

Millwall Holdings PLC

Board Statement

Business Review

The 2008-9 season, under the first full season management of Kenny Jackett, was the most successful for a number of years. The season culminated in the Division 1 play-off final at Wembley where the team was unfortunate to lose to Scunthorpe United in front of over 45,000 Millwall supporters.

A good start to the season was followed by an indifferent midterm spell caused by injuries, but the commitment of the manager and players led to a strong end of season performance. This was another year with a high level of injuries, including a long term injury to the Club captain, Paul Robinson, causing the extensive use once again of loan players. This, together with exceptional player bonuses, led to a player wages bill over budget. There were a total of 35 players used during the season (2008: 41).

The team finished the 2008-9 league campaign with 82 points (2008: 51) and in 5th position (2008: 17th). Once again early season cup performances resulted in first round exits in both the Johnston Paint Trophy and the Carling Cup competitions. Millwall reached the 4th round of the FA Cup, this time losing an away tie to the Premiership team, Hull City. The strong end of season performances were highlighted by the victories over promotion rivals MK Dons, Peterborough United and, in the play-offs, Leeds United.

The average home league attendance was 8,940 (2008: 8,668) with over 13,000 present for the play-off game with Leeds United which, once again, placed the Club in the top five of the Divisional attendance league.

During the period further on-going working capital was raised from Chestnut Hill Ventures LLP ("CHV"). This was provided in the form of a sterling term loan note facility of up to £3,500,000. This loan note facility was approved by the Board on 13th November 2008 and is non-convertible. Total loan drawdowns in the year under this and other existing facilities totalled £4,234,000 (2008: £4,695,000).

A review of the Group's property development and regeneration activities is provided later in this report.

Results

The consolidated income statement is set out on page 4.

Revenue for the year showed a healthy increase of over 20% overall with gate and associated match-day revenues increasing by 29% reflecting the more successful season and the share of revenue from the Play-off Final at Wembley. The additional revenues secured in non-matchday conferencing and events, and retail sales, which were enhanced by the Wembley appearance, rose by 7%.

Total staff costs for the year of £6.3m showed a very small reduction on those for the previous 13 month period. The player related costs were generally lower than the previous period, although again this year extra costs arose in respect of loan players required as cover for injured players. However, team and management bonuses arising upon reaching the play-offs eradicated the anticipated savings. The total wages to turnover ratio fell to 97% (2008: 118%), although 2008 was for a thirteen month period having included June 2008, a month with no football fixtures and therefore the lowest income generating month of the calendar year.

Other expenses (excluding Depreciation and Amortisation) reduced to £4.2m (2008: £5.2m). This reduction is primarily due to a significant reduction in the expenses incurred in connection with the regeneration programme, down to £0.2m (2008: £1.3m). Cost efficiencies have continued to be made in the Football Club resulting in further savings in administration costs in this area of the business.

Income from player sales was much less significant this year and amounted to £71,000 (2008: £913,000)

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. In order to achieve a positive cash flow there is the constant requirement to raise new finance and refinance existing facilities which, in turn, requires the continuing support of existing providers of those facilities. 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. Players aged 24 years or older are free to move between clubs once their contract has come to an end and the Board monitors expiry dates carefully with a view to renewing contracts or realising value.

Prospects

Football

Performances at the start of the 2009-2010 season, despite injuries to a number of key players, have placed the team close to a playoff position having achieved important wins over promotion rivals and the team is unbeaten at home so far. The directors believe that the squad is strong enough to make a challenge for promotion once again this season. So far this season the average home attendance for the first eight league games has been 9,240, slightly up on the position last year. Corporate matchday sales and retail are matching last year and meeting budgets.

The budgeted player wage costs for the current year shows a significant reduction on the final costs for 2008-2009. There is now a core squad all of whom are part of the Club's ambition for the season although, looking forward there are 13 first squad players whose contracts expire at the end of June 2010. The directors and manager will be taking steps to review future player needs bearing in mind the continuing requirement to balance between protecting player asset values and offering extended player contracts.

