

MILLWALL HOLDINGS PLC

Report and Accounts for the year ended 31 May 2007

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Directors and Advisers

DIRECTORS

John G Berylson *(Non-Executive Chairman)*
Heather Rabbatts CBE *(Executive Deputy Chairman)*
Stewart Till CBE *(Non-Executive)*
Jeffrey David Burnige, BA (Hons) *(Non-Executive)*
Constantine Gontikas *(Non-Executive)*
Trevor Keyse *(Non-Executive)*
Demos Kouvaris *(Non-Executive)*
Andrew J Ambler ACMA *(Executive Chief Operating Officer and Finance Director)*

SECRETARY

Thomas Bernard Simmons

REGISTERED OFFICE

The Den
Zampa Road
London SE16 3LN
Registered no 2355508

AUDITORS

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

SOLICITORS

Davenport Lyons
30 Old Burlington Street
London W1S 3NL

NOMINATED ADVISORS

Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN

NOMINATED BROKERS

Ellis Stockbrokers Limited
Talisman House,
Jubilee Walk
Three Bridges, Crawley
West Sussex RH10 1LQ

PRINCIPAL BANKERS

NatWest
PO Box 6037
186 Brompton Road
London SW3 1XJ

REGISTRARS AND TRANSFER OFFICE

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Directors' Biographies

John G Berylson (*Non-Executive Chairman*) is 54 years old. He is based in the USA and has been Chairman and Chief Executive of Chestnut Hill Ventures, LLC, a major shareholder in the Company, since 2002. Previously he was the President of GCC Investments, LLC, a subsidiary of GC Companies Inc. John graduated from Harvard Business School in 1979. He received an MBA from Harvard University, an AB Degree from Brown University and an MS from New York University. He is currently a director of ACA Capital Holdings, Inc. and Fleetcor Technologies, Inc. and is currently a partner of JD Capital Partners LLC. He has been Chairman of the Company since March 2007.

Heather Rabbatts CBE (*Executive Deputy Chairman*) is 51 years old. She is also on the board of the UK Film Council and was 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 Till CBE (*Non Executive*) is 56 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. Stewart acts as Chairman of the Football Club subsidiary.

Jeffrey David Burnige (*Non Executive*) is 60 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 60 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.

Demos Kouvaris (*Non-Executive*) is 42 years old. He is based in the USA and has been Chief Operating Officer and Chief Financial Officer of Chestnut Hill Ventures, LLC, a major shareholder in the Company, since 2002. Previously he was Vice President of Finance for GCC Investments, LCC. Since 1996 Demos holds a BS in Accountancy from Boston College and is a Certified Public Accountant. He is currently a director of JD Capital Partners, LLC and a director of Vanguard Modular Building Systems, LLC.

Andrew J Ambler (*Executive Chief Operating Officer and Finance Director*) is 41 years old. He qualified as an accountant in 1991 and spent the next eight years working in the property industry for Hypo bank in the City and then for HPR Limited in the West End. In 1999 he was asked to join the executive board of Fulham FC as Finance Director and held a variety of other positions over seven years with Fulham including Business Operations Director. During his time at Fulham he was intrinsically involved in the financial strategy which resulted in the club reducing losses and recording its first ever profit making season under the Chairmanship of Mohamed Al Fayed. He was also involved in the planning for and the redevelopment of the return to Fulham's home ground of Craven Cottage, having had to implement a successful two year ground share arrangement at nearby Loftus Road Stadium. Andy was also a trustee of the club's award-winning Community Sports Trust Charity.

CHAIRMAN'S STATEMENT

This report is my first since I became Chairman of Millwall Holdings in March

The Director's statement sets out our accounts and financial performance for the accounting year 2006-7. English football is a unique enterprise, presenting highly challenging and individual business opportunities. With the exception of a very few clubs, the English leagues (including the dizzying heights of the Premiership) are a story of financial losses. To that extent Millwall is no different. I would wish to highlight a few matters which underline the approach the Board and I are taking to improve the performance of the Company going forward.

This last year was particularly complex in that it saw the club relegated from Championship to League One with the consequential loss of revenues and commercial opportunities.

This complexity was further underlined by the very poor performance of the team in the first half of the season, which led to a new manager being appointed. However, the costs of this management change, together with gate losses and other revenue reductions could not be totally mitigated by the improved performance in the second half leading to a position in the top ten.

The other financial matter I would highlight was the Company's success in bringing in further investment into the Company and my own involvement.

Clearly there are always financial and legal costs associated with the raising of funds in a publicly quoted company and some £500,000 incurred accounts for these one-off items. These costs, together with the fees associated with the regeneration, represent the beginning of our investment as we build for the future of the Club and Company.

Millwall as a London Football Club is a team with a long history and tradition, a significant and well recognised brand and a loyal and passionate fan base. I believe it has the potential to grow both on and off the pitch. On the playing side, we continue to invest significant funds to improve the quality of the players and the infrastructure in terms of squad management and training facilities. In parallel to our ambitions for the team is our commitment to improve the financial performance of the Club.

New retail and catering commercial arrangements have been entered into which have already started to show improved performance. A more timely season ticket campaign ahead of the season has resulted in a 6% increase from last year despite the challenge of being in League 1 for a second season.

A new marketing campaign across London and in key strategic locations in the South-East sector to promote the Club has commenced with the objective of bringing in new and lapsed fans as well as repositioning the Club in the highly competitive London football market place.

