

Company Registration No. 66516

WEST HAM UNITED FOOTBALL CLUB PLC

Report and Financial Statements

31 May 2003



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 2003.

Principal Activity

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

Results and Dividends

The results of the company are as set out in the profit and loss account on page 6.

The directors do not propose the payment of a dividend (2002 - nil).

Review of the Company's Activities and Future Developments

Relegation from the FA Premier League at the end of the 2002/03 season will inevitably be financially damaging for the company. In the coming year central broadcast and sponsorship distributions from the FA Premier League and Nationwide League will drop significantly while gate and commercial revenue will bear the combined effect of reduced prices and lower attendances. The wage savings resulting from the release of ten out of contract players in the close season only partially mitigates this shortfall in revenue. After these and other cost savings, the group is nevertheless budgeting for a significant operating loss in the current financial year.

Furthermore, note 14 shows that £6.5m of bank and hire purchase loans are repayable in the twelve months following the balance sheet date.

It was these financial considerations which necessitated the sale of four players and release of two more in July and August 2003. The associated transfer fee income and wage savings leave the company financially stable and every effort will now be focused on achieving promotion back to the FA Premier League at the end of the current season.

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
TD Brooking CBE

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.

WEST HAM UNITED FOOTBALL CLUB PLC

DIRECTORS' REPORT

(continued)

Directors and their Interests (continued)

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

**31 May 2002 &
31 May 2003**

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.

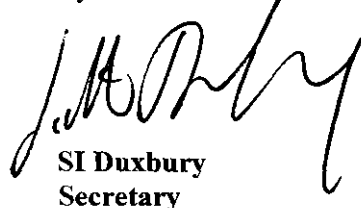
The company seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with suppliers when the details of each transaction are settled. The company will continue to honour its contractual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

At 31 May 2003 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 36 days' credit (2002 – 17 days'). Average figures calculated on the basis laid down by the regulations bear little or no relation to actual days' credit taken as a result of the irregular pattern of invoiced supplies during the year.

Auditors

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

By order of the board



SI Duxbury
Secretary

31 October 2003

WEST HAM UNITED FOOTBALL CLUB PLC

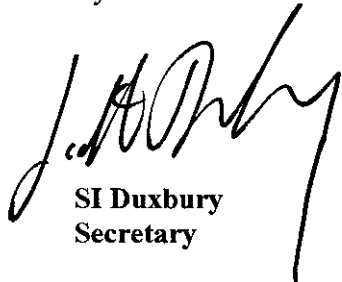
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on 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 to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and for the prevention and detection of fraud and other irregularities.

By order of the board

A handwritten signature in black ink, appearing to read 'SI Duxbury', is written over the printed name and title.

SI Duxbury
Secretary

31 October 2003

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 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 31. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

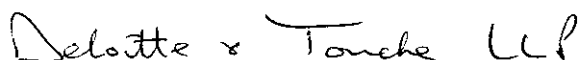
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 of the state of the company's affairs as at 31 May 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

31 October 2003

WEST HAM UNITED FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2003

		2003		2002	
	Notes	Operations excluding player trading £000	Player trading * (notes 7 & 10) £000	Total £000	Total £000
Turnover	2,3	44,862	-	44,862	42,756
Other operating income		23	-	23	805
Administrative expenses	3	(42,057)	(6,431)	(48,488)	(55,160)
Operating profit/(loss)	4	2,828	(6,431)	(3,603)	(11,599)
Profit on disposal of players	6	-	551	551	11,041
Loss before interest and taxation		<u>2,828</u>	<u>(5,880)</u>	(3,052)	(558)
Net interest payable	8			(2,246)	(1,856)
Loss for the financial year	23			<u>(5,298)</u>	<u>(2,414)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003 £000	2002 £000
Loss for the financial year	(5,298)	(2,414)
Unrealised surplus on revaluation of properties	-	2,125
Total recognised gains and losses for the year	<u>(5,298)</u>	<u>(289)</u>

All activities derive from continuing operations.

