Milton Keynes Dons Limited

Directors' report and financial statements

Registered number 4787003

Year ended 30 June 2008

Contents

Directors' report

The directors present their annual report and the financial statements for the year ended 30 June 2008.

Principal activities

The principal activity of the company is the operation of a professional football club, together with related commercial activities.

Business review

The results for the year are set out on page 5.

The year ended 30 June 2008 was the second season in the new stadium in which the club operates under a licence arrangement. The team achieved promotion as Champions to League One for the 2008/09 season and also won the Johnstones Paint Trophy final at Wembley, which generated much need revenue.

In addition the club generated over £1m from the sale of players including the sale of Izale Macleod to Charlton Athletic Football Club.

Funding the football club remains challenging and despite the additional revenue generated above, the company reports a loss before tax of £1,123,546.

Directors

The directors who held office during the year, and since the end of the year, were as follows:

PJ Winkelman
B Winkelman
M Turner (appointed 27 March 2009)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

M Turner
Director

Stadium MK
Stadium Way
Milton Keynes
MK1 1ST

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

Independent auditors' report to the members of Milton Keynes Dons Limited

We have audited the financial statements of Milton Keynes Dons Limited for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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 company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report to the members of Milton Keynes Dons Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss for the year then ended;
- 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

16 June, 2009.

Profit and loss account
for the year ended 30 June 2008

	Note	**2008 Operations (excluding player amortisation and trading)**	**2008 Player amortisation and trading**	**2008 Total**	2007 Total
		£	**£**	**£**	£
Turnover	*1*	**4,924,110**	**-**	**4,924,110**	2,493,598
Operating expenses		**(6,881,408)**	**(145,808)**	**(7,027,216)**	(5,631,541)
Operating loss		**(1,957,298)**	**(145,808)**	**(2,103,106)**	(3,137,943)
Profit/(loss) on disposal of player registrations		**-**	**1,003,938**	**1,003,938**	(4,785)
Loss on ordinary activities before interest and taxation		**(1,957,298)**	**858,130**	**(1,099,168)**	(3,142,728)
Interest payable and similar charges	*5*			**(24,378)**	(10,296)
Loss on ordinary activities before taxation	*2-5*			**(1,123,546)**	(3,153,024)
Tax on loss on ordinary activities	*6*			**-**	-
Loss for the financial year	*13*			**(1,123,546)**	(3,153,024)

All results reported above relate to continuing activities.

There are no gains or losses in either period other than the results reported above. Accordingly, no separate statement of total recognised gains or losses has been presented.

Balance sheet
at 30 June 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Intangible assets	7		134,799		143,502
Tangible assets	8		542,938		182,130
			677,737		325,632
Current assets					
Debtors	9	850,990		383,424	
Cash at bank and in hand		1,096,600		566,309	
		1,947,590		949,733	
Creditors: amounts falling due within one year	10	(8,324,041)		(6,239,744)	
Net current liabilities			(6,376,451)		(5,290,011)
Total assets less current liabilities			(5,698,714)		(4,964,379)
Provisions for liabilities	11		(128,794)		(139,583)
Net liabilities			(5,827,508)		(5,103,962)
Capital and reserves					
Called up share capital	12		2,000,000		1,600,000
Profit and loss account	13		(7,827,508)		(6,703,962)
Shareholders' deficit	14		(5,827,508)		(5,103,962)

These financial statements were approved by the board of directors on 5 June 2009 and were signed on its behalf by:

M Turner
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £5,827,508 *(2007: £5,103,962)*, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Inter MK Group Limited, the company's ultimate holding undertaking. Inter MK Group Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Cash flow statement

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Related party transactions

As more than 90% of the company's voting rights are controlled within the group headed by Inter MK Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. This period is considered to be 20 years.

Notes *(continued)*

1 Accounting policies *(continued)*

Player registrations (within intangible fixed assets)

The costs of obtaining players' registrations are capitalised and amortised evenly over the period of the associated player's contract. Provision is made where, in the opinion of the directors, an impairment of the carrying value of the players' registrations has occurred. Potential future registration fees, contingent on certain conditions agreed in the registration contracts with the selling company, are disclosed as contingent liabilities (see note 15).

Turnover

Turnover represents income from commercial activities excluding income from disposal of player registrations and value added tax. Revenue generated in advance, such as season tickets and commercial hospitality income, are deferred and released to the profit and loss account as the associated matches are played.

Fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land and Building	5 years
Office equipment	3 years
Plant and Machinery	5 years

No depreciation is provided in relation to assets whilst in the course of construction.

Stock

Stocks, which comprise goods for resale, are valued on a first in, first out basis at the lower of cost and net realisable value.

Signing on fees

Signing on fees are recognised evenly over the period covered by the players contract.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Pensions

The company contributes to the Football League Limited Pension and Life Assurance Scheme for certain former employees, the assets of which are held separately from those of the company in independently administered funds. The pension cost charges represents contributions payable by the company during the year towards an actuarial deficit on the scheme, and a provision for the future settlement of the deficit in the Scheme, as advised by the Trustees (see note 16).

Notes *(continued)*

2 Loss on ordinary activities before taxation

	2008	2007
	£	£
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets		
- owned assets	**174,479**	45,324
Amortisation and impairment of goodwill	**-**	210,899
Amortisation of players' registrations	**145,808**	142,668
Auditors' remuneration		
- audit of these financial statements	**12,000**	11,500
- other services relating to taxation	**3,750**	3,500
Operating lease rentals – hire of land and buildings	**-**	280,000

3 Directors' remuneration

None of the directors received any compensation in respect of their services to the company in either period. The company does not contribute to any pension arrangements in favour of the directors.

Notes *(continued)*

4 Staff costs and numbers

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2008	2008
Full-time playing, training and management	**53**	63
Administration and commercial	**17**	11
	80	74

In addition to the above, the company employs an average of 143 *(2007: 90)* temporary staff on matchdays.

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£	£
Wages and salaries	**3,746,361**	3,043,306
Social security costs	**379,386**	336,834
Other pension costs (see note 11)	**27,624**	22,629
	4,142,582	3,402,769

The other pension costs above relates to payments made in relation to the service of past employees (see note 16) and excludes the utilisation of provisions made in this respect (see note 11).

5 Interest payable and similar charges

	2008	2007
	£	£
Bank interest and charges	**24,378**	10,296
	24,378	10,296

Notes *(continued)*

6 Taxation

Analysis of charge in period:

	2008 £	2007 £
UK corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred tax		
Origination/reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax charge for the period differs to the standard rate of corporation tax in the UK of 29.5% *(2007: 30%)*. The differences are explained below:

	2008 £	2007 £
Current tax reconciliation		
Loss on ordinary activities before tax	(1,123,546)	(3,153,024)
Current tax at 29.5% *(2007: 30%)*	(331,446)	(945,907)
Effects of:		
Expenses not deductible for tax purposes	65,714	64,388
Differences between depreciation and capital allowances	48,855	845
Other short term timing differences	(3,020)	(1,748)
Surrender for group relief	-	413,540
Tax losses carried forward	207,865	437,684
Impact of rate change on current year deferred tax	12,032	31,198
Total current tax charge (see above)	-	-

The elements of deferred tax, not recognised, are as follows:

	£	£
Accelerated capital allowances	27,657	(21,198)
Other short term timing differences	36,062	39,083
Tax losses	645,549	437,684
Deferred tax asset (not recognised)	709,268	455,569

The deferred tax asset has not been recognised on the basis that, in the directors' opinion, there is not sufficient certainty that taxable profits will be available in the foreseeable future against which to utilise these tax losses.

Notes *(continued)*

7 Intangible fixed assets

	Goodwill £	Player registrations £	Total £
Cost			
At start of period	234,333	385,000	619,333
Additions	-	198,667	198,667
Disposals	-	(300,000)	(300,000)
At end of period	234,333	283,667	518,000
Amortisation			
At start of period	234,333	241,498	475,831
Charge for period	-	145,808	145,808
Disposals	-	(238,438)	(238,438)
At end of period	234,333	148,868	383,201
Net book value			
At 30 June 2008	**-**	**134,799**	**134,799**
At 30 June 2007	-	143,502	143,502

8 Tangible fixed assets

	Land and Buildings £	Office Equipment £	Plant & Machinery £	Total £
Cost				
At start of period	195,742	42,180	9,287	247,209
Additions	-	5,275	530,012	535,287
At end of period	195,742	47,455	539,299	782,496
Amortisation				
At start of period	55,309	9,770	-	65,079
Charge for period	39,144	6,999	128,336	174,479
At end of period	94,453	16,769	128,336	239,558
Net book value				
At 30 June 2008	**101,289**	**30,686**	**410,963**	**542,938**
At 30 June 2007	140,433	32,410	9,287	182,130

