MILLWALL HOLDINGS PLC

Report and Accounts for the year ended 31 May 2006

Contents

Directors and Advisers

DIRECTORS
Heather Rabbatts CBE *(Executive Chairman)*
Stewart Till CBE *(Non-Executive)*
Jeffrey David Burnige, BA (Hons) *(Non-Executive)*
Constantine Gonticas *(Non-Executive)*
Trevor Keyse *(Non-Executive)*
Richard Edward Towner, MA *(Non-Executive)*

SECRETARY
Richard Edward Towner, MA

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Registered no. 2355508

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London W1U 3LL

SOLICITORS
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30 Old Burlington Street
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NOMINATED ADVISERS
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3 Queen Victoria Street
London EC4N 8EL

NOMINATED BROKERS
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PRINCIPAL BANKERS
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REGISTRARS AND TRANSFER OFFICE
Computershare Investor Services PLC
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Directors’ Biographies

Heather Rabbatts CBE *(Executive Chairman)* is 50 years old. Heather is also on the board of the UK Film Council and also a Non Executive Director of the Bank of England. She graduated with a BA Hons from the University of London and gained an MSc from the London School of Economics. She was called to the Bar in 1981, has been made an Honorary Doctorate of Science by Guildhall University and was awarded the CBE in the 2000 New Year’s Honours.

Stewart Myles Till CBE *(Non Executive)* is 55 years old. He is currently Chairman and CEO of United International Pictures, Chairman of the UK Film Council and Vice Chairman of Skillset, the Sector Skills Council for the UK’s Audio-Visual Industries. Stewart gained a degree from Bath University, an MA from Essex University and has been made an Honorary Doctorate of Finance & Management by Essex University. In June 2000 he was awarded a CBE for services to the British film industry.

Jeffrey David Burnige *(Non Executive)* is 59 years old. He became a Director of the Football Club in 1986 and a Director of the Company on its flotation in 1989. He also held the position of Chairman of the Company for a short period in 2005.

Constantine Gonticas *(Non Executive)* is 40 years old. He is Managing Partner of Novator LLP, a London based investment fund which belongs to a family owned group of companies. Prior to his current position Mr Gonticas was an investment banker specialising in mergers and acquisitions at Credit Suisse First Boston and at Merrill Lynch. Mr Gonticas has a law degree from Oxford University.

Trevor Keyse *(Non Executive)* is 59 years old. He is a successful businessman in the South East London area whose main interests are in the Timber and Plywood Industry. He owned his own businesses for many years until he sold his interests in 2005. Trevor is now developing new business interests in both commercial and residential property.

Richard Edward Towner *(Non Executive)* is 70 years old. He was, until his retirement, a senior corporate partner of Richards Butler, the City solicitors and is now a consultant with Davenport Lyons, the Company’s solicitors. He is a non-executive director of Bioquell Plc and of a number of private companies including the Chancerealm/Ryman Group and of the Millwall Community Scheme.

Directors' Report

The Directors present their report on the affairs of the Group, together with the accounts and independent auditors' report for the year ended 31 May 2006.

Principal activities

The Company is the holding company of a group engaged primarily in the operation of a professional football club and related activities. There have been no changes in the company's activities in the year under review.

Business Review

Mr Peter de Savary was appointed non-executive Chairman on 29 November 2005; he resigned as non-executive Chairman and as a director on 27 October 2006.

Ms Heather Rabbatts CBE was appointed executive Chairman on 27 October 2006.

The 2005/06 season was not a success and the team finished in 23rd place in The Championship and were relegated to League 1 at the end of the season.

During the year there were a large number of high profile changes with the arrival and departure of Steve Claridge, Colin Lee and David Tuttle as managers of the Football Club. On 29 November Peter de Savary became Chairman of both Millwall Holdings Plc and of the Football Club, handing over the latter position to Stewart Till on 3 May 2006.

The average home League attendance throughout the season was 9,529 (2005: 11,655) placing the Club in the bottom four of the Divisional attendance League and two of the Clubs below us in that attendance league were also relegated. Season ticket sales for the new season are currently 4,719 (2005: 5,416) a reduction of only 13%. A proactive in-house marketing campaign, utilising a group of supporters has helped to minimise the effect of relegation on season ticket sales and we are grateful for their efforts during a difficult period.

During the year a total of £4.9 million (net £4.3 million) was raised by a placing and open share offer together with a net £1.4 million generated from the sale and lease back of the Training Ground. Since the year end further private placings have generated approximately £1.4 million after expenses.

Results

The consolidated profit and loss account for the year is set out on page 14.

Turnover for the year was £6.2 million (2005: £7.4 million). The fall in turnover was a direct result of lower match attendances and the fact that during the 2004/05 season the Club benefited from additional revenue received from playing in the UEFA Cup against Ferencváros of Hungary. The loss on ordinary activities was £4.3 million (2005: £2.8 million) after taking account of £0.5 million profit (2005: £3.2 million profit) on disposal of players' registrations. Therefore the loss on ordinary activities excluding player trading was £4.8 million (2005: £6.0 million).

The reduction of staff to 102 from 114 in 2005 was the main reason for the fall in total staff costs from £8.1 million in 2005 to £6.5 million in 2006. These figures give rise to a 'Total wages to Turnover' ratio of 104% (2005 – 110%). The Championship average 'Total wages to Turnover' ratio for season 2004/2005 was 72% (figures for season 2005/2006 are not yet available); our ratio of 104% is more a consequence of low turnover compared to other clubs than an excessively high wages bill. For example, average wage costs, per club, in the Championship in Season 2004/2005 was approximately £9 million (Millwall – £8.1 million), however average turnover per club was £12.4 million (Millwall – £7.4 million). This is an indication of the wages spend required to compete in the

Championship and there is evidence that there is a strong correlation between the amount a club spends on wages and its final league position each season.

The Directors do not recommend payment of a dividend (2005: no dividend).

Principal risks and uncertainties

In common with many football clubs outside the Premiership the main business risk is the maintenance of a positive cash flow bearing in mind the uncertainty of turnover and the high cost of maintaining a playing squad on which the success of the Group's business is largely dependent. As part of its normal activities, the Club deals in the trading of player registrations and there is always a risk of significant and lasting injuries to players that may impair player values and the Board maintains insurance covering disability which ends a player's career. Players of 24 years old or older are free to move between clubs once their contract has come to an end and the Board maintains a close eye on expiry dates with a view to renewing contracts or realising value.

Prospects

In May 2006 Heather Rabbatts joined as Deputy Chairman with responsibility to drive forward the Club, Company and the Regeneration plans – 'Sport City'. Following the departure of Nigel Spackman (Manager of the First Team) from the Club, Willie Donachie (Assistant Manager) has been taking day to day responsibility for first team affairs. He is assisted by a back up team which includes Kevin Dearden as goalkeeping coach, together with the experienced Pat Holland as Chief Scout, Ade Mafe, the former Olympic Silver Medallist, who has spent the last ten years as football fitness coach to Chelsea, and Terry Standring, the Chief Physiotherapist who brings a wealth of experience from Derby County, Aston Villa and England.

