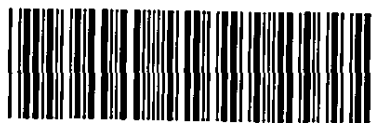


# FULHAM FOOTBALL LEISURE LIMITED

## Annual Report 30 June 2008

(Registered Number 3374347)

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**FULHAM FOOTBALL LEISURE LIMITED**

**(Registered Number 3374347)**

**ANNUAL REPORT**

**Year ended 30 June 2008**

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**FULHAM FOOTBALL LEISURE LIMITED**  
**OFFICES AND ADVISORS**

**Registered Office:**

Fulham Football Leisure Limited  
Training Ground  
Motspur Park  
New Malden  
Surrey  
KT3 6PT

**Auditors:**

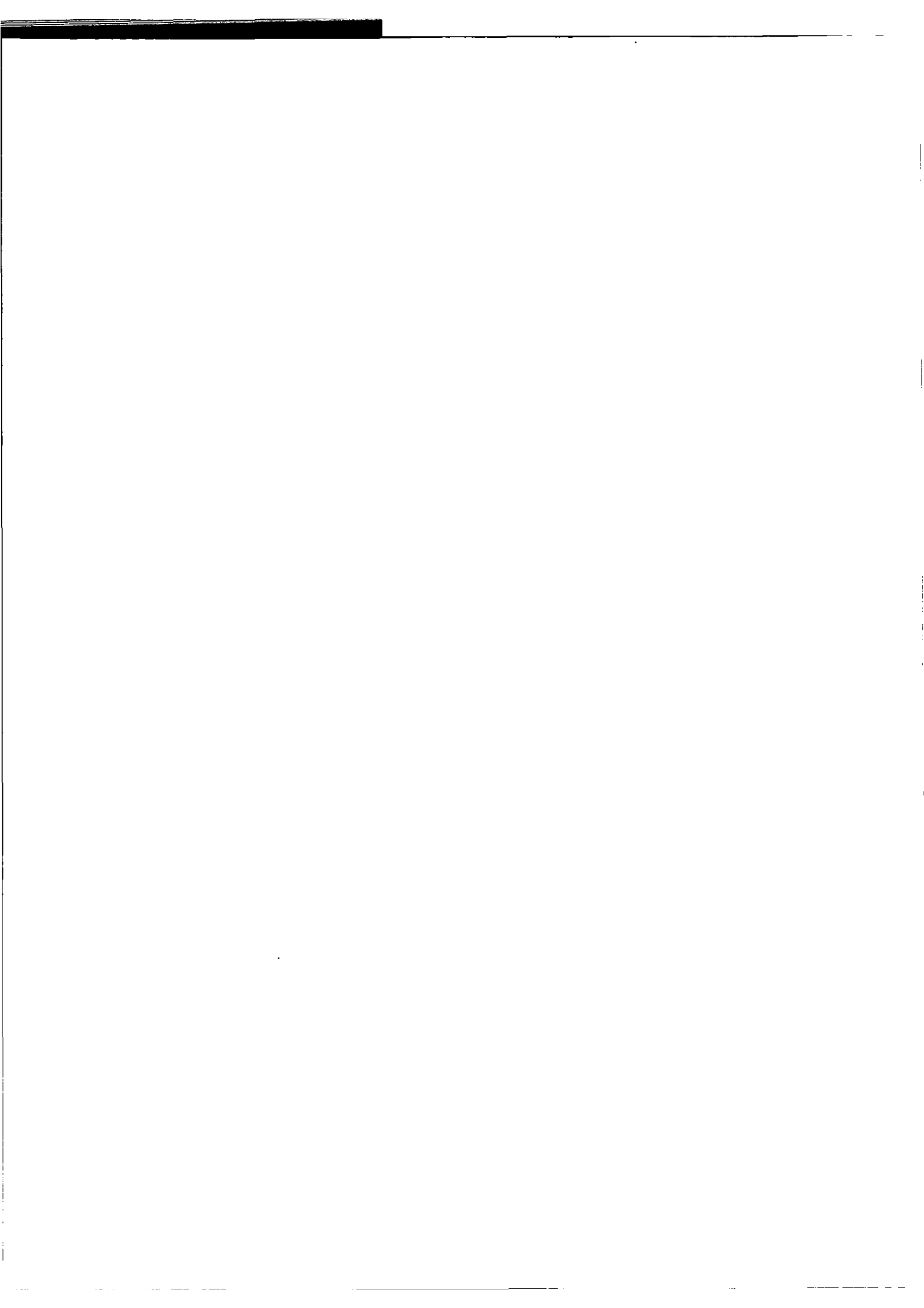
PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

**Bankers:**

National Westminster Bank Plc  
City of London Office  
1 Princes Street  
London  
EC2R 8PA

**Solicitors:**

Hammonds  
7 Devonshire Square  
Cutlers Gardens  
London  
EC2M 4YH



**FULHAM FOOTBALL LEISURE LIMITED**  
**DIRECTORS' REPORT**

The directors present their report and the accounts for the year ended 30 June 2008, which show the state of the Group's affairs.

**Principal activities**

The Group's principal activity during the period was the operation of a professional football club.

**Review of the business**

The Group continued to develop the business both commercially and with regard to the facilities and infrastructure required to enable it to remain in the Premier League.

Commercial activities continued to grow as does the commitment to establishing a long term youth policy via the Football Academy and continued support of the Football in The Community Scheme.

During the year to 30 June 2008, the group saw the following changes in the key indicators of financial and non-financial performance.