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

WEST HAM UNITED FOOTBALL CLUB PLC

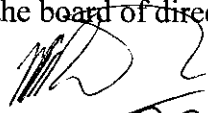
BALANCE SHEET

as at 31 May 2003

	Notes	2003		2002	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		11,922		22,553
Tangible assets	11		59,058		58,394
			<u>70,980</u>		<u>80,947</u>
Current assets					
Debtors	12	4,390		8,724	
Cash at bank and in hand		290		407	
		<u>4,680</u>		<u>9,131</u>	
Creditors - amounts falling due within one year	13	(24,909)		(33,258)	
Net current liabilities			<u>(20,229)</u>		<u>(24,127)</u>
Total assets less current liabilities			<u>50,751</u>		<u>56,820</u>
Creditors – amounts falling due after more than one year	13		(33,036)		(29,450)
Deferred grants	18		(3,203)		(3,292)
Provisions for liabilities and charges	19		(26)		(4,294)
Total net assets			<u>14,486</u>		<u>19,784</u>
Capital and reserves					
Called up share capital	21		5,500		5,500
Share premium account			4,847		4,847
Revaluation reserve	22		13,033		13,033
Profit and loss account	23		(8,894)		(3,596)
Total equity shareholders' funds	24		<u>14,486</u>		<u>19,784</u>

These financial statements were approved by the board of directors on 31 October 2003.

Signed on behalf of the board of directors



TW Brown

Director



N Igwe

Director

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

for the year ended 31 May 2003

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.

Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings. No separate disclosure is made of historical cost losses as the difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis is not material.

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 are valued on a depreciated replacement cost basis and the company's training grounds are valued on a current open market 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. Assets under construction are not depreciated.

Freehold buildings	2%
Plant, fittings & equipment	15-25%
Motor vehicles	25%

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.

Deferred taxation

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

Pension costs

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

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

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

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.

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.

	2003 £000	2002 £000
Match receipts and related football activities	14,653	13,339
Television and FA Premier League distributions	21,119	21,614
Commercial activities	9,090	7,803
	<u>44,862</u>	<u>42,756</u>

3 Exceptional Items

	2003 £000	Group 2002 £000
<u>Turnover</u>		
Commercial income	1,500	-

In July 2000 the company entered into a contract with a commercial sponsor granting certain rights for a future period. The income received under this contract has been treated as deferred income in the company's accounts to 31 May 2001 and 31 May 2002.

In the course of the period ended 31 May 2003, in consideration for the company releasing this sponsor from certain obligations under another contract, the sponsor has agreed to waive its rights under the July 2000 contract. Accordingly the company has released the deferred income to profit in the period.

Administrative Expenses

Compensation for loss of office	-	964
Contribution towards deficit of the Football League Limited Pension and Life Assurance Scheme (note 27)	668	-

4 Operating Loss

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

	2003 £000	2002 £000
Employment costs (note 5)	30,814	30,978
Depreciation on tangible fixed assets (note 11):		
- owned assets	2,128	1,233
- assets held under hire and lease purchase contracts	296	337
Release of grant income	(89)	(90)
Auditors' remuneration:		
- audit	24	25
- other services	7	26
Operating leases	49	31

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

5 Staff Costs and Employees

	2003 £000	2002 £000
Wages and salaries	26,533	26,474
Directors' fees	198	157
Compensation for loss of office	-	964
Social security costs	3,169	3,206
Other pension contributions	914	177
	<u>30,814</u>	<u>30,978</u>
	2003 Number	2002 Number
<u>Average number of persons employed (including directors)</u>		
Players training & management	91	93
Commercial & administrative	81	80
	<u>172</u>	<u>173</u>
Part time employees	14	15
	<u>186</u>	<u>188</u>

Staff costs include exceptional expenditure of £668,000 (2002 - £964,000) (see note 3).