During the close season the training facilities at Bromley were significantly enhanced and the Board believes they now compare favourably with many offered by Championship and even Premier League Clubs.

At the end of the 2005/2006 season the Club was faced with the situation where approximately 50% of the squad would be out of contract on 30 June 2006, consequently an unprecedented number of new players were brought into the club to try to ensure that Millwall FC could field a team with some strength and, more importantly, the potential to grow over the season.

The focus of the Club's Youth Academy will be increasingly elite, with players being fast tracked according to their ability. There are currently 12 players in the first team squad who have come through the youth system, with two young players signing Professional terms during the year.

Off the field of play, the Board recognises the importance of supporter communication and, for the first time, have an elected fan representative on the Club Board as well as being in regular dialogue with The Millwall Supporters' Club.

Commercially, the Group has been discussing with a number of sector consultants ways of improving the catering and retail activities of the Club. For the first time the Club has begun a marketing initiative with high visibility across London utilising poster, train and bus sites to promote the Club's values of "Real Talent, Real Passion, Real Football." The campaign, in association with Viacom UK, has seen much high profile media coverage in the Capital's catchment area. A new ticket system has been introduced giving the Club a more effective customer-management base from which it can focus future ticketing strategies and marketing opportunities. Commercial reviews have been completed in the retailing, conferencing and banqueting areas, with their recommendations being implemented.

Directors' Report

The Club recognises the importance of its profile in the community and it works closely with the Millwall Community Scheme, a registered charity whose aims are to provide facilities and activities for sport, recreation and other activities primarily for Southwark and Lewisham in the interest of social welfare. The Club has the use of a new indoor football centre forming part of the Community Facilities (which are next to the Football Club), and this indoor centre also cements the Club's status as an Academy. The centre not only provides football facilities for Lewisham and Southwark and for the Club but also for people and businesses in the City (which is 15 minutes from the ground), Canary Wharf and other areas of London.

Millwall Football Club has been a pioneering supporter of football's national "Kick it Out" campaign since 1994, the same year in which its own Anti-Racism committee was formed. In April 2004, as a result of the Club's positive stance on the issue of racism, the Football Association chose Millwall to pilot a new race equality initiative in Lewisham and Southwark. The project was a partnership between the FA, the Metropolitan Police and Millwall FC, aimed at creating a greater awareness of racism issues at grassroots level in football and a structure that enabled people who had suffered or been aware of abuse to report it. At home games Millwall operates a zero tolerance policy in respect of racism. Millwall's Anti-Racism Committee became a Charitable trust in 2004 with Lord Herman Ouseley of Peckham, Chair of "Kick it Out", as its Patron.

Directors

The Directors, who served during the year, are as follows:
Peter de Savary *(Non-Executive) (appointed 29 November 2005; resigned 27 October 2006)*
Heather Rabbatts *(Executive) (appointed 3 May 2006)*
Theodoros Paphitis *(Non-Executive) (resigned 19 July 2006)*
Stewart Till *(Non-Executive) (appointed 3 May 2006)*
Trevor Keyse *(Non-Executive) (appointed 18 May 2006)*
Constantine Gonticas *(Non-Executive) (appointed 30 December 2005)*
Jeffrey David Burnige *(Non-Executive)*
Timothy John Jackaman *(Non-Executive) (resigned 30 December 2005)*
Richard Edward Towner *(Non-Executive)*

In accordance with the Articles of Association, Ms Rabbatts and Messrs. Till, Keyse and Gonticas retire, having been elected since the last AGM and Mr J D Burnige retires by rotation and being eligible each offers themself for re-election at the Annual General Meeting.

Short biographical notes on each Director are given on page 3.

Directors shareholdings

Directors interests in the ordinary share capital of the company are disclosed in note 6 to these financial statements.

Save as aforesaid, no Director had, during the year or at the end of the year, any material interest in any contract of any significance to the Group's businesses, save by way of services contracts, information on which is set out on page 10.

Employee involvement

The Group operates employment policies, which place emphasis upon employee involvement where possible. The Group practices equality of employment opportunity irrespective of sex, race, colour, marital status or ethnic or national origins. It is the Group's policy to offer equal opportunity to disabled persons wherever appropriate, having regard to their aptitudes and abilities.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 group and company and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate Governance

Statement of compliance with the Combined Code on Corporate Governance

Although, as an AIM company, the Company is not required to comply with the combined code the Board is committed to high standards of corporate governance. The Board confirms that throughout the year ended 31 May 2006, the Group has complied with those provisions set out in Section 1 of the revised Combined Code, issued by the Financial Reporting Council in July 2003, that the Directors consider relevant to a business of the Company's size. The main provisions which have not been complied with are as follows:

- The offices of Chairman and Chief Executive were combined for 6 months of the year and the Chief Executive of the wholly owned subsidiary, Ken Brown, together with Theo Paphitis (on whom the Board of the Company had temporarily conferred executive authority and who resigned on 19 July 2006) reported to the Board. The Board recognised the concerns about the possible negative effects of a concentration of power through a combination of the two roles but believed these did not apply to the company. The relative size of the Group and part-time nature of those executive duties not delegated to a team of other senior managers rendered separation of these posts unnecessary at that time.
- During the year the audit committee consisted of two non-executive directors, one of whom (R Towner) was not regarded as independent during the first six months for the purposes of the Code. The Provisions of the Code require the audit committee to consist of at least three members, who should all be independent non-executive directors. Taking account of the size of the Group and the nature of its operations, the audit committee was considered adequate.

Directors' Report

- During the year the remuneration committee consisted of two non-executive directors one of whom (R Towner) was not regarded as independent during the first six months for the purposes of the Code. The Provisions of the Code require the remuneration committee to all be independent non-executive directors and consequently the Company is not compliant with this provision. Taking account of the size of the Group, the nature of its operations and the level of directors remuneration, the remuneration committee was considered adequate.
- There is no formal nomination committee; the directors collectively consider appointments to the Board. The Provisions of the Code require that all listed companies' nomination committees should lead the process for board appointments and make recommendations to the Board. Taking into account the size of both the Group and the Board, the lack of a formal nomination committee is considered to be appropriate.
- There is no formal process of performance evaluation. However, the performance of individual board members is continually reviewed by the Board of Directors.
- The Group does not currently have a formal internal audit function. Taking into account the size of both the Group and the Board, the lack of a formal internal audit function is considered to be appropriate. The Board review this periodically, taking into account the size of the Group and the nature of its operations.
- The Group has awarded share options to Mr. Peter de Savary, which have now lapsed, and certain third parties.

Your attention is drawn to the information on Mr R Towner referred to below.

The Board

The Board currently consists of one executive (Ms H Rabbatts) and five non-executive directors (Mr S Till, Mr T Keyse, Mr C Gonticas, Mr J Burnige, and Mr R Towner). The Board normally meets at least six times a year and otherwise as required. The Board has a majority of independent directors (including for this purpose Mr Towner), all of whom are non-executive. Whilst Mr. Towner was not considered to be independent during the first six months of the year under review, in that he was involved in certain other companies of which Mr. Paphitis is Chairman and/or Chief Executive, it is considered that his involvement did not affect his objective judgement.