<u>Indicator</u>	<u>Year to 30 June</u>		<u>+/- change</u>	<u>%</u>
	<u>2008</u>	<u>2007</u>		
Gross revenues (£m)	53.7	39.7	14.0	35
Turnover (£m)	52.0	39.2	12.8	33
Total staff costs (£m)	39.3	35.2	4.2	12
Staff costs as % of revenues	73.3%	88.7%		15
Net operating (loss) (£m)	(8.5)	(19.4)	10.9	(56)
Final position in Premier League (PL)	17th	16th	(1)	
Total PL attendances	451,714	423,143	28,571	7
Average PL attendance per game	23,774	22,271	1,503	7

The Directors consider these to be the most useful measures of performance, as they tie on-field performance by the team to financial results achieved by the group.

**Results and dividends**

The profit for the financial period amounted to £1,589,508 (2007: Loss: £15,871,893) which has been transferred to reserves.

The directors do not recommend payment of a dividend (2007 : £nil).

**Future developments**

The Group continues to seek to develop the match-day experience for spectators to promote the long-term aim of growing and retaining a large and loyal fan base. Fulham Stadium Limited has a rolling program of increasing and improving facilities at the Craven Cottage stadium, which enables the Group to plan for steady increases in attendances and an increase in total premium seating areas and lounge facilities, which support premium-priced match-day packages.

The Group will continue to invest in the playing squad to maintain and improve on the results achieved during the playing season.

**FULHAM FOOTBALL LEISURE LIMITED**  
**DIRECTORS' REPORT (continued)**

**Financial instruments and risks**

Most of the Group's transactions are in sterling, although from time to time certain transactions involving the acquisition of overseas players may be in Euros. In these cases, the Group's policy is to accept the risk of a movement in the exchange rate to sterling. No forward purchases of currency are made, nor does the company use hedging instruments.

The Group's main source of finance, for operating losses, working capital and capital expenditure (including player transfers), in excess of funds generated internally, is interest-free loans from its parent company. The Group has received assurances from the directors of the parent company that no repayment demand will be made which would either cause the repayments to be a preference of a creditor or which would cause the Group to become technically insolvent.

The Group's main commercial risk is that associated with potential failure to retain membership of the Football Association Premier League. Of the Group's total revenues in the year to 30 June 2008, 65% came from sources controlled by the FAPL (2007: 59%). In the event of relegation from the FAPL, the Group's revenues would fall in the next two years to a level which would not finance ongoing contractual commitments, and the Group would therefore have to take action to significantly reduce operating costs. Such action could prevent the maintenance of a playing squad capable of gaining promotion back to the FAPL. Therefore the Group's main aim is to prevent this risk becoming a reality.

**Post balance sheet events**

Since the year end, the company has acquired the registrations of Andy Johnson, Mark Schwarzer, Zoltan Gera, Bobby Zamora, John Pantsil, Fredrik Stoor, Pascal Zuberbühler, Chris Smalling, Andranik Timotian Samarani and Dickson Etuhu, In addition, the company has disposed of the registrations of Ricardo Batista, Dejan Stefanovic, Steven Davis, David Healy, Alexey Smertin, Antti Niemi, Nathan Ashton and Jimmy Bullard. The net outflow from player trading is approximately £8.36 million.

On 8 July 2008, a loan from Irish Nationwide Building Society, which at that time stood at £6m, was repaid simultaneous with the granting of a new loan for £9.5m, repayable in quarterly installments of £0.5m, over 2 years, with a final payment in July 2010 of £5.5m. Interest is charged at 2.5% over LIBOR.

On 19 December 2008, three group subsidiary companies granted fixed charges by way of Debentures over all their assets in favour of Harrods (UK) Limited, to secure the indebtedness of Fulham Football Club (1987) Limited due to Harrods (UK) Limited. The debt was in the sum of £18.5m repayable by Fulham Football Club (1987) Limited in varying installments, the last of which is in January 2010, following which the Debentures will be discharged

**Directors**

The directors who served during the year are as follows:-

M Al Fayed

S H Benson

M A E Collins

## 8FULHAM FOOTBALL LEISURE LIMITED

### DIRECTORS' REPORT (continued)

#### Disclosure of information to auditors

Each of the directors has confirmed that:

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### The environment

The Group has continued to adopt policies and procedures which take account of the need to preserve and protect the environment. The directors are committed to compliance with environmental best practice in all aspects of the business.

#### Policy on payment of creditors

It is the Group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. The Group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The Group takes an average of 39 days to pay its creditors (2007:30).

#### Charitable donations

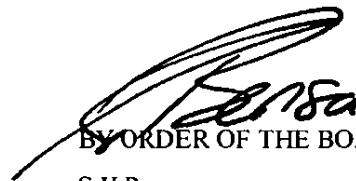
During the year, the group donated £81,108 (2007: £96,682) to Fulham FC Community Sports Trust.

#### Policy on disabled persons

It is the Group's policy to provide full and fair consideration of applications, continuing employment and training while employed for disabled persons in the business and to make our facilities available to disabled supporters as far as is possible within the constraints of a concern for the health and safety of all of our staff and customers.

#### Policy on employee involvement

It is the Group's policy to keep all staff informed as to the development of the business and then encourage them to contribute their ideas, criticisms and comments through a management process which recognises and rewards genuine involvement in the success of the Group.

  
BY ORDER OF THE BOARD  
S H Benson  
Secretary  
20th March 2009

**FULHAM FOOTBALL LEISURE LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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;
- 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 the group and 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FULHAM FOOTBALL LEISURE LIMITED**

We have audited the financial statements of Fulham Football Leisure Limited for the year ended 30 June 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated & Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and 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. 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.