Aligned to our ambitions on the pitch is our work to promote and redevelop the area not only for the benefit of Millwall FC and our fans but also for the Community and to secure the regeneration of this important strategic sector in London. During the year significant progress has been made with a technical and architectural team fully operational and working closely with key agencies and neighbouring partners. The investment in our endeavours is reflected in these accounts and similarly underlines our commitment to realising the potential of the area to play a full and vibrant part in the London Borough of Lewisham and the wider socio-economic life of the capital. To promote and develop this vision requires high level expertise and resource, bringing together all the parties to achieve this change. We are well on this path. We will continue to invest significant resources during this year, with our ultimate ambition to realise with our partners the regeneration of the area and, at its centre, Millwall FC.

CHAIRMAN'S STATEMENT (continued)

As an American investing in Millwall I am excited by the opportunity of building a team with a great tradition in the world's leading sport, English football, and contributing to a redevelopment which will transform this area of London

To realise this ambition requires a strong executive leadership and the appropriate planning and land assembly professionals. I have every confidence that we can achieve our objectives with Heather Rabbatts, our Chief Executive, and our new Financial Director and Chief Operating Officer, Andy Ambler and the team assembled to lead on the regeneration


Unfortunately the beginning of the season has been disappointing and we have therefore decided to bring in a new manager. As a consequence of this decision Willie Donachie left on 8 October 2007

Having been Chairman for some six months, I now believe, with the support of my Board, that I should assume the responsibilities of the Football Club Board. I have learned a great deal about the game and the Board has now agreed we should align my responsibilities to ensure we operate with maximum efficiency. I shall continue to draw on the support of the Board and the Executive Leadership of the Company and the Club

I would also like to place on record my gratitude to my Board and Stewart Till, as Chairman of the Football Club, for their support, guidance and commitment

John G Berylson

Chairman



6 November 2007

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 2007

Principal activities

The Company is the holding company of a group engaged primarily in the operation of a professional football club, and more recently a property development company and related activities through its principal subsidiary, The Millwall Football and Athletic Company (1985) plc

Business Review

John G Berylson was appointed non-executive Chairman on 28 March 2007 at which date Ms Heather Rabbatts CBE was re-appointed executive Deputy Chairman having served as Chairman from 27 October 2006

The 2006/07 season started slowly but improved after Christmas to end the season with the team finishing in a creditable 10th place in League 1

During the year there were a number of changes with the arrival and departure of Nigel Spackman and the subsequent appointment of his assistant Willie Donachie as manager of the Football Club. Unfortunately the beginning of this season has been disappointing and we have therefore decided to bring in a new manager. As a consequence of this decision Willie Donachie left on 8 October 2007 and Kenny Jackett was appointed on 6 November 2007.

The average home League attendance throughout the 2006/2007 season was 9,231 (2006 9,529) placing the Club in the top five of the Divisional Attendance League. Season tickets sales for the new season as at 10 October 2007 are 4,995 (2006 4,719) an increase of 6%.

During the year a total of £1 475 million (net £1 434 million) was raised by private placings and on 24 May 2007 £900,000 of the convertible loan notes of £3 117 million drawn down from Chestnut Hill Ventures LLC was converted into paid up Ordinary Share Capital. Included in the drawdown is £0 722 million used to settle the overdraft with Bank of Cyprus. Further loans of £480,000 were advanced by the directors and Peter de Savary.

Results

The consolidated profit and loss account for the year is set out on page 15.

Turnover for the year was £5 4 million (2006 £6 2 million). The fall in turnover was as a direct result of the club playing in Football League One having been relegated from the Football League Championship the previous season. The financial reality of playing in League One rather than the Championship reduced gate receipts and matchday commercial revenues as well as a reduction in the basic award from the Football League (central TV and sponsorship revenues) which fell to £0 57m (2006 £0 695m). The loss on ordinary activities was £5 2 million (2006 £4 3 million) after taking account of £0 4 million profit (2006 £0 5 million profit) on disposal of players' registrations. Therefore the loss on ordinary activities excluding player trading was £5 6 million (2005 £4 8 million).

The major changes in the playing squad was the main reason for the fall in total staff costs from £6 5 million in 2006 to £5 9 million in 2007. These figures give rise to a 'Total wages to Turnover' ratio of 109% (2006 - 104%). Administration costs rose by £0 8m to £4 5m (2006 - £3 7m) mainly attributable to expenses in connection with the Regeneration programme £0 455k.

The Directors do not recommend payment of a dividend (2006 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.

Directors' Report

Prospects

At the end of the 2006/2007 season the manager, Willie Donachie, and the Board felt that it was necessary to change the profile of the squad to try and ensure that the momentum gained in the second half of the 2006/2007 season was maintained. Unfortunately this momentum has not been maintained and currently the Club finds itself in the bottom four of Football League 1. We have, therefore, decided to bring in a new manager. As a consequence of this decision Willie Donachie left on 8 October 2007 and Kenny Jackett was appointed on 6 November 2007.

During the close season the pitch at The Den was completely replaced and considerable maintenance carried out on the Stadium to upgrade and enhance the facilities.

Commercially, the Group has been discussing with a number of sector consultants ways of improving the catering and retail activities of the Club which has resulted in the Kiosk catering being sub contracted from the beginning of this season. The Club has continued 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 has seen much high profile media coverage in the Capital's catchment area. A new ticket system was introduced at the beginning of the year which will give 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. Non-matchday conferencing and events revenues continue to perform well.

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. Further integration of activities between the Community Scheme and the Football Club are being planned for the current year.

The elected fan representative on the Club Board has played an important role in improving communication between the Board and the supporters. The Club has monthly meetings with the Millwall Supporters Club and recognises the importance of this ongoing dialogue.

During the year the Company was successful in raising further funds from the issue of convertible loan notes £3.596 million (before costs of £0.48 million) and a private placing of new ordinary shares of £1.475 million (before issue costs of £41,015) and bringing in a new Chairman, Mr John G. Berylson. Since the year end further funds have been raised from a further issue of new Ordinary Shares and convertible loan notes (see note 25).