All Directors are subject to re-election at the first AGM after their appointment and in accordance with the Code and the Articles of Association, submit themselves for re-election in rotation at least every three years.

Communication

The Company places a great deal of importance on communication with its shareholders in order to understand the views of major shareholders. The Company publishes its full report and accounts each year. The full report and accounts are available to all shareholders, and to other parties, on request, who have an interest in the group's performance. Communication with shareholders also takes place via the company website www.millwallfc.co.uk.

The Board, or representatives thereof, meets with its institutional shareholders on request and all shareholders have the opportunity to put questions at the company's annual general meeting and the board makes a presentation at the meeting to highlight the key business developments during the financial year.

Maintenance of a sound system of internal control

The Board has applied Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The Board regularly reviews the process, which has been in place from the start of the period to the date of approval of this report and which is in accordance with Internal Control: Guidance for Directors on the Code published in September 1999. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with Provision C.2.1 of the Code, the Board continuously reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. This assessment considers all significant aspects of internal control arising during the period covered by the report. The audit committee assists the Board in discharging its review responsibilities.

Audit Committee – current

The Board now has an audit committee comprising Richard Towner, Trevor Keyse and Constantine Gonticas (non-executive directors). The remit of the audit committee includes the discussion with the auditors of the audit approach and of reports by the auditors of the results of their work and it meets at least once a year.

The audit committee has sole responsibility for assessing the independence of the external auditors, BDO Stoy Hayward LLP. The committee has had due regard to the document published in May 2003 by the Institute of Chartered Accountants in England and Wales (ICAEW) 'Reviewing Auditor Independence: guidance for audit committees'. Each year the committee undertakes to:

- Seek reassurance that the external auditors and their staff have no family, financial, employment, investment or business relationship with the company. To this end the committee requires the external auditor and their associates to confirm this in writing, and detail the procedures which the auditor has carried out in order to make this confirmation.
- Confirm that all partners engaged in the audit process are rotated at least every 5 years.
- Assess the likely impact on the auditors' independence and objectivity before awarding them any contract for additional services. It is company policy to require the auditors, together with at least two other firms, to tender for all non-audit assignments where the fee is in excess of £20,000.
- Have as a standing agenda item auditor independence issues at each audit committee meeting.

Remuneration Committee – current

The Board now has a remuneration committee comprising Constantine Gonticas, Stewart Till and Richard Towner (non-executive directors). Of the Members of the Board, only Ms H Rabbatts is entitled, in her capacity as an Executive, to receive any remuneration, but all directors are entitled to reimbursement of reasonable and proper expenses. The committee meets once a year with all committee members in attendance. This policy is subject to periodic review.

Directors' Report

Financial Instruments

Details of the use of financial instruments by the company and its subsidiary undertaking are contained in Note 23 of the financial statements

Going concern

The Board has considered the adoption of the going concern basis and has concluded that the basis has been appropriately adopted in the accounts. The Board accepts that it is an integral part of the Group's activities to trade in player registrations and that the disposal of such registrations may be made, as the Group's financial position requires. The Board does not consider that FIFA's transfer system regulating player transfers affects the going concern basis.

Directors' remuneration

Policy of remuneration

The remuneration committee has reviewed the relevant Directors' remuneration in respect of the year ended 31 May 2006.

Directors' Service Agreements

Mr T Paphitis (resigned 19 July 2006) provided his services until 20 March 2006 through Independent Managers Limited, a company that he controls; this agreement was replaced by a letter of appointment with himself. The appointment was terminable, *inter alia*, upon not less than 6 months' notice given by the Company or 3 months given by him. The letter provided that Mr Paphitis would not receive directors' fees or any remuneration in respect of the services provided by him but would be entitled to reimbursement of expenses.

Mr Peter de Savary (appointed 29 November 2005; resigned 27 October 2006) had entered into a letter of appointment with the Company, terminable with immediate effect by either party serving notice on the other. The letter provided that he would not receive directors' fees or any remuneration in respect of the services provided by him but would be entitled to reimbursement of expenses.

Ms Heather Rabbatts, now the Executive Chairman, entered into an agreement with the Company on 3 May 2006 for an initial period of 3 months during which she would, in addition to her executive duties, prepare a detailed report on various issues relating to the Group. The initial period has been extended on a monthly basis and may be further extended by mutual agreement. The annual remuneration is currently £220,000.

The other non-executive directors have entered into letters of appointment terminable, *inter alia*, upon not less than 6 months' notice given by the Company or 3 months given by them. The letters provide that they will not receive directors' fees or any remuneration in respect of the services provided by them but will be entitled to reimbursement of expenses.

Issue of share capital during the year

On 19 April 2006 as a result of a Placing and Open Offer the Company issued 12,291,353,300 New Ordinary Shares raising a total of £4,916,541 (before issue costs of £592,000). The purpose of the Placing and Open Offer was to provide working capital for the Company and its subsidiary for at least 12 months from the date of issue and to repay certain bank borrowings.

Issue of share capital subsequent to the year end

Subsequent to the year end further private placings raised a further £1.475 million (before issue costs of £41,015) and a further 3,687,500,000 New Ordinary Shares were issued.

Substantial shareholdings

The Directors have been notified that at 7 November 2006 the following shareholders, other than Directors, held 3 per cent or more of the issued share capital of the Company:

	Number of ordinary shares	Holding %
Mr Theodoros Paphitis	3,507,111,720	15.89
Pershing Keen Nominees Limited	1,405,673,822	6.37
Oracle Management Limited	1,875,000,000	8.50
Mr Peter de Savary	1,250,000,000	5.66
Mr William Shenkman	750,000,000	3.40
Forest Nominees Limited	700,000,000	3.17

Political and charitable donations

During the year, the Group made no charitable or political donations.

Given the specialised nature of the Group's property interests, the Directors do not consider that there is a readily ascertainable market value for the Group's properties, which are carried in the accounts at cost less depreciation.

Payment of creditors

The Group's policy is to settle agreed amounts outstanding to creditors within sixty days. This policy is made known to staff who handle payments to suppliers and is made known to suppliers on request. The Company had no trade creditors at 31 May 2006 (31 May 2005: £nil).

AGM Resolutions and Auditors

Receipt of the Accounts for the year will be voted upon at the Annual General Meeting of the Company to be held on 15 December 2006 and convened by way of a separate notice contained herein. The Directors will place a resolution before the Annual General Meeting to re-appoint BDO Stoy Hayward LLP as auditors for the ensuing year.

All the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The Board would like to thank players, management and staff for their hard work throughout last season. The support of shareholders, fans and everyone connected with the Club has, as ever, been tremendous and to all of them, the Board extends its thanks.

This Report was approved by the Board of Directors on 10 November 2006.

