantees

In common with certain other group companies, the company is party to a group value added tax registration whereby each member company guarantees the liability to value added tax 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 £2,263,000 (2010 – £2,923,000)

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

### 30 Post Balance Sheet Events

Transfers of player registrations completed subsequent to 31 May 2011 amount to a net £1,600,000 payable by the company (2010 – £9,860,000 payable) with a further net £921,000 payable (2010 – £11,269,000 payable) contingent on certain future events

### 31 Ultimate Parent Company

The immediate parent company is West Ham United Limited and the ultimate parent company is WH Holding Limited, the smallest and largest group in which its results are consolidated. The financial statements for WH Holding Limited are available from The Company Secretary, WH Holding Limited, Boleyn Ground, Green Street, London E13 9AZ

On 18 January 2010, by means of a subscription for newly issued shares in the company, Messrs David Sullivan and David Gold acquired 25% each of the issued share capital of WH Holding Limited. As a consequence of further transactions on 24 May and 9 August 2010, Messrs Sullivan and Gold increased their respective holdings to 30.6%

Following these transactions there is no ultimate controlling party of the company

### 32 Related Party Disclosures

ALMC hf (formerly Straumur-Burdaras Investment Bank hf) ("ALMC") has an indirect shareholding in the company by virtue of its 69.4% shareholding in CB Holding ehf ("CBH"). CBH acquired the share capital of WH Holding Limited, the company's UK parent company, on 8 June 2009, and, although it has since disposed of a proportion of its interest, it continued to hold 35% of the share capital of WH Holding Limited at the date of these financial statements

In January 2008 the group concluded negotiations for a new combined term loan and revolving credit facility with a syndicate of five banks of which ALMC is a member. Amounts owing to ALMC at 31 May 2011 totalled £8,750,000 (2010 – £8,483,000) in respect of the term loan and £3,000,000 (2010 – £3,000,000) in respect of the revolving credit facility. ALMC's share of interest paid to the syndicate or accrued as at the year end totalled £382,000 (2010 – £290,000)

In addition, CBH advanced an unsecured loan to the company in the course of 2009/10 on which the balance owing at 31 May 2011 was £1,567,000 (2010 – £1,518,000). Interest is capitalised on the loan and amounts capitalised or accrued as at the year end totalled £50,000 (2010 – £16,000)

On 30 May 2011, ALMC advanced a further unsecured loan of £1,000,000 on which accrued interest at the year end totalled £360

On 12 and 13 May 2011 respectively, entities controlled by David Sullivan and David Gold advanced unsecured loans of £1,500,000 each. Interest accrued at the year end totalled £4,000 each

In accordance with the exemption permitted by paragraph 3(c) Financial Reporting Standard 8 (Related Party Disclosures), transactions between group companies have not been disclosed. As disclosed in note 31, the company is a wholly owned subsidiary of WH Holding Limited and the note explains from where that company's financial statements may be obtained