English football has been an attractive market during this financial year with, inevitably, most of the activity concentrated in the Premiership. However, Millwall has secured a significant US investor with both the football and the regeneration opportunities lying at the heart of the financial strategy. The investment is geared to supporting the football operation, to build a winning side, improving gates and exploiting commercial opportunities.

On the redevelopment, further investment has been made to enhance the professional team and develop the plans with the key agencies to secure the necessary pre-conditions for the development to take place.

Directors' Report

Directors

The Directors, who served during the year, are as follows

John G Berylson (*Non-Executive Chairman*) (*appointed 28 March 2007*)

Peter de Savary (*Non-Executive*) (*resigned 27 October 2006*)

Heather Rabbatts (*Executive Deputy Chairman, formerly Executive Chairman*)

Theodoros Paphitis (*Non-Executive*) (*resigned 19 July 2006*)

Stewart Till (*Non-Executive*)

Trevor Keyse (*Non-Executive*)

Constantine Gonticas (*Non-Executive*)

Andrew Ambler (*Executive*) (*appointed 10 May 2007*)

Jeffrey David Burnige (*Non-Executive*)

Demos Kouvaris (*Non-Executive*) (*appointed 28 March 2007*)

Richard Edward Towner (*Non-Executive*) (*resigned 8 January 2007*)

In accordance with the Articles of Association, Messrs Berylson, Kouvaris and Ambler retire, having been elected since the last AGM and Mr C Gonticas retires by rotation and being eligible each offers himself for re-election at the Annual General Meeting

Short biographical notes on each Director are given on page 3

Details of directors' service contracts are set out on page 11

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.

Directors' Report

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 2007, 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 and Group's size. The main provisions which have not been complied with are as follows -

- 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 director 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 reviews this periodically, taking into account the size of the Group and the nature of its operations.
- The Company has awarded share options to an executive director, the Company's stockbroker and Mark Child.

Directors' Report

The Board

The Board currently consists of two executive (Ms H Rabbatts and Mr A Ambler) and six non-executive directors (Mr J Berylson, Mr S Till, Mr T Keyse, Mr C Gonticas, Mr J Burnige, and Mr D Kouvaris). The Board normally meets at least six times a year and otherwise as required. The Board has a majority of independent directors, all of whom are non-executive. 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.millwallholdingsplc.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

The Board has an audit committee comprising John Berylson, Demos Kouvaris, Trevor Keyse, Constantine Gonticas (non-executive directors) together with Heather Rabbatts (executive director). 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.

Directors' Report

Remuneration Committee

The Board has a remuneration committee comprising John Berylson, Constantine Gontikas, Stewart Till (non-executive directors) together with Heather Rabbatts (executive director). Of the Members of the Board, only Ms H Rabbatts and Mr A Ambler are entitled, in their capacity as a Board Members, 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.

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.

Directors' remuneration

Policy of remuneration

The remuneration committee has reviewed the relevant Directors' remuneration in respect of the year ended 31 May 2007.

Directors' Service Agreements

Mr Peter de Savary (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.

Mssrs John G Berylson and Demos Kouvaris entered into agreements with the Company on 28 March 2007 that they would serve as directors during the period that the £5 million convertible loan facility made available to the company by Chestnut Hill Ventures LLC pursuant to the facility agreement and any loans made pursuant to it remain outstanding, unless and until terminated by notice in writing served by Chestnut Hill Ventures LLC requesting their removal as directors. On and after the repayment of all amounts owing to Chestnut Hill Ventures LLC or conversion of all such amounts into ordinary shares of 0.01p each in the Company under the Facility Agreement, unless and until terminated by notice in writing of not less than 1 month served by them or the Company on the other. The agreement provides 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.

Ms Heather Rabbatts, the Executive Deputy Chairman, entered into an agreement with the Company on 28 March 2007 for an initial period of 2 years and thereafter unless and until terminated by 6 months written notice served by herself or the Company on the other. The annual remuneration is currently £220,000 together with options over 1,166,666,666 ordinary shares.

Mr Andrew Ambler, the Chief Operating Officer and Finance Director, entered into an agreement with the Company on 2 April 2007 which may be terminated by 6 months written notice served by himself or the Company on the other.

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.

Directors' Report

Issue of share capital during the year

Private Placings	Ordinary Shares of 0.01p Issued	Nominal Value £	Consideration Received £
19 June 2006	1,625,000,000	162,500	650,000
30 June 2006	1,312,500,000	131,250	525,000
12 July 2006	750,000,000	75,000	300,000
Issue Costs			(41,015)
Conversion of Loan Notes			
24 May 2007	3,000,000,000	300,000	900,000
Issue Costs			(119,000)

Issue of share capital subsequent to the year end

Subsequent to the year end a further private placing of 3,000,000,000 new Ordinary Shares raised £0.9 million

Substantial shareholdings

The Directors have been notified that at 26 October 2007 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 %
Sports Regeneration Limited	4,730,000,000	16.85
Mr Graham Ferguson Lacey	3,000,000,000	10.69
Chestnut Hill Ventures LLC	3,000,000,000	10.69
Mr Peter de Savary	1,250,000,000	4.45
Euroclear Nominees Limited	1,179,175,000	4.20
Pershing Keen Nominees Limited	878,570,914	3.13

Political and charitable donations

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

Market value of land and buildings

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 and Company'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 2007 (31 May 2006: £nil). Trade Creditors of the Group at the year end represented 83 days purchase (2006: 60 days)

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 14 December 2007 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.