H Rabbatts
Director

10 November 2006

Independent Auditors' Report

To the shareholders of Millwall Holdings Plc

We have audited the group and parent company financial statements (the "financial statements") of Millwall Holdings Plc for the year ended 31 May 2006 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Independent Auditors' Report

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the group's affairs as at 31 May 2006 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 May 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis Of Matter – Going Concern

In forming our opinion which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. Note 1 to the financial statements indicates the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern, but, as stated in note 1, the Directors consider it appropriate to adopt the going concern basis. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
London

10 November 2006

Consolidated Profit and Loss Account

for the year ended 31 May 2006

	Notes	***Operations excluding player amortisation and trading £000***	***Player amortisation and trading £000***	***Total £000***	*Year Ended 31 May 2005 Total £000*
Turnover	1	**6,246**	**–**	**6,246**	7,356
Staff costs	5	**(6,504)**	**–**	**(6,504)**	(8,099)
Amortisation of players' registrations	10	**–**	**(244)**	**(244)**	(653)
Depreciation	11	**(366)**	**–**	**(366)**	(356)
Profit on disposal of players' registrations		**–**	**545**	**545**	3,213
Other administrative expenses		**(3,700)**	**–**	**(3,700)**	(4,148)
Total expenses		**(10,570)**	**301**	**(10,269)**	(10,043)
Operating loss		**(4,324)**	**301**	**(4,023)**	(2,687)
Interest receivable and similar income	2			**3**	15
Interest payable and similar charges	3			**(277)**	(92)
Loss on ordinary activities before taxation	4			**(4,297)**	(2,764)
Taxation on loss on ordinary activities	7			**–**	–
Retained loss for the year	18			**(4,297)**	(2,764)
Loss per share – basic and diluted	8			**(0.057)p**	(0.047)p

All of the Group's operations were continuing.

There were no recognised gains and losses in the year, or the preceding year, other than those reported in this Consolidated Profit and Loss Account.

The accompanying notes form an integral part of this Consolidated Profit and Loss Account.

Consolidated Balance Sheet

31 May 2006

	Notes	*2006* *£000*	*2005* *£000*
Fixed assets			
Intangible assets	10	**66**	606
Tangible assets	11	**15,942**	16,227
		16,008	16,833
Current assets			
Stocks	13	**92**	112
Debtors – due within one year	14	**1,694**	2,419
– due after more than one year	14	**–**	550
		1,694	2,969
Cash at bank and in hand		**777**	199
		2,563	3,280
Creditors: Amounts falling due within one year	15	**(3,651)**	(6,972)
Net current liabilities		**(1,088)**	(3,692)
Total assets less current liabilities		**14,920**	13,141
Creditors: Amounts falling due after more than one year	16	**(4,885)**	(3,133)
Net assets		**10,035**	10,008
Capital and reserves			
Called up share capital	17	**4,171**	2,942
Share premium account	18	**11,087**	7,992
Capital reserve	18	**21,474**	21,474
Profit and loss account	18	**(26,697)**	(22,400)
Shareholders' funds	19	**10,035**	10,008

The accounts on pages 14 to 32 were approved by the Board of Directors and authorised for issue on 10 November 2006.

H Rabbatts
Director

The accompanying notes form an integral part of this consolidated balance sheet.

Company Balance Sheet

31 May 2006

	Notes	***2006*** ***£000***	*2005* *£000*
Fixed assets			
Investments	12	**10,125**	10,080
Current assets			
Debtors	14	**9**	9
Cash at bank and in hand		**21**	1
		30	10
Creditors: Amounts falling due within one year	15	**(120)**	(82)
Net current liabilities		**(90)**	(72)
Net assets		**10,035**	10,008
Capital and reserves			
Called up share capital	17	**4,171**	2,942
Share premium account	18	**11,087**	7,992
Capital reserve	18	**21,416**	21,416
Profit and loss account	18	**(26,639)**	(22,342)
Shareholders' funds	19	**10,035**	10,008

The accounts on pages 14 to 32 were approved by the Board of Directors and authorised for issue on 10 November 2006.

H Rabbatts
Director

The accompanying notes form an integral part of this balance sheet.

Consolidated Cash Flow Statement

for the year ended 31 May 2006

	Notes	**Year Ended 31 May 2006 £000**	*Year Ended 31 May 2005 £000*
Net cash outflow from operating activities	20	**(4,326)**	(3,922)
Returns on investments and servicing of finance			
Interest received		**3**	15
Interest paid		**(257)**	(90)
Interest element of finance lease and hire purchase payments		**(20)**	(2)
Net cash outflow from returns on investments and servicing of finance		**(274)**	(77)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(55)**	(32)
Purchase of players' registrations		**(135)**	(802)
Proceeds of sale of tangible fixed assets		**–**	12
Proceeds of sale of players' registrations		**825**	2,282
Net cash inflow from investing activities		**635**	1,460
Net cash outflow before financing		**(3,965)**	(2,539)
Financing			
Proceeds from the issue of new shares		**4,917**	1,000
Associated costs of issuing new shares		**(592)**	(25)
Proceeds of sale and leaseback of training ground		**1,850**	–
Capital element of finance lease and hire purchase contracts repaid		**(66)**	(11)
Net cash inflow from financing		**6,109**	964
Increase/(decrease) in cash	21	**2,144**	(1,575)

The accompanying notes form an integral part of this cash flow statement.

Notes to the Accounts

for the year ended 31 May 2006

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going Concern

The Directors continually monitor the financial position of the Group, taking into account the latest cash flow forecasts and the ability of the Group to generate cash. The Directors have prepared the financial statements on a going concern basis having had regard to the fund raisings subsequent to the year end (see Note 25) and the cash flow projections for the period to 31 October 2007. The Directors have also considered the impact of player trading, which is an integral part of the Group's activities, and the cash flows associated with this trading activity.

While there will always remain some inherent uncertainty the Directors remain confident that they will be able to manage the Group's finances and operations so as to achieve the forecasted cash flows and, as a result, that it is appropriate to draw up the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

Basis of consolidation

The group accounts consolidate the accounts of Millwall Holdings Plc and its subsidiary undertaking drawn up to 31 May using the acquisition method of accounting. The results of the subsidiary undertaking are included from the date of acquisition.

Players' registrations

The cost of players' registrations, comprising transfer fees payable and signing on fees, is capitalised and the cost is amortised over the period of the contract to which the registration relates. The carrying value is reviewed to take into account any perceived impairment of the value of the registrations. Contingent transfer fees payable are recognized once crystallisation of the contingent liability becomes probable.

Transfer fees receivable are recognised in the period in which the registration is transferred and any profit or loss arising is dealt with in the profit and loss account. Contingent transfer fees receivable are recognized once the contingent conditions have been met.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Long leasehold premises	– 2% per annum
Fixtures and fittings	– 20% per annum
Motor vehicles	– 25% per annum
Leashold Land	– over the term of the lease

Residual value is calculated on prices prevailing at the date of acquisition or valuation.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to sell. Provision is made for obsolete, slow moving or defective items where appropriate.

for the year ended 31 May 2006 *(continued)*

1 Accounting policies *(continued)*

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pension costs and other post retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Where the group is a member of a multi-employer scheme and a reliable identification of its assets and liabilities cannot be made then in accordance with FRS 17: "Retirement Benefits" the contributions to the scheme are accounted for as though the scheme were a defined contribution scheme.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

The group has entered into a sale and leaseback transaction where the risks and rewards of ownership have not been substantially transferred to the lessor. This has been treated as a finance lease in these financial statements. The rent payable by the group throughout the term of the lease is apportioned as a partial repayment of the related liabilities and secondly, as interest charged to profits. Any increase in rent under the terms of the lease will be charged to the profit and loss account.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Turnover

Turnover represents amounts receivable from gate receipts, season tickets, programme sales, League awards, catering and shop revenue, advertising and sponsorship, broadcasting rights and sundry other income net of VAT, and excludes transfer fees receivable. Turnover is wholly attributable to the principal activity and arises solely within the United Kingdom.