6 Directors' Emoluments

	2003 £000	2002 £000
Emoluments	904	917
Fees	198	157
Aggregate payments made to a defined contribution pension scheme	66	55
	<u>1,168</u>	<u>1,129</u>
<u>Emoluments of highest paid director</u>		
Emoluments	507	444
Aggregate payments made to a defined contribution pension scheme	34	33
	<u>541</u>	<u>477</u>
	Number	Number
Directors who are members of a defined contributions pension scheme	3	3

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

7 Profit on Disposal of Players

	2003 £000	2002 £000
Disposal proceeds (net of costs of realisation)	1,919	11,576
Net book value of players sold (note 10)	(1,368)	(535)
	<u>551</u>	<u>11,041</u>

8 Net Interest Payable

	2003 £000	2002 £000
Interest payable on bank loans and overdrafts	2,015	1,610
Hire purchase loan interest	168	230
Bill of exchange discounting costs	14	22
Interest on loan from parent company	72	72
Interest on other loans	-	6
	<u>2,269</u>	<u>1,940</u>
Bank and other interest receivable	(23)	(84)
	<u>2,246</u>	<u>1,856</u>

9 Taxation on Loss on Ordinary Activities

The tax charge in the year was nil (2002 – nil). As at 31 May 2003, cumulative tax losses available to carry forward against future trading profits were approximately £11,200,000 (2002 – £6,700,000) subject to agreement with the Inland Revenue.

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

	2003 £000	2002 £000
Loss on ordinary activities before tax	<u>(5,298)</u>	<u>(2,414)</u>
Tax credit @ 30% thereon	(1,589)	(724)
Expenses not deductible for tax purposes	198	197
Capital allowances for period in excess of depreciation	(214)	(415)
Intangible assets – timing differences on allowances for tax	154	460
Other timing differences	93	(110)
Increase in tax losses	1,358	592
Current tax charge for year	<u>-</u>	<u>-</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

10 Intangible Fixed Assets

	£000
<u>Cost of player registrations</u>	
1 June 2002	50,456
Additions	1,587
Adjustment to provision for prior years' additions	(4,419)
Disposals	(11,942)
31 May 2003	<u>35,682</u>
<u>Amortisation of player registrations</u>	
1 June 2002	27,903
Charge for the year	6,431
Disposals	(10,574)
31 May 2003	<u>23,760</u>
<u>Net book value</u>	
31 May 2003	<u>11,922</u>
31 May 2002	<u>22,553</u>

11 Tangible Fixed Assets

	Freehold land & buildings £000	Plant, fittings & equipment £000	Motor vehicles £000	Total £000
<u>Cost or valuation</u>				
1 June 2002	53,970	7,432	348	61,750
Additions	2,112	1,044	-	3,156
Reclassification	342	(342)	-	-
Disposals	-	(51)	(103)	(154)
31 May 2003	<u>56,424</u>	<u>8,083</u>	<u>245</u>	<u>64,752</u>
<u>Depreciation</u>				
1 June 2002	1,138	1,958	260	3,356
Charge for the year	1,589	808	27	2,424
Reclassification	20	(20)	-	-
Disposals	-	(18)	(68)	(86)
31 May 2003	<u>2,747</u>	<u>2,728</u>	<u>219</u>	<u>5,694</u>
<u>Net book value</u>				
31 May 2003	<u>53,677</u>	<u>5,355</u>	<u>26</u>	<u>59,058</u>
31 May 2002	<u>52,832</u>	<u>5,474</u>	<u>88</u>	<u>58,394</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

11 Tangible Fixed Assets (continued)

Edward Symmons Hotel & Leisure, Chartered Surveyors, undertook valuations of the freehold properties belonging to the company as at 20 July 2000. In August 2002, they carried out an interim review of these valuations, the results of which have been reflected in these accounts. The valuation of the stadium and adjoining land was on a depreciated replacement cost basis and the valuation of the Chadwell Heath training ground was based on current open market value. No valuation was carried out on the freehold training ground at Little Heath on the basis that this property was purchased within the twelve months preceding the interim review and any valuation was unlikely to differ materially from the cost of acquisition. In accordance with FRS 15, in August 2003, the board of directors undertook a review of these valuations and concluded that no material change in value had occurred since the August 2002 valuation. No separate valuation of land was undertaken.