**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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FULHAM FOOTBALL LEISURE LIMITED (continued)**

**Basis of audit opinion (continued)**

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2008 and of the group's profit 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.

London, UK

23 March 2008

*PKF(UK)LLP*

PKF (UK) LLP

Registered Auditors

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
Year ended 30 June 2008

	Notes	2008			2007
		Operations excluding player trading £'000	Player trading £'000	Total £'000	Total £'000
Turnover	2	52,046	-	52,046	39,244
Other operating income		1,624	-	1,624	435
		<u>53,670</u>	<u>-</u>	<u>53,670</u>	<u>39,679</u>
Operating expenses	3	(55,649)	(12,883)	(68,532)	(58,402)
Exceptional items	5	9,528	(3,177)	6,351	(720)
<b>Operating loss</b>		<u>7,549</u>	<u>(16,060)</u>	<u>(8,511)</u>	<u>(19,443)</u>
Profit on disposal of players' registrations		-	11,682	11,682	5,495
<b>Profit/(Loss) before interest and taxation</b>		<u>7,549</u>	<u>(4,378)</u>	<u>3,171</u>	<u>(13,948)</u>
Net interest payable	7			(1,581)	(1,924)
<b>Profit/(Loss) on ordinary activities before taxation</b>				<u>1,590</u>	<u>(15,872)</u>
Taxation of profit on ordinary activities	8			-	-
<b>Profit/(Loss) for the year</b>	16			<u>1,590</u>	<u>(15,872)</u>

All amounts relate to continuing operations.

The group has no recognised gains or losses other than the profit for the year.

The notes on pages 14 to 31 form part of these accounts.

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
Year ended 30 June 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	9		32,109		15,087
Tangible assets	10		<u>22,922</u>		<u>21,730</u>
			<b>55,031</b>		<b>36,817</b>
<b>Current assets</b>					
Stocks		19		11	
Debtors	12	9,382		4,115	
Cash at bank and in hand		4,159		1,330	
Bank deposit account - charged		<u>163</u>		<u>716</u>	
		<b>13,723</b>		<b>6,172</b>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(59,492)</u>		<u>(88,062)</u>	
<b>Net current liabilities</b>			<u><b>(45,769)</b></u>		<u><b>(81,890)</b></u>
Total assets less current liabilities			<b>9,262</b>		<b>(45,073)</b>
<b>Creditors: amounts falling due after more than one year</b>	13		<b>(164,469)</b>		<b>(110,453)</b>
<b>Deferred income</b>	14		<u><b>(3,304)</b></u>		<u><b>(4,575)</b></u>
<b>Net Liabilities</b>			<u><u><b>(158,511)</b></u></u>		<u><u><b>(160,101)</b></u></u>
<b>Capital and reserves</b>					
Called up share capital	15		<b>6,000</b>		<b>6,000</b>
Profit and loss account	16		<u><b>(164,511)</b></u>		<u><b>(166,101)</b></u>
<b>Shareholders' funds</b>	17		<u><u><b>(158,511)</b></u></u>		<u><u><b>(160,101)</b></u></u>

The notes on pages 14 to 31 form part of these accounts.

Approved and authorised for issue by the board on 20th March 2008

  
S H Benson

Director



M A E Collins

Director

**FULHAM FOOTBALL LEISURE LIMITED**

**BALANCE SHEET**

**Year ended 30 June 2008**

	Notes	2008 £'000	£'000	2007 £'000	£'000
<b>Fixed assets</b>					
Investments	11		-		-
<b>Current assets</b>					
Debtors	12	16,863		12,230	
Cash at bank and in hand		<u>10</u>		<u>6</u>	
		16,873		12,236	
<b>Creditors</b>					
Amounts falling due within one year	13	<u>(19,700)</u>		<u>(64,737)</u>	
<b>Net Current liabilities</b>			<u>(2,827)</u>		<u>(52,501)</u>
<b>Total assets less current liabilities</b>			<u>(2,827)</u>		<u>(52,501)</u>
<b>Creditors</b>					
Amounts falling due after more than one year	13	<u>(155,500)</u>		<u>(100,382)</u>	
<b>Net liabilities</b>		<u><u>(158,327)</u></u>		<u><u>(152,883)</u></u>	
<b>Capital and reserves</b>					
Called up share capital	15	6,000		6,000	
Profit and loss account	16	<u>(164,327)</u>		<u>(158,883)</u>	
<b>Equity Shareholders' funds</b>		<u><u>(158,327)</u></u>		<u><u>(152,883)</u></u>	

The notes on pages 14 to 31 form part of these accounts.

Approved and authorised for issue by the board on 20th March 2008



S H Benson

Director



M A E Collins

Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
Year ended 30 June 2008

	<u>Notes</u>	2008 £'000	2007 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	18	6,174	(3,894)
<b>Returns on investment and servicing of finance</b>	19	(1,581)	(1,924)
<b>Capital expenditure</b>	19	(25,132)	(7,883)
<b>Acquisitions and disposals</b>	19	-	-
<b>Net cash outflow before use of liquid resources and financing</b>		<u>(20,539)</u>	<u>(13,701)</u>
<b>Management of liquid resources</b>	19	553	726
<b>Financing</b>	19	22,815	13,589
<b>Increase in cash in the year</b>		<u><u>2,829</u></u>	<u><u>614</u></u>
<b>Reconciliation Of Net Cash Flow To Movement In Net Debt</b>			
Increase in cash in the year		2,829	614
Cash inflow from increase in debt and lease financing		(22,815)	(13,589)
Cash inflow from increase in liquid resources		(553)	(726)
<b>Change in net debt resulting from cash flows</b>		<u>(20,539)</u>	<u>(13,701)</u>
Non-cash changes		9,462	(702)
<b>Movement in net debt in the year</b>		<u>(11,077)</u>	<u>(14,403)</u>
Net debt at 30 June 2007	20	(181,746)	(167,343)
Net debt at 30 June 2008	20	<u><u>(192,823)</u></u>	<u><u>(181,746)</u></u>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2008**

**1 Accounting policies**

*(a) Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the Financial Reporting Guidance for Football Clubs (Issued February 2003).