Grants

Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

for the year ended 31 May 2006 *(continued)*

Financial instruments
In relation to the disclosures made in note 23:

- short term debtors and creditors are not treated as financial assets or financial liabilities (other than for currency disclosures); and
- the group does not hold or issue derivative financial instruments for trading purposes.

2 Interest receivable and similar income

	Year Ended 31 May 2006 £000	*Year Ended 31 May* 2005 £000
Interest receivable and similar income	**3**	15

3 Interest payable and similar charges

	Year Ended 31 May 2006 £000	*Year Ended 31 May 2005 £000*
Bank loans and overdrafts	**247**	90
Finance leases and hire purchase contracts	**20**	2
Other	**10**	–
	277	92

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	Year Ended 31 May 2006 £000	*Year Ended 31 May 2005 £000*
Depreciation and amounts written off tangible fixed assets		
– owned	**358**	349
– held under finance leases and hire purchase contracts	**8**	7
Amortisation of grant	**(104)**	(104)
Amortisation of player registrations	**244**	653
Operating lease rentals		
– plant and machinery	**35**	32
– other	**66**	171
Auditors' remuneration		
– audit services	**25**	25
– non-audit services	**55**	–
Directors' remuneration	**16**	–
Profit on sale of tangible fixed assets	**–**	(4)
Profit on sale of players' registrations	**(545)**	(3,213)

Auditors' remuneration for audit services of the Company was £5,000 (2005: £5,000).

for the year ended 31 May 2006 *(continued)*

5 Staff costs

The average monthly number of employees (including executive Directors) was:

	Year Ended 31 May 2006 Number	Year Ended 31 May 2005 Number
Football team management	**10**	10
Administrative and ground staff	**52**	53
Players	**40**	51
	102	114

In addition, the Group employs on average, a further 220 (2005: 220) temporary staff on matchdays.

Aggregate remuneration comprised:

	Year Ended 31 May 2006 £000	Year Ended 31 May 2005 £000
Wages and salaries	**5,821**	*7,231*
Social security costs	**611**	*837*
Pension costs	**72**	*31*
	6,504	*8,099*

The average number of employees of the company during the year, including directors, was 5 (2005: 4). There were no employment costs borne by the company in either year.

6 Directors' remuneration, interests and transactions

The only director of the Company to receive remuneration for her services during the year was Ms H Rabbatts, Executive Deputy Chairman. She received £15,890 (2005: £nil) from The Millwall Football and Athletic Company (1985) Plc in the year.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the Directors or companies they control. Details of the options are as follows:

	1 June 2005	Granted	Exercised	Lapsed*	31 May 2006	Exercise price £
Mr P de Savary	–	1,838,344,046	–	–	1,838,344,046	0.04p

Mr de Savary held no options on 29 November 2005, the date of his appointment as a director.

*The options were exercisable between 19 April 2006 and 18 April 2013. Mr de Savary's right to exercise the option was conditional upon him being a director of the Company or the Club at the time of exercise. Mr de Savary resigned as a director of the Company and the Club on 27 October 2006, consequently the options lapsed on 27 October 2006.

The mid market price of the ordinary shares at 31 May 2006 was 0.05p and the range during the financial year was 0.07p to 0.04p.

for the year ended 31 May 2006 *(continued)*

6 Directors' remuneration, interests and transactions *(continued)*

The interests of the Directors in office at the year end and their families in the Company's ordinary shares of 0.01p each at the beginning and end of the year are set out below:

	31 May 2006 Beneficial Number	*31 May 2005 Beneficial Number*
Theodoros Paphitis (Resigned 19 July 2006)	**3,507,111,720**	382,111,720
Peter de Savary (Appointed 22 November 2005 and resigned 27 October 2006)	**1,250,000,000**	–
Jeffrey David Burnige	**638,400,517**	13,400,517
Constantine Gonticas (Appointed 30 December 2005)	**375,000,000**	–
Richard Edward Towner	**141,611,087**	6,229,162
Heather Rabbatts (Appointed 3 May 2006)	**–**	–
Stewart Till (Appointed 3 May 2006)	**–**	–
Trevor Keyse (Appointed 18 May 2006)	**–**	–

Included in the beneficial shareholding above for Mr Paphitis are 54,857,912 (31 May 2005: 54,857,912) shares which are held by trustees of a pension fund of which Mr Paphitis is a beneficiary. Also included in the beneficial shareholding for Mr Paphitis are 267,528,396 (31 May 2005: 267,528,396) shares beneficially owned by Xunely Limited, a company controlled by Mr Paphitis.

7 Tax on loss on ordinary activities

No taxation charge arises due to the incidence of losses incurred and capital allowances claimed during the year (31 May 2005: £nil).

The tax assessed for the year differs to the standard rate of corporation tax in the UK. The differences are explained below:

	Year Ended 31 May £'000 2006	*Year Ended 31 May £'000 2005*
Loss on ordinary activities before tax	**(4,297)**	(2,764)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	**(1,289)**	(829)
Effects of:		
Expenses not deductible for tax purposes	**23**	25
Depreciation in excess of capital allowances	**56**	47
Losses carried forward in year	**749**	757
Taxation on proceeds of sale and leaseback	**461**	–
Current tax charge for year	**–**	–

Factors that may affect future tax charges

A deferred taxation asset has not been created on trading losses of £31,513,291 (2005: £29,014,302) given the inherent uncertainty of future profits. The unprovided deferred tax asset is £11,842,417 (2005: £10,260,476).

for the year ended 31 May 2006 *(continued)*

8 Loss per ordinary share

The calculation of loss per ordinary share is based on the loss for the year of £4,297,000 (31 May 2005 loss: £2,764,000) and on 7,540,109,611 (31 May 2005: 5,908,525,523) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the year. There is no potential dilution on the loss per ordinary share (2005: no potential dilution on loss per ordinary share). There is no difference between basic and diluted earnings per share in 2006 and 2005. As at 31 May 2006 the number of options which could potentially dilute basic earnings per share in the future was 3,648,560,000 (2005: Nil). These have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the period presented.

9 Parent company loss

The Company has taken advantage of the exemption in the Companies Act 1985 S230 not to present its own profit and loss account. A loss of £4,297,000 (2005: £2,724,000) of the consolidated loss for the year attributable to the shareholders of Millwall Holdings Plc has been dealt with in the accounts of the Company.