On behalf of the Board

H Rabbatts
Director



6 November 2007

Independent Auditor's Report

To the shareholders of Millwall Holdings Plc

We have audited the consolidated and parent company financial statements (the "financial statements") of Millwall Holdings Plc for the year ended 31 May 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated 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' biographies and the directors' report and consider the implications for our report if we become aware of any apparent misstatements within them.

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 Auditor's 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 2007 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 2007,
- 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



BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors
London

6 November 2007

Consolidated Profit and Loss Account

for the year ended 31 May 2007

		<i>Operations excluding player amortisation and trading £000</i>	<i>Player amortisation and trading £000</i>	<i>Total £000</i>	<i>Year Ended 31 May 2006 Total £000</i>
	<i>Notes</i>				
Turnover	1,2	5,388	—	5,388	6,246
Staff costs	5	(5,865)	—	(5,865)	(6,504)
Amortisation of players' registrations	10	—	(63)	(63)	(244)
Depreciation	11	(382)	—	(382)	(366)
Profit on disposal of players' registrations		—	414	414	545
Other administrative expenses		(4,492)	—	(4,492)	(3,700)
Total administration expenses		(10,739)	351	(10,388)	(10,269)
Operating loss		(5,351)	351	(5,000)	(4,023)
Interest receivable and similar income				17	3
Interest payable and similar charges	3			(208)	(277)
Loss on ordinary activities before taxation	4			(5,191)	(4,297)
Taxation on loss on ordinary activities	7			—	—
Retained loss for the year	18			(5,191)	(4,297)
Loss per share – basic and diluted	8			(0 024)p	(0 057)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 2007			
	Notes	2007 £000	2006 £000
Fixed assets			
Intangible assets	10	36	66
Tangible assets	11	15,691	15,942
		<u>15,727</u>	<u>16,008</u>
Current assets			
Stocks	13	93	92
Debtors — due within one year	14	801	1,694
Cash at bank and in hand		749	777
		<u>1,643</u>	<u>2,563</u>
Creditors. Amounts falling due within one year	15	(3,211)	(3,651)
Net current liabilities		<u>(1,568)</u>	<u>(1,088)</u>
Total assets less current liabilities		<u>14,159</u>	<u>14,920</u>
Creditors. Amounts falling due after more than one year	16	(6,876)	(4,885)
Net assets		<u>7,283</u>	<u>10,035</u>
Capital and reserves			
Called up share capital	17	4,840	4,171
Share premium	18	12,634	11,087
Equity proportion of Convertible Loan Notes	18	219	—
Capital reserve	18	21,474	21,474
Profit and loss account	18	(31,884)	(26,697)
Shareholders' funds	19	<u>7,283</u>	<u>10,035</u>

The accounts on pages 15 to 35 were approved by the Board of Directors and authorised for issue on 6 November 2007

H Rabbatts

Director



The accompanying notes form an integral part of this Consolidated Balance Sheet.

Company Balance Sheet

31 May 2007

	<i>Notes</i>	<i>2007</i> £000	<i>2006</i> £000
Fixed assets			
Investments	12	9,593	10,125
Current assets			
Debtors	14	10	9
Cash at bank and in hand		8	21
		18	30
Creditors Amounts falling due within one year	15	(150)	(120)
Net current liabilities		(132)	(90)
Total assets less current liabilities		9,461	10,035
Creditors: Amounts falling due after more than one year	16	(2,178)	–
Net assets		7,283	10,035
Capital and reserves			
Called up share capital	17	4,840	4,171
Share premium account	18	12,634	11,087
Equity proportion of Convertible Loan Notes	18	219	–
Capital reserve	18	21,416	21,416
Profit and loss account	18	(31,826)	(26,639)
Shareholders' funds	19	7,283	10,035

The accounts on pages 15 to 35 were approved by the Board of Directors and authorised for issue on 6 November 2007

H Rabbatts

Director



The accompanying notes form an integral part of this balance sheet

Consolidated Cash Flow Statement

for the year ended 31 May 2007

		<i>Year Ended 31 May 2007 £000</i>	<i>Year Ended 31 May 2006 £000</i>
Net cash outflow from operating activities	<i>Notes</i> 20	(4,045)	(4,326)
Returns on investments and servicing of finance			
Interest received		17	3
Interest paid		(97)	(257)
Interest element of finance lease and hire purchase payments		(111)	(20)
Net cash outflow from returns on investments and servicing of finance		(191)	(274)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(122)	(55)
Purchase of players' registrations		(60)	(135)
Proceeds of sale of players' registrations		416	825
Net cash inflow from investing activities		234	635
Net cash outflow before financing		(4,002)	(3,965)
Financing			
Proceeds from the issue of new shares		1,475	4,917
Associated costs of issuing new shares		(41)	(592)
Proceeds of sale and leaseback of training ground		–	1,850
Proceeds from issue of Convertible Loan notes (see below)		3,596	–
Capital element of finance lease and hire purchase contracts repaid		(16)	(66)
Net cash inflow from financing		5,014	6,109
Increase in cash	21	1,012	2,144

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

During the year, £900,000 of convertible loan notes issued were converted into ordinary shares of the Company See Note 17

Notes to the Accounts

for the year ended 31 May 2007

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 6 November 2008. 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 Chairman, John G Berylson, has undertaken that he will provide sufficient financial support as and when required in order to meet the Group's financial obligations as they fall due and for a period of not less than 12 months from 6 November 2007.

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 on a straight line basis, as follows:

Long leasehold premises	– 2% per annum
Fixtures and fittings	– 20% per annum
Motor vehicles	– 25% per annum
Leasehold 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.