*(b) Going concern*

The group has a deficit of shareholders' funds at 30 June 2008 and has operated at a loss in recent years. The financial statements have been prepared on the going concern basis, which assumes that the group will continue in operational existence for the foreseeable future. The Directors are aware of their duty to present a balanced assessment of the group's financial position and prospects and in concluding that it is appropriate to adopt the going concern basis they have had regard to the trading performance and cashflows since the year end. They continue to take action to improve the cashflow position of the group.

They have also had regard to the written indications received from AIT Leisure Limited, the parent company, from Mr. M Al Fayed and the trust company that controls the Al Fayed family trust and their corporate interests, that continued funding will be made available, if required, to finance the group's working capital requirements for the foreseeable future, irrespective as to whether Fulham Football Club retains membership of the Premier League at the end of the 2008/09 season or not. Although there is no legal obligation for either AIT Leisure Limited, Mr. M Al Fayed and the trust company to provide this continued support, the Directors are confident that such funding, if required, will be forthcoming.

Should the Club be relegated at the end of the 2008/09 season, then the company's revenues would fall. The company would therefore have to take action to significantly reduce operating costs, which the Directors are confident could be achieved, such that parent company additional funding would not be required.

*(c) Basis of consolidation*

The results of subsidiaries are consolidated from the date of acquisition. The financial statements incorporate the audited assets and liabilities and results of subsidiary undertakings for the year. Goodwill arising on consolidation of subsidiaries is capitalised and written off on a straight-line basis over its estimated useful life.

No profit and loss account is presented for Fulham Football Leisure Limited in accordance with the exemption provided by Section 230 of the Companies Act 1985. The company's loss for the year amounted to £5,443,630 (2007: Loss – £58,020,812).

*(d) Turnover*

Turnover represents match receipts and all other income associated with the principal activity of running a professional football club and excludes value added tax. Season tickets and other revenues relating to future periods are accounted for in the period to which they relate.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**1 Accounting policies (continued)**

*(e) Depreciation*

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life. The depreciation rates are as follows:

Stands, fixtures, fittings and equipment	- 10 – 50% per annum
Leasehold improvements	- Over period of lease
Motor vehicles	- 25% per annum

Depreciation is only charged on assets brought into use during the year.

The group evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying value of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value an impairment is recorded.

*(f) Stocks*

Stocks, which comprise goods held for resale, are stated at the lower of cost and net realisable value.

*(g) Deferred taxation*

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis in accordance with the provisions set out in Financial Reporting Standard No. 19 "Deferred Tax". Deferred tax assets are only recognised when they arise from timing differences where their recoverability is regarded as more likely than not. Deferred tax balances are not discounted.

*(h) Leasing and hire purchase*

Assets acquired under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account as incurred.

*(i) Pension costs*

The cost of defined contribution pensions represent the contributions payable by the group during the year.



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**1 Accounting policies (continued)**

*(j) Grants*

Grants receivable in respect of ground safety and maintenance are credited to the profit and loss account in the same period as the expenditure is incurred.

Grants receivable in respect of fixed assets are credited to deferred income and released to the profit and loss account over the asset's useful economic life.

*(k) Signing on fees*

Signing on fees relating to players' contracts are charged to the profit and loss account on a payable basis. Signing on fees are considered to be part of players' emoluments packages and are included in the accounts as part of staff costs.

*(l) Transfer fees*

Fees payable to other football clubs on the transfer of players' registrations, including agent's fees and league levies, are recorded as intangible fixed assets. The associated costs are dealt with through the profit and loss account in the year in which the transfer takes place. Fees payable which are contingent on a future event are recorded as intangible fixed assets, if in the opinion of the Directors, the future event is more likely than not to occur during the life of the player's contract. Fees contingent on a future event which has a material uncertainty are only brought into intangible fixed assets when the event actually occurs.

Player registration costs are amortised over the life of the players' contract with the club. These intangible assets are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale. Fees receivable which are contingent on certain performance criteria are not recognised as revenue until the relevant criteria have been met.

*(m) Player Trading*

Player trading comprises amortisation of players' registrations and profit/losses on sales of players' registrations.

*(n) 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, 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.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**2 Turnover**

	2008	2007
	£'000	£'000
Gate Receipts	9,554	8,706
Sponsorship	3,611	2,643
Central Awards	28,308	17,767
Broadcasting	5,693	5,297
Commercial activities	4,880	4,831
	<u>52,046</u>	<u>39,244</u>

**3 Operating expenses**

	2008	2007
	£'000	£'000
Auditors' remuneration for audit services	50	43
Auditors' remuneration for non-audit services	22	7
Staff costs (Note 4)	39,344	35,169
Depreciation		
- Owned fixed assets	2,458	2,448
- Assets under finance leases	154	231
- Amortisation of owned player registrations	12,883	8,323
Amounts paid under operating leases:		
- Plant and machinery	82	84
- Land and buildings	-	54
Other external charges	13,539	12,043
	<u>68,532</u>	<u>58,402</u>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**4 Staff costs**

Staff costs during the year (including director's emoluments) amounted to:

	2008	2007
Wages and salaries	35,193	31,502
Social security costs	3,994	3,557
Pension costs	157	110
	<u>39,344</u>	<u>35,169</u>

The average number employed by the Group during the year was:

	Number	Number
Administrative and ground staff	137	123
Players	60	57
	<u>197</u>	<u>180</u>
Part-time staff and casual staff	457	601
	<u>654</u>	<u>781</u>

The Company had no staff costs during the year (2007: £Nil).