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

Property	£000
Boleyn Ground and adjoining land	53,200
Chadwell Heath training ground	800

The valuation of the Boleyn Ground includes plant, fittings & equipment valued at £1,187,000. The valuation of the Chadwell Heath training ground includes plant, fittings & equipment valued at £402,000.

The comparable amounts for freehold land and buildings determined according to the historical cost convention are cost of £38,409,000 (2002 – £35,955,000) and accumulated depreciation of £3,552,000 (2002 – £2,245,000).

All the company's freehold land and buildings 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.

	2003 £000	2002 £000
Plant, fittings & equipment	2,530	2,793
Motor vehicles	20	72
	<u>2,550</u>	<u>2,865</u>

12 Debtors

	2003 £000	2002 £000
Trade debtors	1,008	1,278
Amounts owing by fellow group undertakings	25	3,592
Other debtors	832	1,465
Prepayments and accrued income – due within one year	2,305	2,208
Prepayments and accrued income – due after more than one year	220	181
	<u>4,390</u>	<u>8,724</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 2011. The element of these costs relating to periods beyond 31 May 2003 are shown as prepayments due after more than one year.

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

13 Creditors

	2003 £000	2002 £000
<u>Due within one year</u>		
Bank overdrafts (note 16)	4,269	2,758
Bank loans (notes 14 & 16)	5,667	3,176
Obligations under hire and lease purchase contracts (notes 14 & 17)	843	928
Trade creditors	1,133	1,125
Amounts owing to group undertakings	1,676	1,499
Taxation and social security	2,078	2,047
Other creditors	3,576	14,506
Season ticket and other receipts in advance	2,921	5,214
Accruals	2,746	2,005
	<u>24,909</u>	<u>33,258</u>
<u>Due after more than one year</u>		
Debenture loans and subscriptions (notes 14 & 15)	611	611
Bank loans (notes 14 & 16)	29,874	23,758
Obligations under hire and lease purchase contracts (notes 14 & 17)	496	1,318
Season ticket and other receipts in advance	928	3,059
Other creditors	1,127	704
	<u>33,036</u>	<u>29,450</u>

14 Total Loans & Hire Purchase Obligations

	2003 £000	2002 £000
Debenture loans and subscriptions repayable after 5 years or more	611	611
Bank loans repayable:		
Within 1 year or on demand	5,667	3,176
Between 1 and 2 years	4,000	1,800
Between 2 and 5 years	11,000	5,400
After 5 years or more	14,874	16,558
	35,541	26,934
Obligations under hire and lease purchase contracts repayable:		
Within 1 year	843	928
Between 1 and 2 years	385	805
Between 2 and 5 years	111	513
	1,339	2,246
	<u>37,491</u>	<u>29,791</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

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 2003 and 2002 the following applications had been received.

	2003 £000	2002 £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 Loans

The loan in respect of which an amount is repayable after more than five years is provided by a syndicate of three banks. This loan is repayable between July 2002 and July 2011 and interest is charged at between 1.5% and 1.65% over LIBOR.

The above bank loan and the bank overdrafts are secured by legal charges on all 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.

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.

	2003 £000	2002 £000
1 June	3,292	3,382
Released to profit & loss account	(89)	(90)
31 May	<u>3,203</u>	<u>3,292</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

19 Provisions for Liabilities and Charges – Cost of Player Registrations

	2003 £000	2002 £000
1 June	4,294	6,939
Movement for year – established	-	814
– utilised	(304)	(1,906)
– reversed, not utilised	(3,964)	(1,552)
31 May	<u>26</u>	<u>4,294</u>

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

20 Provisions for Liabilities and Charges – Deferred Taxation

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

	2003 £000	2002 £000
Capital allowances in excess of depreciation	1,727	1,475
Intangible assets – accelerated tax relief on payments before 31 May 1998	-	154
Other timing differences	(449)	(354)
	<u>1,278</u>	<u>1,275</u>
Less unutilised tax losses	(3,366)	(2,008)
Surplus on revaluation of properties	2,749	3,525
Unprovided deferred tax liability	<u>661</u>	<u>2,792</u>

No deferred tax asset has been recognised in relation to unutilised tax losses as, in the opinion of the board, there is insufficient evidence of appropriate profits in the future that would lead to the asset crystallising. No deferred tax liability has been provided for in relation to revalued properties as there is no binding sale agreement in place at the balance sheet date for these properties.