Notes to the Accounts

for the year ended 31 May 2007 (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

Convertible financial instruments

The net proceeds received on issue of the Company's convertible financial instruments are allocated into their financial liability and equity instrument components and presented separately in the balance sheet

On initial recognition, the financial liability component is determined by reference to the fair value of a similar liability that does not have an associated equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole, the amount separately determined for the liability component

The amount initially attributed to the liability component equals the fair value of the liability discounted at the company's estimated cost of capital of 13%. In subsequent years the discount is unwound with the movement taken to the profit and loss account and over time the carrying value of the liability component accumulates to the value of the financial liability

Transaction costs that are related to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds

The amounts initially allocated to the financial liability and equity instrument components are not subsequently re-measured

Upon conversion, the carrying value of amounts recognised as a financial liability are transferred to equity

FRS 20 'Share based payment'

During the year the Group has adopted FRS 20 'Share based payment' application of which is obligatory for AIM listed companies with accounting periods commencing on or after 1 January 2006. The impact of this has been reflected in the current year results. The 2006 figures did not require restatement to reflect the change in policy

FRS 20 'Share based payment' requires the recognition of share based payment transactions with employees or other parties at fair value at the date of grant. Prior to the adoption of FRS 20 the Group recognised the financial effect of the share based payment in the following way: when shares and share options were awarded to employees a charge was made to the profit and loss account based on the difference between the market value of the Company's shares at the date of the grant and the option exercise price in accordance with UTIF Abstract 17 (revised 2003) 'Employee Share Schemes'. The credit entry for this charge was taken to the profit and loss reserve and reported in the reconciliation of movements in shareholder's funds

In accordance with the transitional provision of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7 November 2002 that had not vested by 1 June 2006, and to liabilities for share based transactions existing at 1 June 2006

In 2007 the change in accounting policy has resulted in net increase in loss for the year of £4,400. For 2006 the impact of share based payments as a net charge to income of £Nil

The share based payments expense has been included in the following line of the consolidated profit and loss account: administrative expenses £4,492,000 (2006 - £3,700,000)

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

Notes to the Accounts

for the year ended 31 May 2007 (*continued*)

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 income receivable from the Group's principal activities excluding transfer fees and value added tax. Turnover is analysed between Match Day, Central League Awards and Commercial revenue streams.

Match Day

Match Day turnover represents income receivable from all match day activities from Millwall games at The Den, together with our share of gate receipts from cup games not played at The Den. The share of gate receipts payable to the other participating club for domestic cup matches played at The Den is treated as a reduction in turnover.

Central League Awards

Central League Award turnover represents the Basic Award from the Football League and the Parachute payment received from the Football League following relegation from the Championship.

Commercial

Commercial turnover comprises income receivable through sponsorship, shop revenue, use of the conference and catering facilities at The Den on non-match days and sundry other income.

Deferred income

All income received in advance of football activities, such as season ticket revenue, league awards, advertising, sponsorship and broadcasting revenues are treated as deferred income and released to income over the period or number of matches to which they relate.

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.

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

FRS 25 'Financial Instruments: disclosure and presentation'

In accordance with FRS 25, convertible financial instruments are a compound instrument. Compound financial instrument comprises a liability and equity component and must be presented separately on the balance sheet.

Because the Company had no convertible instruments as at 31 May 2006, this accounting policy has no impact on the comparatives of the Company.

Notes to the Accounts

for the year ended 31 May 2007 (continued)

2 Turnover

Turnover, all of which arises from the Group's principal activity, can be analysed into its main components as follows

	<i>Year Ended 31 May 2007 £000</i>	<i>Year Ended 31 May 2006 £000</i>
Match day	3,318	3,949
Central League awards	570	695
Commercial	1,500	1,602
	<u>5,388</u>	<u>6,246</u>

3 Interest payable and similar charges

	<i>Year Ended 31 May 2007 £000</i>	<i>Year Ended 31 May 2006 £000</i>
Bank loans and overdrafts	49	247
Finance leases and hire purchase contracts	111	20
Interest accrued on convertible loan notes	43	-
Other	5	10
	<u>208</u>	<u>277</u>

4 Loss on ordinary activities before taxation

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

	<i>Year Ended 31 May 2007 £000</i>	<i>Year Ended 31 May 2006 £000</i>
Depreciation and amounts written off tangible fixed assets		
– owned	373	358
– held under finance leases and hire purchase contracts	9	8
Amortisation of grant	(104)	(104)
Amortisation of player registrations	63	244
Operating lease rentals		
– plant and machinery	37	35
– other	49	66
Auditors' remuneration		
– Audit of group and company financial statements	5	5
– Audit of financial statements of subsidiaries	20	20
– Other services comprising taxation services	9	55
Directors' remuneration	208	16
Profit on sale of players' registrations	(414)	(545)

Notes to the Accounts

for the year ended 31 May 2007 (continued)

5 Staff costs

The average monthly number of employees in the Group (including executive Directors) was

	<i>Year Ended 31 May 2007 Number</i>	<i>Year Ended 31 May 2006 Number</i>
Football team management	7	10
Administrative and ground staff	53	52
Players	44	40
	104	102

In addition, the Group employs on average, a further 190 (2006 220) temporary staff on matchdays

Aggregate remuneration comprised

	<i>Year Ended 31 May 2007 £000</i>	<i>Year Ended 31 May 2006 £000</i>
Wages and salaries	5,293	5,821
Social security costs	556	611
Pension costs	16	72
	5,865	6,504

The average number of employees of the company during the year, including directors, was 7 (2006 5) There were no employment costs borne by the company in either year

6 Directors' remuneration, interests and transactions

	<i>Year Ended 31 May 2007 £</i>	<i>Year Ended 31 May 2006 £</i>
Directors emoluments	203,656	15,890
Share based compensation	4,000	–
	207,656	15,890