**5 Exceptional items**

	2008	2007
	£'000	£'000
Waiver of loan by former parent company	9,528	-
Impairment Loss	(3,177)	(720)
	<u>6,351</u>	<u>(720)</u>

The exceptional item relates to unsecured advances from Fulham Leisure Holdings Limited, the former parent company, that were waived during the year (see Note 13 Creditors). Furthermore, an impairment loss in the year arises from a write down of various players' registrations to reflect their net realisable value.

**6 Directors' emoluments**

Aggregate directors emoluments during the year totalled £361,124 (2007: £354,154) including pension contributions of £37,453 (2007: £25,500). The highest paid director's emoluments totalled £228,083 (2007: £275,500) including pension contributions of £28,000 (2007: £25,500).

**FULHAM FOOTBALL LEISURE LIMITED**  
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**7 Net interest payable**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest receivable on deposits:</b>		
Bank interest	<u>209</u>	<u>142</u>
<b>Interest payable on borrowings repayable within five years:</b>		
Bank and loan interest	(1,214)	(914)
Hire and lease purchase obligations	(32)	(35)
Amounts payable to related parties	<u>(544)</u>	<u>(1,117)</u>
	<u>(1,790)</u>	<u>(2,066)</u>
<b>Net interest payable</b>	<u><u>(1,581)</u></u>	<u><u>(1,924)</u></u>

**FULHAM FOOTBALL LEISURE LIMITED**  
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**8 Tax on loss on ordinary activities**

	<b>2008</b>	<b>2007</b>
	<b>£ '000</b>	<b>£ '000</b>
<i>(a) The tax for the year comprises:</i>		
Current tax:	-	-
Corporation tax at 30% (2007 : 30%)	-	-
<b>Total current tax (note 8(b))</b>	<b>-</b>	<b>-</b>

*(b) Factors affecting tax charge for the year*

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:

Profit/(Loss) on ordinary activities before tax	<b>1,590</b>	(15,872)
Profit/(Loss) on ordinary activities at standard rate of corporation tax in the UK of 29.5% (2007 : 30%)	<b>469</b>	(4,762)
Effects of:		
Expenses not deductible for tax purposes	<b>2,005</b>	780
Income not taxable for tax purposes	<b>(3,333)</b>	-
Depreciation in excess of capital allowances	<b>222</b>	124
Additional deduction for land remediation expenditure	<b>(75)</b>	-
Losses in year carried forward	<b>1,051</b>	4,107
Losses utilised	<b>(339)</b>	(249)
<b>Current tax charge for the year (note 8(a))</b>	<b>-</b>	<b>-</b>

*(c) Factors that may affect future tax charges*

At the year end the group has an unprovided deferred tax asset of approximately £46m (2007: £46m), as analysed below. This asset has not been recognised as the group is currently incurring operating losses and recoverability is dependent on there being future taxable trading profits against which to offset the asset.

The potential deferred tax asset is analysed below:

	<b>2008</b>	<b>2007</b>
	<b>£ '000</b>	<b>£ '000</b>
Depreciation in excess of capital allowances	<b>896</b>	1,119
Tax losses carried forward	<b>45,224</b>	44,512
<b>Total potential deferred tax asset</b>	<b>46,120</b>	<b>45,631</b>

**FULHAM FOOTBALL LEISURE LIMITED**  
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**9 Intangible fixed assets**

	<u>Goodwill</u>	<u>Player</u> <u>Registrations</u>	<u>Total</u>
	£'000	£'000	£'000
<b>Cost</b>			
At 1 July 2007	2,940	28,092	31,032
Additions	-	38,748	38,748
Disposals	-	(13,795)	(13,795)
At 30 June 2008	<u>2,940</u>	<u>53,045</u>	<u>55,985</u>
<b>Amortisation</b>			
At 1 July 2007	2,940	13,006	15,946
Provided during the year	-	12,883	12,883
Impairment loss	-	3,176	3,176
Disposals	-	(8,129)	(8,129)
At 30 June 2008	<u>2,940</u>	<u>20,936</u>	<u>23,876</u>
<b>Net book amount</b>			
At 30 June 2008	<u>-</u>	<u>32,109</u>	<u>32,109</u>
At 30 June 2007	<u>-</u>	<u>15,086</u>	<u>15,086</u>

The impairment loss in the year arises from the directors' review of the carrying value of players' registrations.