Notes *(continued)*

9 Debtors

	2008 £	2007 £
Trade debtors	**811,556**	251,044
Prepayments	**39,434**	132,380
	850,990	383,424

10 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	**1,374,970**	-
Trade creditors	**906,288**	461,164
Amounts owed to group undertakings	**4,470,374**	4,920,320
Tax and social security	**188,912**	107,645
Other creditors	**7,928**	81,695
Accruals and deferred income	**1,375,569**	668,920
	8,324,041	6,239,744

11 Provisions for liabilities

	Other provisions £
At beginning of year	139,583
Amounts utilised in year	(10,789)
At end of year	**128,794**

The amount provided relates to a share of a Football League pension scheme deficit attributable to the company – see note 16. The actuarial deficit is now being settled through monthly contributions up to 2016.

Notes *(continued)*

12 Called up share capital

	2008	2007
	£	£
Authorised		
4,000,000 ordinary shares of £1 each	**4,000,000**	4,000,000
Allotted and called up		
2,000,000 *(2007: 1,600,000)* ordinary shares of £1 each	**2,000,000**	1,600,000

On 20 June 2008 the company issued 400,000 ordinary shares of £1 each to Inter MK Limited, at par value.

13 Reserves

	Profit and loss account
	£
At the beginning of the period	**(6,703,962)**
Loss for the period	**(1,123,546)**
At the end of the period	**(7,827,508)**

14 Reconciliation of movements in shareholders deficit

	2008	2007
	£	£
Opening shareholders' deficit	**(5,103,962)**	(2,550,938)
Loss for the period	**(1,123,546)**	(3,153,024)
Issue of ordinary share capital	**400,000**	600,000
Closing shareholders' deficit	**(5,827,508)**	(5,103,962)

15 Contingent liabilities and assets

Player registration fees

At the year end, additional transfer fees payable of £104,000 *(2007: £104,000)* will arise contingent upon certain contractual events occurring after the year end, such as players making specific numbers of appearances and gaining international honours.

Similarly, additional fees of £1,660,000 *(2007: £2,413,000)* may become receivable where the above contingent events occur in respect of players already sold by the year end.

Notes *(continued)*

16 Pension scheme

Certain former staff of the company are members of the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS') comprising both defined benefit (suspended from 31 August 1999) and defined contribution sections. The company makes no contributions to any scheme in respect of current employees.

Following a review of the Minimum Funding Requirement ('MFR') of the FLLPLAS, accrual of benefits of the final salary section of the scheme was suspended as at 31 August 1999. In light of the exceptional circumstances affecting the scheme, the trustees of the scheme commissioned an independent actuary's report on the MFR position and a substantial deficit was identified. Under the Pensions Act 1985, participating employers will be required to contribute to the deficiency. The Club was advised that a basis of apportionment of the deficit had been approved by the trustees and their advisers, although in practice there are a number of important issues which remain that could impact on the final quantification of this liability. The remaining amount payable on the allocation notified to the company on 3 April 2006, in respect of the actuarial deficit calculated as at 31 August 2005, is £149,495 and accordingly a provision for this amount was made in the financial statements (see note 11).

An amount of £10,789 *(2007: £6,243)* was utilised against this provision in the year and the provided amount is now £128,794 *(2007: £139,583)*.

17 Commitments

Capital commitments

At the end of the financial year the Company had entered into commitments amounting to £nil *(2007: £47,998)* in respect of capital projects.

Other commitments

There are no other commitments as at the end of the financial year *(2007: £nil)*.

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

At 30 June 2008, the company was a subsidiary undertaking of Inter MK Limited, a company incorporated in the United Kingdom, and the immediate and ultimate parent undertaking. Following the end of the financial year the immediate and ultimate parent undertaking became Inter MK Group Limited, a company incorporated in the United Kingdom.

19 Control

The controlling and ultimate controlling party is considered to be Mr PJ Winkelman by virtue of his shareholding in Inter MK Group Limited.

20 Post balance sheet events

In July 2008, following the end of the financial year, the Football Manager, Paul Ince, left the club to join Blackburn Rovers Football Club. The club was paid an undisclosed amount of compensation by Blackburn Rovers in respect of his employment contract.

In August 2008, the company sold Keith Andrews to Blackburn Rovers Football Club for a guaranteed sum of £700,000 plus additional sums contingent upon player appearances.