10 Intangible fixed assets

	Players' Registrations £000
Group	
Cost	
1 June 2005	1,422
Additions	135
Disposals	(794)
31 May 2006	**763**
Depreciation	
1 June 2005	816
Charge for the year	244
Disposals	(363)
31 May 2006	**697**
Net book value	
31 May 2006	**66**
31 May 2005	606

for the year ended 31 May 2006 *(continued)*

11 Tangible fixed assets

	Long leasehold premises £000	*Leasehold land £000*	*Fixtures and fittings £000*	*Motor vehicles £000*	*Total £000*
Group					
Cost					
1 June 2005	17,629	300	3,016	25	20,970
Additions	–	28	36	17	81
31 May 2006	**17,629**	**328**	**3,052**	**42**	**21,051**
Accumulated depreciation					
1 June 2005	2,127	–	2,591	25	4,743
Charge for the period	176	3	186	1	366
31 May 2006	**2,303**	**3**	**2,777**	**26**	**5,109**
Net book value					
31 May 2006	**15,326**	**325**	**275**	**16**	**15,942**
31 May 2005	15,502	300	425	–	16,227

The amounts classified as Long leasehold premises represent costs associated with the building of a football stadium at Senegal Fields.

The amount classified as Leasehold land represents the cost of purchasing the club's training ground which was subsequently sold for a consideration of £1,850,000 and leased back for a period of 20 years. This has been treated as a finance lease in these financial statements. Future obligations under this arrangement are included in Obligations under finance leases and hire purchase contracts in Notes 15 and 16.

Included in the net book value of motor vehicles and fixtures and fittings is £27,000 (31 May 2005: £21,000) relating to assets acquired under finance lease and hire purchase agreements. The depreciation charge for the year in respect of these assets is £7,000 (31 May 2005: £7,000).

for the year ended 31 May 2006 *(continued)*

12 Fixed asset investments

	Shares in subsidiary undertaking £000	*Loan to subsidiary undertaking £000*	*Total £000*
Company			
1 June 2005	400	33,715	34,115
Additions	–	4,155	4,155
31 May 2006	**400**	**37,870**	**38,270**
Amounts provided for			
1 June 2005	–	24,035	24,035
Provided in year	–	4,110	4,110
31 May 2006	**–**	**28,145**	**28,145**
Net book value			
31 May 2006	**400**	**9,725**	**10,125**
31 May 2005	400	9,680	10,080

At 31 May 2006, the Company's subsidiary, which is incorporated, registered and operates in England and Wales was The Millwall Football and Athletic Company (1985) Plc, a football club of which the Company owns 100% of the issued share capital and the voting rights.

All investments are unlisted. In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet, taking into account underlying goodwill and the value of players' registrations.

13 Stocks

	Group		*Company*	
	31 May 2006 £000	*31 May 2005 £000*	***31 May 2006 £000***	*31 May 2005 £000*
Goods for resale	**92**	112	**–**	–

14 Debtors

	Group		*Company*	
	31 May 2006 £000	31 May 2005 £000	***31 May 2006 £000***	31 May 2005 £000
Trade debtors	**232**	257	**–**	–
Other debtors	**849**	2,149	**–**	–
Prepayments and accrued income	**613**	563	**9**	9
	1,694	2,969	**9**	9

for the year ended 31 May 2006 *(continued)*

14 Debtors *(continued)*

All amounts shown under debtors in respect of the current year fall due for payment within one year. In the prior period an amount of £550,000, due from Crystal Palace FC with respect to the transfer of Darren Ward, was included in other debtors. This amount was due between one and two years.

15 Creditors: Amounts falling due within one year

	Group		*Company*	
	31 May 2006 £000	*31 May 2005 £000*	***31 May 2006 £000***	*31 May 2005 £000*
Bank loans and overdrafts	**1,046**	2,612	**–**	–
Signing on fees	**25**	165	**–**	–
Obligations under finance leases and hire purchase contracts	**73**	6	**–**	–
Taxation and social security	**806**	831	**–**	–
Other creditors	**1,030**	1,847	**67**	7
Accruals and deferred income	**671**	1,511	**53**	75
	3,651	6,972	**120**	82

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Group.

Included within accruals and deferred income is an amount of £113,000 (2005: £982,000) relating to amounts received in advance, in respect of season tickets, executive boxes and sponsorship relating to the following year.

16 Creditors: Amounts falling due after more than one year

	Group		*Company*	
	31 May 2006 £000	*31 May 2005 £000*	***31 May 2006 £000***	*31 May 2005 £000*
Signing on fees	**2**	22	**–**	–
Other creditors	**166**	34	**–**	–
Obligations under finance leases and hire purchase contracts	**1,753**	10	**–**	–
Accruals and deferred income	**2,964**	3,067		
	4,885	3,133	**–**	–

The amount referred to as accruals and deferred income relate to grants received in respect of the long leasehold premises and other fixtures and fittings.

for the year ended 31 May 2006 *(continued)*

16 Creditors: Amounts falling due after more than one year *(continued)*

Financial liabilities are due:

	Finance leases		*Signing on fees*		*Total*	
	31 May 2006 £000	*31 May 2005 £000*	***31 May 2006 £000***	*31 May 2005 £000*	***31 May 2006 £000***	*31 May 2005 £000*
Amount payable						
– within one year	**73**	6	**25**	165	**98**	171
– after one year but within two years	**72**	10	**2**	22	**74**	32
– after two years but within five years	**202**	–	**–**	–	**202**	–
– after more than 5 years	**1,479**	–	**–**	–	**1,479**	–
	1,826	16	**27**	187	**1,853**	203

17 Called up share capital

	31 May 2006 Number	*31 May 2005 Number*
Authorised		
Ordinary shares of 0.01p each	**86,881,838,777**	86,881,838,777
Deferred shares of 0.09p each	**2,592,087,167**	2,592,087,167
	89,473,925,944	89,473,925,944
Allotted, called up and fully paid		
Ordinary shares of 0.01p each	**18,383,440,467**	6,092,087,167
Deferred shares of 0.09p each	**2,592,087,167**	2,592,087,167
	20,975,527,634	8,684,174,334

	£000	*£000*
Authorised		
Ordinary shares of 0.01p	**8,688**	8,688
Deferred shares of 0.09p	**2,333**	2,333
	11,021	11,021
Allotted, called up and fully paid		
Ordinary shares of 0.01p	**1,838**	609
Deferred shares of 0.09p	**2,333**	2,333
	4,171	2,942

for the year ended 31 May 2006 *(continued)*

17 Called up share capital *(continued)*

Issue of Ordinary Share Capital

On 19 April 2006 as a result of a Placing and Open Offer the Company issued 12,291,353,300 New Ordinary Shares of 0.01p at an Issue price of 0.04p each, raising a total of £4,916,541 (before expenses of £592,000). The purpose of the Placing and Open Offer was to provide working capital for the Company and its subsidiary for at least 12 months from the date of issue and to repay certain bank borrowings.

Deferred shares

The rights attaching to the deferred shares which were not admitted to trading on AIM or any other recognised investment exchange, render them effectively valueless. The deferred shares do not carry any voting rights or rights to payment of a dividend. On a winding up of the company or on a return of capital the deferred shares entitle the shareholders only to the repayment of the amounts paid up on those shares after the repayment of the capital paid up on the ordinary shares and the payment of £100,000 on each ordinary share. The deferred shares are non redeemable.