**FULHAM FOOTBALL LEISURE LIMITED**  
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**10 Tangible fixed assets**

	<b>Assets in the course of construction</b>	<b>Freehold Land</b>	<b>Leasehold Improve- ments</b>	<b>Motor Vehicles</b>	<b>Stands, Fixtures, Fittings &amp; Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>						
At 1 July 2007	988	9,209	934	39	24,183	35,353
Additions	340	-	-	-	3,467	3,807
Disposals/Transfers	(988)	-	(40)	-	280	(748)
At 30 June 2008	<u>340</u>	<u>9,209</u>	<u>894</u>	<u>39</u>	<u>27,930</u>	<u>38,412</u>
<b>Depreciation</b>						
At 1 July 2007	-	-	825	25	12,773	13,623
Provided during the year	-	-	17	8	2,587	2,612
Disposals	-	-	(40)	-	(705)	(745)
At 30 June 2008	<u>-</u>	<u>-</u>	<u>802</u>	<u>33</u>	<u>14,655</u>	<u>15,490</u>
<b>Net Book Amount</b>						
<b>At 30 June 2008</b>	<u>340</u>	<u>9,209</u>	<u>92</u>	<u>6</u>	<u>13,275</u>	<u>22,922</u>
At 30 June 2007	<u>988</u>	<u>9,209</u>	<u>109</u>	<u>14</u>	<u>11,410</u>	<u>21,730</u>

The net book value of fixed assets above includes an amount of £507,044 (2007: £527,553) in respect of assets held under finance leases and hire purchase contracts.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**11 Fixed asset investments**

**Company**

**Investments in subsidiary undertakings:**

	<b>Cost</b>	<b>Provision</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 July 2007 and 30 June 2008	11,999	(11,999)	-

At 30 June 2008, the Group owned the following principal subsidiaries all of which are incorporated in Great Britain and operate in the United Kingdom.

<b>Company</b>	<b>Principal Activity</b>	<b>Interest in Ordinary shares</b>
Fulham Football Club (1987) Limited	Operation of a professional football club	100%
Fulham Stadium Limited	Football stadium development	100%
FL Property Management Limited*	Training ground development	100%
Fulhamfc.co.uk Limited	Dormant	100%
Fulham Football Club Limited	Dormant	80% of voting rights (by Guarantee)

\* Owned via Fulham Stadium Limited.



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 30 June 2008

**12 Debtors**

	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
<b>Amounts falling due in one year</b>				
Trade debtors	300	2,625	-	-
Player Transfer debtors	6,000	-	-	-
Amounts owed by group undertakings	-	-	16,863	11,946
Other debtors	18	486	-	284
Prepayments and accrued income	1,364	1,004	-	-
	<u>7,682</u>	<u>4,115</u>	<u>16,863</u>	<u>12,230</u>
Player Transfer debtors: more than one year	1,700	-	-	-
	<u>9,382</u>	<u>4,115</u>	<u>16,863</u>	<u>12,230</u>

**13 Creditors**

	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
<b>Due within one year:</b>				
Bank loans (secured)	6,500	6,500	-	-
Finance lease obligations	137	339	-	-
Trade creditors	19,714	9,104	22	4
Amounts owed to parent company	18,899	64,646	18,899	64,646
Amounts due to related parties (Note 23)	7,825	1,854	2	-
Other taxation and social security	3,149	3,221	767	-
Accruals and deferred income	3,268	2,398	10	87
	<u>59,492</u>	<u>88,062</u>	<u>19,700</u>	<u>64,737</u>
<b>Due after more than one year:</b>				
Bank loans (secured)	8,215	9,959	-	-
Hire and lease purchase obligations	69	111	-	-
Player Transfer creditors	685	-	-	-
Amounts owed to former parent company and related parties	155,500	100,383	155,500	100,382
	<u>164,469</u>	<u>110,453</u>	<u>155,500</u>	<u>100,382</u>

Amounts due to Harrods (UK) Limited, included within related party amounts due within one year were secured by a fixed and floating third charge over Fulham Stadium Limited's rights to and title of the whole of its property, assets, rights and revenues. The loan bears interest at a rate of 7.11% per annum.

**FULHAM FOOTBALL LEISURE LIMITED**  
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**13 Creditors (continued)**

On 3 July 2007, the Company entered into a new arrangement with its previous immediate parent company, Fulham Leisure Holdings Ltd, relating to various interest-free loans made to the Company. Loans totaling £100,000,000 (of which £44,882,380.94 was secured by a charge over the company's assets, and £55,117,619.06 was unsecured) and which were previously repayable on demand or within the following 12 months were rescheduled to become repayable in annual installments of £10m, the first of which is on 1 July 2012. As part of the agreement, further unsecured loans of £9,528,043.49 were forgiven by the lender.

<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
2008	2007	2008	2007
£'000	£'000	£'000	£'000

**The amounts owed to parent company and former parent company are repayable as follows:**

In less than one year	18,899	64,646	18,899	64,646
Between one and two years	-	44,883	-	44,882
Between two and five years	20,000	-	20,000	-
In more than five years	135,500	55,500	135,500	55,500
	<b>174,399</b>	<b>165,029</b>	<b>174,399</b>	<b>165,028</b>

£6,500,000 of the bank loans is repayable within one year, with the balance due between one and two years.

£6,000,000 of the bank loans is secured by a first legal charge on certain of the group's land and building assets and a charge over the bank deposit account. The interest rate payable on the loan is 2.5% above LIBOR. In addition, the ultimate controlling party has provided a guarantee for this loan; the guarantee is secured by a second charge on the groups land and buildings.

£8,715,000 of the bank loans is secured on certain broadcasting rights and interest is payable at a rate linked to LIBOR.