21 Called up Share Capital

	2003 £000	2002 £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>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

22 Revaluation Reserve

	2003 £000	2002 £000
1 June	13,033	10,908
Adjustment arising on revaluation	-	2,125
31 May	<u>13,033</u>	<u>13,033</u>

23 Profit and Loss Account

	2003 £000	2002 £000
1 June	(3,596)	(1,182)
Retained loss for the year	(5,298)	(2,414)
31 May	<u>(8,894)</u>	<u>(3,596)</u>

24 Reconciliation of Movements in Shareholders' Funds

	2003 £000	2002 £000
Loss for the year	(5,298)	(2,414)
Adjustment arising on revaluation	-	2,125
Opening shareholders' funds	19,784	20,073
Closing shareholders' funds	<u>14,486</u>	<u>19,784</u>

25 Operating Lease Commitments

At 31 May 2003 the company was committed to making the following payments in respect of operating leases.

	2003 £000	2002 £000
<u>Land and buildings</u>		
Expiring after five years	<u>20</u>	<u>11</u>
<u>Other operating leases</u>		
Expiring within one year	19	12
Expiring within two to five years	30	19
	<u>49</u>	<u>31</u>
	<u>69</u>	<u>42</u>

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

(continued)

26 Capital Commitments

	2003 £000	2002 £000
Contracted for but not provided in the financial statements	-	968

27 Pension Scheme

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

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 which disclosed an amount of £1,372,000 payable by the company over the period from August 2001 to April 2007. Provision was made in full for this liability in the company's accounts for the year ended 31 May 2001.

It is necessary to carry out a revaluation of the deficit every three years and, accordingly, an MFR valuation of the deficit at 31 August 2002 was certified by the scheme actuary in January 2003 and a new schedule of contributions put in place in April 2003 which took account of market movements since the date of certification. This revised schedule showed a further sum of £668,000 to be payable and provision is made in full for this additional liability in these accounts. Accordingly, the company's total contribution towards the deficit is presently £2,040,000. However, as a result of changes in legislation since the original schedule of contributions, participating employers are now permitted 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 2003 and May 2013.

Total pension costs charged during the year amounted to £914,000 (2002 - £177,000).

28 Contingent Liabilities

Under a group banking facility, the company has guaranteed certain bank overdrafts of other group companies. At 31 May 2003 the balances outstanding on these overdrafts was £3,250,000 (2002 - £1,249,000).

In common with other group companies, the company is party to a group VAT registration whereby each member company guarantees the liability to VAT of the other members.

Under the terms of transfer agreements for certain players additional transfer fees might be payable in the event of those players making a certain number of club or international appearances. At the balance sheet date the maximum contingent liability was £2,050,000 (2002 - £900,000).

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

WEST HAM UNITED FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS (continued)

29 Post Balance Sheet Events

Transfers of player registrations completed subsequent to 31 May 2003 amounted to a net £12,200,000 receivable by the company (2002 – £112,000 receivable) with a further £2,800,000 receivable (2002 – nil) contingent on certain future events.

30 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, Maindy, Cardiff CF14 3UZ.

31 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 £60,000 (2002 - £148,000).

Mr CJ Warner, a director of the company, is also a partner in the firm of Messrs Warners, Solicitors, which undertook legal work on behalf of the company in the course of the year. Fees paid to Messrs Warners in respect of these services totalled £18,000 (2002 - £25,000).

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.