The aggregate emoluments of the highest paid director was £204,000 (2006 £15,890), including £4,000 share based compensation charge

Retirement benefits are not accruing on any defined pension scheme for any director (2006 Nil)

Payments to defined pension schemes for the highest paid director were £Nil (2006 £Nil)

Notes to the Accounts

for the year ended 31 May 2007 (continued)

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 2006 £nil)

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

	<i>Year Ended 31 May 2007 £000</i>	<i>Year Ended 31 May 2006 £000</i>
Loss on ordinary activities before tax	(5,191)	(4,297)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	(1,557)	(1,289)
Effects of		
Expenses not deductible for tax purposes	53	23
Depreciation in excess of capital allowances	57	56
Losses carried forward in year	1,447	749
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 £32,960,000 (2006 £31,513,000) given the inherent uncertainty of future profits. The unprovided deferred tax asset is £12,276,000 (2006 £11,842,000)

8 Loss per ordinary share

The calculation of loss per ordinary share is based on the loss for the year of £5,191,000 (31 May 2006 loss £4,297,000) and on 21,849,707,590 (31 May 2006 7,540,109,611) 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 (2006 no potential dilution on loss per ordinary share). There is no difference between basic and diluted earnings per share in 2007 and 2006. As at 31 May 2007 the number of options which could potentially dilute basic earnings per share in the future was 1,901,916,666 (2006 2,573,594,046). These have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the period presented. In addition to share options, as at 31 May 2007, the Company had gross convertible debt of £2,696,000 in issue, potentially convertible to 8,986,666,666 ordinary shares, which could dilute earnings per share in the future. Subsequent to the year end a further 3,000,000,000 new ordinary shares and £1.2 million convertible loan notes have been issued which could dilute earnings per share in the future.

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 £5,191,000 (2006 £4,297,000) 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.

Notes to the Accounts

for the year ended 31 May 2007 (continued)

10 Intangible fixed assets

	<i>Players' Registrations</i> £000
Group	
Cost	
1 June 2006	763
Additions	60
Disposals	(498)
31 May 2007	325
Amortisation	
1 June 2006	697
Charge for the year	63
Disposals	(471)
31 May 2007	289
Net book value	
31 May 2007	36
31 May 2006	66

Notes to the Accounts

for the year ended 31 May 2007 (continued)

11 Tangible fixed assets

	<i>Long leasehold premises £000</i>	<i>Leasehold land £000</i>	<i>Fixtures and fittings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Group					
Cost					
1 June 2006	17,629	328	3,052	42	21,051
Additions	–	–	131	–	131
31 May 2007	17,629	328	3,183	42	21,182
Accumulated depreciation					
1 June 2006	2,303	3	2,777	26	5,109
Charge for the period	176	16	186	4	382
31 May 2007	2,479	19	2,963	30	5,491
Net book value					
31 May 2007	15,150	309	220	12	15,691
31 May 2006	15,326	325	275	16	15,942

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 £55,000 (31 May 2006: £27,000) relating to assets acquired under finance lease and hire purchase agreements. The depreciation charge for the year in respect of these assets is £9,400 (31 May 2006: £7,000).

Notes to the Accounts

for the year ended 31 May 2007 (continued)

12 Fixed asset investments

	<i>Shares in subsidiary undertakings £000</i>	<i>Loan to subsidiary undertakings £000</i>	<i>Total £000</i>
Company			
1 June 2006	400	37,870	38,270
Additions	–	4,896	4,896
31 May 2007	400	42,766	43,166
Amounts provided for			
1 June 2006	–	28,145	28,145
Provided in year	–	5,428	5,428
31 May 2007	–	33,573	33,573
Net book value			
31 May 2007	400	9,193	9,593
31 May 2006	400	9,725	10,125

At 31 May 2007, the Company's subsidiaries, which are incorporated, registered and operate in England and Wales were The Millwall Football and Athletic Company (1985) Plc, a football club, and Millwall Property Limited, a property development company of which the Company owns 100% of the issued share capitals 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

	<i>Group</i>		<i>Company</i>	
	<i>31 May 2007 £000</i>	<i>31 May 2006 £000</i>	<i>31 May 2007 £000</i>	<i>31 May 2006 £000</i>
Goods for resale	93	92	–	–

14 Debtors

	<i>Group</i>		<i>Company</i>	
	<i>31 May 2007 £000</i>	<i>31 May 2006 £000</i>	<i>31 May 2007 £000</i>	<i>31 May 2006 £000</i>
Trade debtors	126	232	–	–
Other debtors	113	849	–	–
Prepayments and accrued income	562	613	10	9
	801	1,694	10	9

Notes to the Accounts

for the year ended 31 May 2007 (continued)

14 Debtors (continued)

All amounts shown under debtors in respect of the current year fall due for payment within one year

15 Creditors Amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts	6	1,046	-	-
Signing on fees	4	25	-	-
Obligations under finance leases and hire				
purchase contracts	65	73	-	-
Taxation and social security	378	806	-	-
Other creditors	1,644	1,030	143	67
Accruals and deferred income	1,114	671	7	53
	3,211	3,651	150	120

Included within accruals and deferred income is an amount of £848,000 (2006 £113,000) 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

	<i>Group</i>		<i>Company</i>	
	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Signing on fees	2	2	-	-
Other creditors	105	166	-	-
Amounts relating to convertible loan notes	2,135	-	2,135	-
Interest accrued on convertible loan notes	43	-	43	-
Obligations under finance leases and hire				
purchase contracts	1,731	1,753	-	-
Accruals and deferred income	2,860	2,964	-	-
	6,876	4,885	2,178	-

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

Amounts relating to convertible loan notes refers to the financial liability component of the Company's issued convertible loan notes. The liability element of the convertible loan is recognised in accordance with the accounting policy as set out in note 1