18 Reserves

	Share premium account £000	*Capital reserves £000*	*Profit and loss account £000*
Group			
1 June 2005	7,992	21,474	(22,400)
Share issues	3,687	–	–
Share issues - costs	(592)	–	–
Loss for the year	–	–	(4,297)
31 May 2006	**11,087**	**21,474**	**(26,697)**
Company			
1 June 2005	7,992	21,416	(22,342)
Share issues	3,687	–	–
Share issues – costs	(592)	–	–
Loss for the year	–	–	(4,297)
31 May 2006	**11,087**	**21,416**	**(26,639)**

19 Reconciliation of movements in shareholders' funds

	Group		*Company*	
	2006 £000	*2005 £000*	***2006 £000***	*2005 £000*
Brought forward	**10,008**	11,797	**10,008**	11,757
New shares issued (net of issue costs)	**4,324**	975	**4,324**	975
Loss for the financial year	**(4,297)**	(2,764)	**(4,297)**	(2,724)
Carried forward	**10,035**	10.008	**10,035**	10,008

for the year ended 31 May 2006 *(continued)*

20 Reconciliation of operating loss to net cash outflow from operating activities

	Year Ended 31 May 2006 £000	*Year Ended 31 May 2005 £000*
Operating loss	**(4,023)**	(2,687)
Depreciation	**366**	356
Profit on sale of fixed assets	**–**	(4)
Amortisation of grants	**(104)**	(104)
Amortisation of players' registrations	**244**	653
Profit on disposal of players' registrations	**(545)**	(3,213)
Decrease in stocks	**20**	45
Decrease in debtors	**1,425**	1,453
Decrease in creditors and deferred income	**(1,709)**	(421)
Net cash outflow from operating activities	**(4,326)**	(3,922)

21 Analysis and reconciliation of net debt

	31 May 2005 £000	*Cash flow £000*	*Non cash Changes £000*	***31 May 2006 £000***
Cash in hand and at bank	199	578	–	**777**
Overdrafts and short term loans	(2,612)	1,566	–	**(1,046)**
	(2,413)	2,144	–	**(269)**
Finance leases	(16)	(1,784)	(26)	**(1,826)**
	(2,429)	360	(26)	**(2,095)**

Reconciliation of net cash flow to movement in net debt

	31 May 2006 £000	*31 May 2005 £000*
Increase/(decrease) in net cash in the year	**2,144**	(1,575)
Cash flow from lease financing	**(1,784)**	11
Inception of new finance leases	**(26)**	(20)
Movement in net debt in the year	**334**	(1,584)
Net debt at 1 June	**(2,429)**	(845)
Net debt at 31 May	**(2,095)**	(2,429)

22 Financial commitments and contingent assets/liabilities

a) *Contractual commitments*

At the 31 May 2006 the Group is committed to pay £27,000 (2005: £187,000) in respect of players' signing on fees under current contracts. These amounts have been capitalised as a component of players' registrations and the cost is accrued in these accounts.

for the year ended 31 May 2006 *(continued)*

22 Financial commitments and contingent assets/liabilities *(continued)*

b) *Operating lease commitments*

Annual commitments under non-cancellable operating leases are as follows:

	Group Land and buildings		*Group Other assets*	
	2006	*2005*	***2006***	*2005*
	£000	*£000*	***£000***	*£000*
Expiry date:				
– within one year	**–**	14	**–**	30
– between two and five years	**21**	9	**–**	–
– after five years	**–**	–	**49**	49
	21	23	**49**	79

There were no annual commitments under non-cancellable operating leases on behalf of the Company.

c) *Pensions*

The football club is one of 54 participating employers in the Football League Limited Pension and Life Assurance Scheme. Until 31 August 1999, this scheme was a defined benefit scheme. After that date, the scheme was closed to new members and a new scheme started to provide benefits on a defined contribution basis.

Contributions to the defined benefit scheme were determined in accordance with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The most recent valuation was conducted on 31 August 2005 on scheme data.

The valuation carried out on 31 August 2005 was in accordance with the Statutory Minimum Funding Requirement basis laid out in the Pensions Act 1995. This valuation showed that the deficit had decreased although as people are generally living longer, the Actuary had to take into his calculations the fact that pensions will be in payment longer. The valuation has indicated that the Club's share of the deficit is £83,281 as at 1 April 2006. This is being repaid over a ten year period, at a monthly repayment of £1,025.

At 31 May 2006, 1 (2005: 1) of the subsidiary's employees was a member of the scheme. Contributions were paid by the subsidiary being 10.4% (2005: 10.4%) of the member's pensionable salary for the period. The Group is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis so the scheme has been treated as a multi-employer scheme in these financial statements. The directors do not believe any deficiency will be material for the Group.

Certain other employees of the Group, except for football players who are responsible for their own pension arrangements, are eligible to be members of defined contribution schemes. The assets of any schemes are held in funds separate from the Group.

d) *Transfer fees payable/receivable*

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be receivable/payable by the Group if conditions as to future team selection are met. The maximum that could be receivable is £75,000 (2005: £1,125,000). The maximum that could be payable is £Nil (2005: £32,500). These amounts have not been provided for in the financial statements.

for the year ended 31 May 2006 *(continued)*

23 Derivatives and other financial instruments

The disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" (FRS 13). Certain financial assets such as investments in subsidiary companies are excluded from the scope of these disclosures.

The Group's financial instruments comprise borrowings, cash and items such as trade debtors and creditors that arise as a result of normal operations. The Group does not enter into derivative transactions and does not trade in financial instruments.

Interest rate profile

The Group operates a bank overdraft facility with the Bank of Cyprus Limited. The variable interest rate is 1.25% (2005: 2.5%) above the bank's base rate. The overdraft was renewed on 6 November 2006. Finance lease interest is charged at fixed rates varying between 6% and 10% (2005: at fixed rates varying between 6% and 10%).

The main risk arising from the Group's financial instruments is interest rate risk. The Board reviews and has agreed methods for managing this risk. These methods have remained unchanged for the duration of the current financial period.

Financial assets

Financial assets comprise of sterling balances on deposit which may be withdrawn on demand. Interest is earned on cleared balances at 4.5% as and when monetary deposits are made. At 31 May 2006 the group had £777,000 on deposit (2005: £199,000).

Maturity of financial liabilities

The overdraft facility is repayable on demand. At 31 May 2006, the Group had drawn down borrowing facilities, in respect of which all conditions precedent had been met, of £1,046,000 (2005: £2,612,000). The maturity profile of the Group's other financial liabilities, finance leases, is shown in note 15. At 31 May 2006 the undrawn amounts on the overdraft facility was £1,266,000 (2005: £138,000).

Currency exposures

The Group had no foreign currency exposures at 31 May 2006 (2005: £nil). The Group does not currently have extensive transactions denominated in foreign currencies and therefore does not engage in any form of currency hedging transactions.

Fair values

The fair value of the financial assets and liabilities at 31 May 2006 and 31 May 2005 are not materially different from their book values.