Other football related income

In May 2009, the Club appointed an experienced football Commercial Manager. An early benefit was the successful introduction of an on-line ticketing system which will enable the Club not only to provide a better ticketing service to fans, but open the way to develop further sales opportunities, including on-line retail marketing. With more concentrated marketing in place it is expected that there will be an increase this year from sponsorship and other football related income. Retail sales are expected to match last year, excluding the benefit of Wembley related sales.

The Den

Revenues from the utilisation of the stadium on non-matchdays is expected to show some growth this year with forward bookings for conferences and other activities currently ahead of last year.

The Community

The Club continues to recognise the importance of the relationship with the broader community and a key way of strengthening that link is the close co-operation with the work that is undertaken with the Millwall Community Scheme. Recently Andy Ambler has accepted the invitation to become a Trustee of the Millwall Community Scheme to further help promote the work and activities of both Football Club and Community Scheme across this region of London.

Communication

Communication lies at the heart of the activities, with the Fan on the Board providing a crucial link between Board and supporters. Regular meetings and forums take place with all levels of the Club's supporters and partners.

Finance

The Company is principally financed by CHV by way of loans. On 20 October 2009 it was announced that an existing unsecured loan facility with CHV had been extended by £800,000. CHV have also undertaken to provide the Company with sufficient financial support as and when required to meet the Group's financial obligations as and when they fall due and for a period of not less than 12 months from 16 November 2009. At the AGM in December 2008 the Company failed to secure a waiver of shareholders rights of pre-emption over new share issues for cash. This was due to a significant shareholder voting against this recommendation. If the waiver had been approved the Company could have raised money by the issue of new shares for cash. As the waiver was not approved the Company is severely constrained and can raise money only by way of debt. The Company will again seek to secure a waiver of pre-emption rights at the forthcoming AGM in order to allow it to issue shares for cash.

Regeneration

Work has continued on the regeneration of the stadium and surrounding environs. The overall redesignation of the area is subject to final approval by the Mayor of Lewisham in consultation with the Mayor of London and this consultation process will commence shortly. The Local Development Framework which is the planning document which sets out the London Borough of Lewisham's vision for the Surrey Quays Triangle and which the Mayor of London will then review will be published in the near future.

In parallel to this has been the work to support the new station at Surrey Quays where there is a budget shortfall in the current provision. The Group has participated significantly in the campaign and provided thousands of signatures to support the case for Transport for London closing the final cost gap. The issue is not the building of the line or the proposal for the new station but just the fitting out costs. It is anticipated that the decision will be made shortly. Clearly the case for the station and the regeneration plans are mutually interlinked; with one reinforcing the other.

Ultimately the success of a masterplan and planning application is dependent on two key aspects. First and foremost the three significant landowners/occupiers (Millwall FC, the London Borough of Lewisham and an adjacent private developer/land owner, Renewal) working together. There are ongoing negotiations to develop a shared approach. As in any major scheme this is a difficult and protracted process but the Group will work with the Borough to achieve an agreement. However within this the requirements of the football club are a priority and this is appreciated by the Council and will not be compromised with a commercial developer. The second criteria for ultimate success of any scheme will be the overall state of the development market and conditions continue to be challenging. Whilst there are hints of recovery, confidence in major complex mixed use schemes is still some way off.

The lower spend in the current year reflects these conditions but the vision to achieve a major change to the Football Club and surrounding community remains undimmed. The Chairman and Board are committed to working with the Council to achieve this.