Amounts relating to convertible loan notes are stated net of unamortised deferred transaction costs of £309,000

The interest accrued on convertible loan notes represents the unwinding of the discount of the Liability component of the convertible loan notes

The convertible loan notes are secured by a fixed and floating charge over the current and future assets of the Group

Notes to the Accounts

for the year ended 31 May 2007 (continued)

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

Financial liabilities are due

	Finance leases		Signing on fees		Amounts relating to convertible loan notes		Total	
	31 May 2007	31 May 2006	31 May 2007	31 May 2006	31 May 2007	31 May 2006	31 May 2007	31 May 2006
	£000	£000	£000	£000	£000	£000	£000	£000
Amount payable								
– within one year	65	73	4	25	–	–	69	98
– after one year but within two years	134	72	2	2	–	–	136	74
– after two years but within five years	157	202	–	–	2,135	–	2,292	202
– after more than 5 years	1,440	1,479	–	–	–	–	1,440	1,479
	1,796	1,826	6	27	2,135	–	3,937	1,853

17 Called up share capital

	31 May 2007 Number	31 May 2006 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	25,070,940,467	18,383,440,467
Deferred shares of 0 09p each	2,592,087,167	2,592,087,167
	27,663,027,634	20,975,527,634
	£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	2,507	1,838
Deferred shares of 0 09p	2,333	2,333
	4,840	4,171

Issue of Ordinary Share Capital

Private Placings	Ordinary Shares of 0 01p Issued	Nominal Value £	Consideration Received £
19 June 2006	1,625,000,000	162,500	650,000
30 June 2006	1,312,500,000	131,250	525,000
12 July 2006	750,000,000	75,000	300,000
Issue Costs			(41,015)
Conversion of Loan Notes			
24 May 2007	3,000,000,000	300,000	900,000
Issue Costs			(119,000)

Notes to the Accounts

for the year ended 31 May 2007 (continued)

17 Called up share capital (continued)

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.

Convertible Loan Notes

At 31 May 2007 £3,596,000 of Convertible Loan Notes had been drawn down with £2,696,000 remaining unconverted. This debt is potentially convertible into 8,986,666,666 ordinary shares. The lender has the right to convert the loan notes by giving notice in writing to the Company at any time up to 10 April 2010. If exercised the price paid for each ordinary share will be 0.03p.

Unapproved Share Options

At 31 May 2007, options were outstanding over 1,901,916,666 shares, (2006 2,573,594,046), including 1,166,666,666 options held by a director.

Number of Options	Date of Grant	Exercise period	Exercise price pence per share
375,000,000	18 April 2006	17 October 2007	04
125,000,000	18 April 2006	17 October 2007	04
235,250,000	18 April 2006	17 October 2007	04
666,666,666	28 March 2007	27 March 2014	03
500,000,000	28 March 2007	27 March 2014	04
<u>1,901,916,666</u>			

Under the unapproved scheme, Directors options vest as follows, half in 12 months, half in 24 months from the date of issue.

	2007 Weighted average price (pence)	2007 Number	2006 Weighted average price (pence)	2006 Number
Outstanding at the beginning of the year	04	2,573,594,046		-
Granted during the year	034	1,166,666,666	04	2,573,594,046
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	04	(1,838,344,046)	-	-
Outstanding at the end of the year	<u>036</u>	<u>1,901,916,666</u>	<u>04</u>	<u>2,573,594,046</u>

Notes to the Accounts

for the year ended 31 May 2007 (continued)

Share based payment

Millwall Holdings plc operates one equity settled share based remuneration scheme for employees the unapproved scheme for executive directors, certain senior management and contractors

The exercise price of options outstanding at the end of the year ranged between 03p and 04p (2006 - 04p) and their weighted contractual life was 5.01 years (2006 - 5.4 years)

Of the total number of options outstanding at the end of the year, 735,250,000 (2006 - 2,753,594,046) had vested and were exercisable at the end of the year

The weighted average fair value of each option granted during the year was 016p (2006 - 02p)

The following information is relevant in the determination of the fair value of options granted during the year under the equity settled share based remuneration scheme operated by Millwall Holdings plc

	2007	2006
Equity settled		
Option Price model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	024	05
Exercise Price (pence)	034	04
Equity settled		
Expected volatility	67%	67%
Expected dividend growth rate	NIL	NIL
Risk-free interest rate	5%	5%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last 3 years.

	2007	2006
	£000	£000
The share based remuneration expense comprises		
Equity settled options	4	<u>NIL</u>

The share based remuneration expense above represents the amount charged for the year for total compensation of £183,000 being amortised over the seven year exercise period

Notes to the Accounts

for the year ended 31 May 2007 (continued)

18 Reserves

	Share premium account £000	Equity component of Convertible Loan Notes £000	Capital reserves £000	Profit and loss account £000
Group				
1 June 2006	11,087	-	21,474	(26,697)
Share issues	1,707	-	-	-
Share issues - costs	(160)	-	-	-
Equity proportion of Convertible Loan Notes Issued	-	252	-	-
Allocated Convertible Loan Note transaction costs	-	(33)	-	-
Share based compensation	-	-	-	4
Loss for the year	-	-	-	(5,191)
31 May 2007	12,634	219	21,474	(31,884)
Company				
1 June 2006	11,087	-	21,416	(26,639)
Share issues	1,707	-	-	-
Share issues - costs	(160)	-	-	-
Equity proportion of Convertible Loan Notes Issued	-	252	-	-
Allocated Convertible Loan Note transaction costs	-	(33)	-	-
Share based Compensation	-	-	-	4
Loss for the year	-	-	-	(5,191)
31 May 2007	12,634	219	21,416	(31,826)