**14 Deferred income**

	<u>Group</u>	<u>Group</u>
	2008	2007
	£'000	£'000
Season ticket sales in advance	2,998	2,592
Commercial income and sponsorship	306	1,983
	<b>3,304</b>	<b>4,575</b>

The Company has nil deferred income in 2007 & 2008.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**15 Share capital**

	<b>2008</b>	<b>2007</b>
<b>Authorised</b>		
61,050,000 "A" Ordinary shares of £1 each	61,050,000	61,050,000
450,000 "B" Ordinary Shares of £1 each	<u>450,000</u>	<u>450,000</u>
	<u><b>61,500,000</b></u>	<u><b>61,500,000</b></u>
<b>Allotted, called up and fully paid</b>		
5,550,000 "A" Ordinary shares of £1 each	5,550,000	5,550,000
450,000 "B" Ordinary shares of £1 each	<u>450,000</u>	<u>450,000</u>
	<u><b>6,000,000</b></u>	<u><b>6,000,000</b></u>

*Rights of each class of shares*

The "A" Ordinary shares and the "B" ordinary shares rank pari passu in all respects, except that during such time as the "B" Ordinary shares represent at least ten per cent in the nominal value of the issued share capital, certain limited decisions require the consent of the majority in nominal value of the "B" Ordinary shares.

**16 Profit and loss account**

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
At 1 July 2007	(166,101)	(158,883)
Profit/(Loss) for the year	<u>1,590</u>	<u>(5,444)</u>
At 30 June 2008	<u><b>(164,511)</b></u>	<u><b>(164,327)</b></u>

**17 Shareholders' funds**

	<b>Group</b>	<b>Group</b>
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
The reconciliation of movements in equity shareholders' funds is as follows:		
Opening shareholders' funds	(160,101)	(144,229)
Profit/(Loss) for the year	<u>1,590</u>	<u>(15,872)</u>
Closing shareholders' funds	<u><b>(158,511)</b></u>	<u><b>(160,101)</b></u>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 30 June 2008

**18 Reconciliation of operating loss to operating cash flows**

	2008	2007
	£'000	£'000
Operating loss	(8,511)	(19,443)
Depreciation charges	2,612	2,679
Amortisation of players' registrations	12,883	8,323
Impairment of players' registrations	3,176	720
(Increase)/decrease in stocks	(8)	164
(Increase)/decrease in debtors	(5,267)	(1,112)
Increase in creditors	12,088	4,483
Waiver of Loan by former parent company	(9,528)	-
(Decrease)/increase in deferred income	(1,271)	292
Net cash inflow/(outflow) from operating activities	<u>6,174</u>	<u>(3,894)</u>

**19 Analysis of cash flows for headings netted in the cash flow statement**

	2008	2007
	£'000	£'000
<b>Returns on investment and servicing of finance</b>		
Interest received	209	142
Interest paid	(1,758)	(2,031)
Interest element of finance lease rental payments	(32)	(35)
Net cash outflow from returns on investment and servicing of finance	<u>(1,581)</u>	<u>(1,924)</u>
<b>Capital expenditure</b>		
Purchase of players' registrations	(38,748)	(12,320)
Sale of players' registrations	17,348	7,753
Sale of tangible fixed assets	9	-
Purchase of tangible fixed assets	(3,741)	(3,316)
Net cash outflow for capital expenditure	<u>(25,132)</u>	<u>(7,883)</u>
<b>Acquisitions and disposals</b>		
Cash disposed of with subsidiary	<u>-</u>	<u>-</u>
<b>Management of liquid resources</b>		
Cash transferred (to)/from deposit account subject to charge	<u>553</u>	<u>726</u>
<b>Financing</b>		
Debt due within one year:		
- bank loan	-	4,500
- advance from to group companies	18,899	61,512
- repayment to related parties	5,971	(18,573)
	<u>24,870</u>	<u>47,439</u>
Debt due after one year:		
- bank loan	(1,745)	1,914
- repayment to related parties	-	(35,491)
	<u>(1,745)</u>	<u>(33,577)</u>
Capital element of finance lease rental payments	<u>(310)</u>	<u>(273)</u>
Net cash inflow from financing	<u>22,815</u>	<u>13,589</u>

**FULHAM FOOTBALL LEISURE LIMITED**  
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**20 Analysis of changes in net debt**

	2007	Cash flows	Non- cash	2008
	£'000	£'000	changes	£'000
			£'000	
Cash at bank and in hand	1,330	2,829	-	4,159
Bank deposit account – charged	716	(553)	-	163
Debt due within a year	(73,000)	(24,870)	64,646	(33,224)
Debt due after one year	(110,342)	1,745	(55,118)	(163,715)
Finance leases	(450)	310	(66)	(206)
	<u>(181,746)</u>	<u>(20,539)</u>	<u>9,462</u>	<u>(192,823)</u>

Non-cash changes include the £9.528m loan, which was waived during the year by the former parent company (see note 5) and a reclassification of loans made by the former parent company (see note 13).

**21 Financial commitments**

*a) Operating leases*

At 30 June 2008, the group had annual commitments under non-cancellable operating leases as follows.

	2008		2007	
	<u>Land and</u>	<u>Other</u>	<u>Land and</u>	<u>Other</u>
	<u>buildings</u>		<u>buildings</u>	
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	83,969	-	83,969
Over five years	194,824	-	194,824	-
	<u>194,824</u>	<u>83,969</u>	<u>194,824</u>	<u>83,969</u>

*b) Other commitments*

The maximum commitment for additional transfer fees payable in respect of future possible appearances amounts to £2,857,000 (2007: £6,427,000).

*c) Future receipts*

In the course of normal business the group enters into contracts that include clauses contingent upon future events. The directors have assessed such contracts and can receive additional transfer fees in respect of future events in relation to those contracts up to a maximum of £1,000,000 (2007: £2,550,000).