Millwall Holdings PLC
Consolidated Income Statement
For the year ended 30 June 2009

		Year Ended 30 June 2009 Total £000	Thirteen Months Ended 30 June 2008 Total £000
	<i>Notes</i>		
Revenue	1,2	6,460	5,367
Other income – profit on disposal of player's registrations		71	913
Staff costs	5	(6,260)	(6,313)
Amortisation of players' registrations	9	(287)	(126)
Depreciation of property, plant and equipment	10	(258)	(309)
Total depreciation and amortisation expense		(545)	(435)
Other expenses		(4,166)	(5,202)
Loss from operations	4	(4,440)	(5,670)
Finance income	3	10	31
Finance expense	3	(784)	(476)
Loss before taxation		(5,214)	(6,115)
Tax expense	7	—	—
Loss for the year/period attributable to:			
Equity holders of the parent		(5,214)	(6,115)
Loss per share – basic and diluted	8	(0.014)p	(0.022)p

Millwall Holdings PLC

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Ordinary Shares of 0.01p each £000	Deferred Shares of 0.09p each £000	Share premium account £000	Equity component of Convertible Loan Notes £000	Capital reserve £000	PIK note reserve £000	Retained deficit £000	Total Equity £000
1 June 2007	2,507	2,333	12,634	219	21,474	–	(31,884)	7,283
Share issues	1,156	–	2,311	–	–	–	–	3,467
Equity proportion of Convertible Loan Notes Issued	–	–	–	224	–	–	–	224
Conversion to share capital of equity proportion of Convertible Loan Notes	87	–	175	(262)	–	–	–	–
Share based payment	–	–	–	–	–	–	164	164
PIK notes issued	–	–	–	–	–	333	–	333
Loss for the period	–	–	–	–	–	–	(6,115)	(6,115)
30 June 2008	3,750	2,333	15,120	181	21,474	333	(37,835)	5,356
1 July 2008	3,750	2,333	15,120	181	21,474	333	(37,835)	5,356
Share based payment	–	–	–	–	–	–	14	14
PIK notes issued	–	–	–	–	–	507	–	507
Loss for the year	–	–	–	–	–	–	(5,214)	(5,214)
30 June 2009	3,750	2,333	15,120	181	21,474	840	(43,035)	663

Millwall Holdings PLC
Consolidated Balance Sheet
30 June 2009

	<i>Notes</i>	30 June 2009 £000	30 June 2008 £000
Non-current assets			
Intangible assets	9	392	291
Property, plant and equipment	10	15,037	15,127
		<u>15,429</u>	<u>15,418</u>
Current assets			
Inventories	11	61	66
Trade and other receivables	12	1,007	1,104
Cash and cash equivalents		391	204
		<u>1,459</u>	<u>1,374</u>
Total assets		16,888	16,792
Non-current liabilities			
Trade and other payables	13	(386)	–
Financial liabilities	14	(4,428)	(4,357)
Deferred income	13	(3,716)	(3,770)
Total Non-current liabilities		<u>(8,530)</u>	<u>(8,127)</u>
Current liabilities			
Trade and other payables	13	(2,019)	(2,239)
Financial liabilities	14	(4,636)	–
Deferred income	13	(1,040)	(1,070)
Total Current liabilities		<u>(7,695)</u>	<u>(3,309)</u>
Total liabilities		<u>(16,225)</u>	<u>(11,436)</u>
Net assets		<u>663</u>	<u>5,356</u>
Equity			
Called up share capital	15,21	6,083	6,083
Share premium	21	15,120	15,120
Equity proportion of Convertible Loan Notes	21	181	181
Capital reserve	21	21,474	21,474
PIK note reserve	21	840	333
Retained deficit	21	(43,035)	(37,835)
Total Equity attributable to the shareholders of the parent		<u>663</u>	<u>5,356</u>

Millwall Holdings PLC
Consolidated Cash Flow Statement
For the year ended 30 June 2009