19 Reconciliation of movements in shareholders' funds

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Brought forward	10,035	10,008	10,035	10,008
New shares issued (net of £160,000 issue costs)	2,216	4,324	2,216	4,324
Equity portion of Convertible Loan Notes Issued (net of £33,000 transaction costs)	219	-	219	-
Loss for the financial year	(5191)	(4,297)	(5,191)	(4,297)
Share based compensation	4	-	4	-
Carried forward	7,283	10,035	7,283	10,035

Notes to the Accounts

for the year ended 31 May 2007 (continued)

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

	Year Ended 31 May 2007 £000	Year Ended 31 May 2006 £000
Operating loss	(5,000)	(4,023)
Depreciation	382	366
Amortisation of grants	(104)	(104)
Amortisation of players' registrations	63	244
Profit on disposal of players' registrations	(414)	(545)
Share based compensation	4	—
(Increase)/Decrease in stocks	(1)	20
Decrease in debtors	893	1,425
Increase/(Decrease) in creditors and deferred income	132	(1,709)
Net cash outflow from operating activities	(4,045)	(4,326)

21 Analysis and reconciliation of net debt

	31 May 2006 £000	Cash flow £000	Non cash Changes £000	31 May 2007 £000
Cash in hand and at bank	777	(28)	—	749
Overdrafts and short term loans	(1,046)	1,040	—	(6)
	(269)	1,012	—	743
Finance leases	(1,826)	16	14	(1,796)
Convertible Loan Notes Issued	—	(3,596)	1,461	(2,135)
	(2,095)	(2,568)	1,475	(3,188)

The non-cash changes relate to issue costs of £309,000 which remain carried forward and will be amortised over the term of the loan, £252,000 attributed to the equity element of the convertible loan notes and £900,000 in respect of the conversion of loan notes (see note 17) during the year

Reconciliation of net cash flow to movement in net debt

	31 May 2007 £000	31 May 2006 £000
Increase in net cash in the year	1,012	2,144
Cash flow from lease financing	16	(1,784)
Convertible Loan Notes Issued	(2,135)	—
Inception of new finance leases	14	(26)
Movement in net debt in the year	(1,093)	334
Net debt at 1 June	(2,095)	(2,429)
Net debt at 31 May	(3,188)	(2,095)

Notes to the Accounts

for the year ended 31 May 2007 (continued)

22 Financial commitments and contingent assets/liabilities

a) Contractual commitments

At the 31 May 2007 the Group is committed to pay £6,000 (2006 £27,000) 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.

b) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Group Plant and Machinery		Group Other assets	
	2007	2006	2007	2006
	£000	£000	£000	£000
Expiry date				
- within one year	4	-	-	-
- between two and five years	33	21	-	-
- after five years	-	-	49	49
	<u>37</u>	<u>21</u>	<u>49</u>	<u>49</u>

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 was £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 2007, 1 (2006: 1) of the subsidiary's employees was a member of the scheme. Contributions were paid by the subsidiary being 10.4% (2006: 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 £50,000 (2006: £75,000). The maximum that could be payable is £100,000 (2006: £Nil). These amounts have not been provided for in the financial statements.

Notes to the Accounts

for the year ended 31 May 2007 (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 operated a bank overdraft facility with the Bank of Cyprus Limited until 12 April 2007. The variable interest rate was 1.25% (2006: 1.25%) above the bank's base rate. Finance lease interest is charged at fixed rates varying between 6% and 10% (2006: at fixed rates varying between 6% and 10%).

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 2007 the group had £749,000 on deposit (2006: £777,000).

Maturity of financial liabilities

The overdraft facility was repayable on demand. At 31 May 2007, the Group had drawn down borrowing facilities, in respect of which all conditions precedent had been met, of £Nil (2006: £1,046,000). The maturity profile of the Group's other financial liabilities, finance leases, is shown in note 15. At 31 May 2007 the undrawn amounts on the overdraft facility was £Nil (2006: £1,266,000).

Convertible Loan Notes

The convertible loan notes carry interest at 9% p.a. calculated daily and consolidated quarterly. At the option of the Company the interest may be settled by the issue of PIK (Payment in Kind) Notes which have the right to subscribe for £1 of ordinary shares for every £1 of unpaid interest. The undrawn balance of £1,884,446 of convertible loan note facility is available to the Company until 11 March 2010.

Currency exposures

The Group had no foreign currency exposures at 31 May 2007 (2006: £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 2007 and 31 May 2006 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 (2006: £Nil) and from which purchases of £1,103 (2006: £5,305) were made during the year. All transactions were conducted on an arm's length basis on normal trading terms. At 31 May 2007 with respect to trading with Ryman Limited, £Nil (2006: £Nil) was due to the Group and £188 (2006: £799) was due from the Group.

John G Berylson (non-executive Chairman) and Demos Kouvas (non-executive director) are respectively Chairman, Chief Operating Officer and Chief Financial Officer of Chestnut Hill Ventures LLC the company which has advanced a line of credit to the Company through the convertible loan notes. The facility is for £5,000,000 of which £3,116,000 was drawn down in the year of which £900,000 was converted to share capital during the year leaving a balance of £2,216,000 drawn down at the year end.

Three non-executive directors, C Gonticas, T Keyse and S Till together with P de Savary advanced a further £480,000 through the convertible loan notes.

25 Post Balance Sheet Events

Subsequent to the year end one private placing of 3,000,000,000 New Ordinary Shares raised a further £0.9 million increasing the issued Share Capital to 28,070,940,467 Ordinary Shares of 0.01p each an increase of 11.96%. £1.2 million was also raised from a further issue of Convertible Loan Notes.