24 Related Party Transactions

Mr T Paphitis (a non-executive director of the Company during the period) is a director and major shareholder of Ryman Limited to which sales of £Nil (2005: £21,159) and from which purchases of £5,305 (2005: £9,801) were made during the year. All transactions were conducted on an arm's length basis on normal trading terms. At 31 May 2006 with respect to trading with Ryman Limited, £Nil (2005: £195) was due to the Group and £799 (2005: £4,244) was due from the Group.

Mr T Paphitis was a director of Octagon Movie Media Sports Limited, a company which introduced the Shirt Sponsors Beko Limited. The amount of commission paid to Octagon was £Nil (2005: £7,500) representing 6.25% of the sponsorship amount and this was all paid during the prior year.

for the year ended 31 May 2006 *(continued)*

25 Post Balance Sheet Events

Subsequent to the year end two private placings raised a further £1.475 million (before issue costs of £41,015) and a further 3,687,500,000 New Ordinary Shares were issued.

Millwall Holdings PLC

(Registered no. 2355508)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Millwall Holdings PLC for the year 2006 will be held at The Den, Zampa Road, London SE16 3LN at 11am on 15 December 2006 to consider and, if thought fit, pass the following Resolutions of which Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolution 9 as a Special Resolution:

As ordinary business

ORDINARY RESOLUTIONS

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 May 2006.
2. To re-elect as a director Mr C. Gonticas, who retires having been made a director since the last Annual General Meeting.
3. To re-elect as a director Mr T. Keyse, who retires having been made a director since the last Annual General Meeting.
4. To re-elect as a director Mr S. Till, who retires having been made a director since the last Annual General Meeting.
5. To re-elect as a director Ms H. Rabbatts, who retires having been made a director since the last Annual General Meeting.
6. To re-elect Mr J. Burnige, who retires by rotation, as a director.
7. To re-appoint BDO Stoy Hayward LLP as Auditors to the Company and to authorise the directors to determine their remuneration.

Special business

As special business to consider and, if thought fit, pass the following resolutions of which Resolution No.8 will be proposed as an Ordinary Resolution and Resolution No. 9 as a Special Resolution:

ORDINARY RESOLUTION

8. That the Directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to allot relevant securities (as defined in the said Section 80) up to an aggregate nominal amount of £2,000,000 at any time on or before the conclusion of the annual general meeting of the Company to be held in 2007 or 15 months after the passing of this Resolution (whichever is the earlier) provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this Resolution had not expired and so that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to the said Section 80 but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

SPECIAL RESOLUTION

9. That the Directors be and they are hereby generally and unconditionally authorised and empowered pursuant to Section 95 of the Companies Act 1985, at any time on or before the conclusion of the annual general meeting of the Company to be held in 2007, or 15 months after the passing of this Resolution (whichever is the earlier), and notwithstanding that this authority has expired, pursuant to any offer or agreement made by the Company before the expiry of such period, to allot any equity securities (within the meaning of Section 94 of the Act) of the Company for cash under any general authority conferred on them from time to time pursuant to Section 80 of the Act as if Section 89(1) of the Act did not apply thereto, provided that such authority and power shall be limited as follows:
   (a) in connection with any rights issue or issues or offers of equity securities to the holders of relevant shares (within the meaning of the said Section 94) of the Company in proportion (as nearly as may be) to their respective holdings of such shares (but subject to such exclusions, variations or other arrangements as the Directors may consider appropriate, necessary or expedient to deal with any fractional entitlements or with any legal or practical difficulties arising under the laws of any territory or the requirement of any regulatory body or stock exchange, or otherwise); and
   (b) any other allotment for cash of equity securities up to a maximum aggregate nominal value of £2,000,000.

By Order of the Board
RE Towner
Secretary

Registered Office: The Den, Zampa Road, London SE16 3LN
10 November 2006

Notes

(1) Holders of Ordinary Shares are entitled to attend and vote at this Meeting and to appoint one or more proxies and, on a poll, to vote in their stead. A proxy need not be a member of the Company.

(2) A proxy card is enclosed. To be valid, the completed proxy card and the authority, if any, under which it is signed must be lodged with Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3EA not less than 48 hours before the time fixed for the Meeting. If you would prefer you can enclose your card inside an envelope and transcribe the Computershare address shown above onto the face of the envelope. Either method of returning your proxy card requires an appropriate postage stamp to be affixed.

(3) Each holder of Ordinary Shares present in person or by proxy shall have one vote on a show of hands and, on a poll, one vote for each such Ordinary Share held.

(4) Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, holders of Ordinary Shares will be entitled to attend and vote at the Meeting if they are registered on the Company's Register of Members 48 hours before the time appointed for the Meeting or any adjournment thereof.

(5) Copies of the contracts under which directors provide services will be available for inspection 15 minutes prior to and at the Meeting. They will also be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this Notice until the date of the Meeting.

(6) Holders of Deferred Shares are not entitled to receive Notice or to vote upon the Resolutions proposed at the AGM.

The following explanatory notes should be read in conjunction with the Notice of Annual General Meeting

Resolutions Explanatory Notes

1 **Resolution 1 – Report and Accounts**

The Directors will present their report and the audited accounts for the year ended 31 May 2006. The report has attached to it the report of the auditors dated 10 November 2006.

2 **Resolutions 2-5 – Re-election of directors who have been appointed since the last AGM**

Under the Company's Articles of Association, those directors who have been appointed since the last AGM are required to retire and if eligible offer themselves for re-election. The Directors are Mr C. Gonticas, Mr T. Keyse, Mr S. Till and Ms H. Rabbatts and they being eligible offer themselves for re-election.

3 **Resolution 6 – Re-election of Mr J. Burnige as a director**

Under the Company's Articles of Association, Mr J. Burnige retires by rotation, and being eligible offers himself for re-election.

4 **Resolution 7 – Appointment and remuneration of auditors**

The Company is required to appoint auditors to hold office until the next Annual General Meeting. It is proposed to re-appoint BDO Stoy Hayward LLP and to authorize the directors to set their remuneration.

5 **Resolution 8 – Section 80 authority**

The Resolution authorises the directors to allot and issue ordinary shares in the Company to a nominal value of £2,000,000.

6 **Resolution 9 – Disapplication of Pre-emption rights**

Any shares which the Company wishes to allot for cash must generally be offered first to shareholders pro rata to their existing holdings. Resolution 9 gives the Directors power to allot shares for cash, to existing shareholders, in connection with any rights issue or issues or offers of equity securities, in proportion (as nearly as maybe) to their respective holdings of such shares subject to any exclusions, variations or other arrangements as the Directors may think appropriate, necessary or expedient to deal with fractional entitlements or with any legal or practical difficulties.

In addition, authority is sought for any other allotment of shares for cash, otherwise than pro rata as aforesaid, up to a limit of an aggregate nominal value of £2,000,000.

Note:-
The authorisations to be granted under Resolutions 8 and 9 are to last until the conclusion of the Company's AGM to be held in 2007 or, if earlier, 15 months after the passing of Resolutions 8 and 9 as relevant.