	30 June 2009 £'000	30 June 2008 £'000
Cash flows from operating activities		
Loss before taxation	(5,214)	(6,115)
Share based payments	14	497
Depreciation on property, plant and equipment	258	309
Amortisation of intangible assets	287	126
Amortisation of grants	(103)	(98)
Profit on disposal of players' registrations	(71)	(913)
Profit on disposal of property, plant and equipment	-	(300)
Finance income	(10)	(31)
Finance expense	784	476
Cash flows from operating activities before changes in working capital	<u>(3,931)</u>	<u>(6,049)</u>
Decrease in Inventory	5	27
Decrease/(increase in trade and other receivables	(109)	(303)
(Decrease) in trade and other payables and deferred income	217	(110)
Cash generated from operations	<u>(3,818)</u>	<u>(6,435)</u>
Investing activities		
Purchase of property, plant and equipment	(168)	(36)
Proceeds on disposal of players' registrations	277	695
Purchase of players' registrations	(343)	(381)
Interest received	10	31
Net cash generated by investing activities	<u>(224)</u>	<u>309</u>
Financing activities		
Proceeds from issue of new share capital	-	900
Proceeds from issue of Convertible Loan Notes	-	3,022
Proceeds from issue of loan notes	4,234	1,673
Interest paid	(5)	(8)
Net cash generated by financing activities	<u>4,229</u>	<u>5,587</u>
Net increase/(decrease) in cash and cash equivalents	187	(539)
Cash and cash equivalents at start of year/period	204	743
Cash and cash equivalents at end of year/period	<u>391</u>	<u>204</u>

During the year, £Nil (2008: £2,829,050) of convertible loan notes issued were converted into ordinary shares of the Company.

Millwall Holdings PLC

Notes

1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs") and in accordance with those parts of the Companies Act 2006 that remain applicable to groups reporting under IFRS.

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared under the historical cost basis.

2. Loss per ordinary share

The calculation of loss per ordinary share is based on the loss for the period of £5,214,000 (30 June 2008 loss: £6,115,000) and on 37,501,097,134 (30 June 2008: 28,151,242,277) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the period. There is no potential dilution on the loss per ordinary share in 2009 or 2008 and therefore there is no difference between basic and diluted earnings per share. As at 30 June 2009 the number of options which could potentially dilute basic earnings per share in the future was 1,166,666,666 (2008: 1,166,666,666). These have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. In addition to share options, as at 30 June 2009, the Company had gross convertible debt of £2,999,000 (2008: £2,999,000) in issue, potentially convertible to 9,996,666,666 (2008: 9,996,666,666) ordinary shares and PIK notes issued of £839,000 (2008: £333,000) potentially convertible to 2,796,666,666 (2008: 1,110,000,000) ordinary shares, which could dilute earnings per share in the future. There are a further 3,068,328,600 (2008: 3,068,328,600) warrants outstanding which are exercisable at any time at a price of .04p

3. Change of Accounting Reference Date

During the prior period the Company's accounting reference date was changed from 31 May to 30 June. This brought the Group in line with most other Football League Clubs and meant that the accounting reference date was in line with the standard expiry date of players' contracts. As a consequence the Group's comparative information in these financial statements is for the thirteen months ended 30 June 2008. The comparative figures for the consolidated income statement and consolidated cash flow statement are therefore not entirely comparable.

4. The audited financial statements will be available to shareholders on 17 November 2009.

5. The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 30 June 2009 or the 13 months ended 30 June 2008 but is derived from the 2009 Annual Report.

Statutory accounts for 2008 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 June 2009 will be delivered to the Registrar of companies following the company's annual general meeting.

The auditors have reported on those accounts; their reports were unqualified, and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and the report for the period ended 30 June 2008 did not contain statements under section 237(2) or (3), Companies Act 1985 and for the year ended 30 June 2009 under section 498(2) or (3) Companies Act 2006.

6. The directors do not recommend the payment of a dividend.

7. Post Balance Sheet Events

Chestnut Hill Ventures LLC has increased the £3,500,000 loan note facility of 25 November 2008 by £800,000.

Contacts:

John Depasquale
Seymour Pierce Limited 020 7107 8000

Andy Ambler
Millwall Holdings PLC 020 7740 0508

Tom Simmons
Millwall Holdings PLC 020 7232 1222