**FULHAM FOOTBALL LEISURE LIMITED**  
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**22 Capital commitments**

Amounts contracted for but not provided for in the accounts amounted to £Nil (2007: £400,167) for the group and £Nil (2007: £Nil) for the company.

**23 Related party transactions**

At the balance sheet date there were arm's length agreements between the group and various related companies to provide management, security and maintenance services. These companies are under the control of the company's ultimate controlling party. The value of these transactions during the period were:

	<b>2008</b>	<b>2008</b>	2007	2007
	<b>Purchases</b>	<b>Sales</b>	Purchases	Sales
	£	£	£	£
Genavco Insurance Ltd	105,052	-	85,706	-
Harrods Estates Ltd	45,124	4,882	65,786	5,732
Harrods (UK) Ltd	40,431	-	42,148	-
Harrods Ltd	242,631	-	246,663	10,500
Harrods Aviation Ltd	-	-	2,676	-
Liberty Publishing Ltd	4,405	-	124	-
Hyde Park Residence	-	297	960	297
<b>Total</b>	<b>437,643</b>	<b>5,179</b>	<b>444,063</b>	<b>16,529</b>

During the year to 30 June 2008, Harrods (UK) Ltd recharged payroll services and payroll costs of £23,517,609 (2007: £27,064,223) and settled on behalf of the company external charges of £570,255 (2007: £351,156). These costs are included within staff costs in note 4 and within other external charges in note 3, respectively.

During the year to 30 June 2008, Harrods Ltd project management charges of £116,105 (2007: £137,410) were capitalised as part of the Stadium redevelopment works. In addition, interest charges of £3,024 (2007: £749) were paid to Harrods Ltd.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**23 Related party transactions (continued)**

Balances with related parties as at 30th June 2008 are as follows:

Falling due within 1 year:

	2008	2008	2007	2007
	Due To	Due From	Due To	Due From
	£	£	£	£
Harrods Estates Ltd	-	-	19,490	-
Harrods (UK) Ltd	7,708,490	-	1,751,840	-
Harrods Ltd	94,211	-	78,622	84
Fulham FC Community Trust	-	36,536	-	-
Genavco Insurance Ltd	20,032	-	4,027	-
Liberty Publishing Ltd	2,493	-	59	-
<b>Total</b>	<b>7,825,226</b>	<b>36,536</b>	<b>1,854,038</b>	<b>84</b>

Interest receivable and payable during the year from related parties is as follows:

	2008	2008	2007	2007
	Paid To	Received From	Paid To	Received From
	£	£	£	£
Harrods (UK) Ltd	541,010	-	1,116,469	-
Harrods Ltd	1,329	-	604	-
<b>Total</b>	<b>542,339</b>	<b>-</b>	<b>1,117,073</b>	<b>-</b>

The ultimate controlling party has provided a guarantee to the lender in respect of the bank loan.

During the year, the group donated £81,108 (2007: £96,682) to Fulham FC Community Sports Trust.

No disclosure has been made of any transactions within these financial statements with fellow subsidiaries in accordance with the exemptions allowed under Financial Reporting Standard No. 8.

**FULHAM FOOTBALL LEISURE LIMITED**  
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**24 Pension scheme**

Payments are made into a number of defined contribution schemes. Total contributions charged during the year amounted to £157,181 (2007: £109,609).

**25 Post balance sheet events**

Since the year end, the company has acquired the registrations of Andy Johnson, Mark Schwarzer, Zoltan Gera, Bobby Zamora, John Pantsil, Fredrik Stoor, Pascal Zuberbühler and Chris Smalling. In addition, the company has disposed of the registrations of Ricardo Batista, Dejan Stefanovic, Nathan Ashton and Jimmy Bullard. The net outflow from player trading is approximately £8.36 million.

On 8 July 2008, a loan from Irish Nationwide Building Society, which at that time stood at £6m, was repaid simultaneous with the granting of a new loan for £9.5m, repayable in quarterly installments of £0.5m, over 2 years, with a final payment in July 2010 of £5.5m. Interest is charged at 2.5% over LIBOR.

On 19 December 2008, three group subsidiary companies granted fixed charges by way of Debentures over all their assets in favour of Harrods (UK) Limited, to secure the indebtedness of Fulham Football Club (1987) Limited due to Harrods (UK) Limited. The debt was in the sum of £18.5m repayable by Fulham Football Club (1987) Limited in varying installments, the last of which is in January 2010, following which the Debentures will be discharged.

**26 Ultimate parent company and controlling party**

The company's immediate parent undertaking is AIT Leisure Limited, a company incorporated in the British Virgin Islands

The ultimate parent undertaking is Mafco Holdings Limited, a company incorporated in Bermuda. All interests in the company continue to be controlled and held for the benefit of the Fayed family.

No disclosure has been made of any transactions within these financial statements with the immediate parent company or fellow subsidiaries in accordance with the exemptions allowed under Financial Reporting Standard No 8.



**FULHAM FOOTBALL LEISURE LIMITED**  
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**FOR CONSOLIDATION PURPOSES ONLY**

	<u>2008</u> £'000	<u>2007</u> £'000
<b>Turnover</b>		
Other operating income	-	-
External charges	-	12
Waiver of loan by former parent company	9,528	-
Increase in provision against debts due from subsidiaries	<u>(14,974)</u>	<u>(58,034)</u>
Operating Loss	(5,446)	(58,022)
Interest receivable and similar income	2	1
<b>Loss on ordinary activities before taxation</b>	<u><u>(5,444)</u></u>	<u><u>(58,021)</u></u>