

**FULHAM FOOTBALL LEISURE LIMITED**

**(Registered Number 3374347)**

**ANNUAL REPORT**

**YEAR ENDED 30 June 2004**



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**YEAR ENDED 30 June 2004**

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**FULHAM FOOTBALL LEISURE LIMITED  
OFFICES AND ADVISORS**

**REGISTERED OFFICE**

Motspur Park  
New Malden  
Surrey  
KT3 6PT

**AUDITORS**

PKF  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

**BANKERS**

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

**SOLICITORS**

Hammond Suddards Edge  
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 2004, which show the state of the Group's affairs.

**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 continue to grow with the on field success of the football club 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.

**RESULTS AND DIVIDENDS**

The loss for the financial period, amounted to £2,595,311 (2003 : £23,208,000) which has been transferred to reserves. The directors do not recommend payment of a dividend (2003 : £Nil).

**PRINCIPAL ACTIVITIES**

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

**FUTURE DEVELOPMENTS**

The directors continue to actively plan for the future developments of the club.

**POST BALANCE SHEET EVENTS**

Since the year end, Fulham Football Club (1987) Limited has acquired the registrations of Andrew Cole, Claus Jensen, Tomasz Radzinski and Papa Bouba Diop. In addition, the company has disposed of the registrations of Sean Davis, Jon Harley and Mark Hudson. The net outflow from player trading is approximately £3,000,000.

In respect of Fulham Stadium Limited, the re-development of Craven Cottage as a 22,000 all-seater stadium including all-weather cover, new floodlighting and improved hospitality facilities was completed in July 2004. Fulham Football Club (1987) Limited and Fulham Stadium entered into a five year lease on 1<sup>st</sup> July 2004 and the club returned to Craven Cottage for the first game of the 2004/05 Premiership Season.

**FULHAM FOOTBALL LEISURE LIMITED  
DIRECTORS' REPORT**

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year and their beneficial interests in the shares of the Company are as follows:-

	'A' Ordinary shares of £1 each 30 June 2004	'B' Ordinary shares of £1 each 30 June 2004	'A' Ordinary shares of £1 each 30 June 2003	'B' Ordinary shares of £1 each 30 June 2003
M Al Fayed	5,550,000	-	5,550,000	-
S H Benson	-	-	-	-
A M Muddyman* (resigned 10.10.03)	-	225,000	-	225,000
W F Muddyman (resigned 10.10.03)	-	-	-	-
B T Delaney (resigned 9.9.03)	-	-	-	-
M A E Collins	-	-	-	-
B D Langham (resigned 21.12.03)	-	-	-	-
J P Hone (appointed 1.12.03)	-	-	-	-

\* A M Muddyman is a beneficial owner by virtue of being a beneficiary of the Muddyman Family Trust which owns 100% of Ruxley Holdings Limited, the registered shareholder of the B shares.

**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 (2003:24) days to pay its creditors.

**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.

**AUDITORS**

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of PKF as auditors of the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD  
S H Benson  
Secretary  
24<sup>th</sup> February 2005



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

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 company and of its group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to

- select suitable accounting policies and 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 financial statements on a 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the director's report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**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 2004 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company and other members of the group 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 United Kingdom Auditing Standards 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 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.

**Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the trading performance and the cash flows of the group and the continuing financial support that has been indicated by the parent company, the ultimate controlling party and the consequent adoption of the going concern basis for the preparation of the accounts. In view of the significance of this matter we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the group's and the company's affairs as at 30 June 2004 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK  
24<sup>th</sup> February 2005



**PKF**

Registered Auditors

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 June 2004**

	Notes	2004			2003
		Operations excluding player trading £'000	Player trading £'000	Total £'000	Total £'000
Turnover	2	39,810	-	39,810	34,050
Other operating income		3,138	-	3,138	835
		<u>42,948</u>	<u>-</u>	<u>42,948</u>	<u>34,885</u>
Operating expenses	3	(42,009)	(8,869)	(50,878)	(58,622)
Exceptional item	5	-	(1,997)	(1,997)	-
<b>Operating loss</b>		<u>939</u>	<u>(10,866)</u>	<u>(9,927)</u>	<u>(23,737)</u>
Profit on disposal of players' registrations		-	10,552	10,552	3,703
<b>Profit/(loss) before interest and taxation</b>		<u>939</u>	<u>(314)</u>	<u>625</u>	<u>(20,034)</u>
Net interest payable	7			(3,221)	(3,174)
<b>Loss on ordinary activities before taxation</b>				<u>(2,596)</u>	<u>(23,208)</u>
Taxation of loss on ordinary activities	8			-	-
<b>Retained loss for the year</b>	16			<u>(2,596)</u>	<u>(23,208)</u>

All amounts relate to continuing operations.

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



**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**30 June 2004**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Intangible assets	9	13,158	18,925
Tangible assets	10	16,373	11,691
		29,531	30,616
<b>CURRENT ASSETS</b>			
Stocks		363	146
Debtors	12	3,139	7,999
Cash at bank and in hand		596	1,169
Bank deposit account – charged		1,420	-
		5,518	9,314
<b>CREDITORS</b>			
Amounts falling due within one year	13	(38,707)	(42,995)
		(33,189)	(33,681)
<b>NET CURRENT LIABILITIES</b>			
		(33,189)	(33,681)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		(3,658)	(3,065)
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(108,342)	(107,052)
<b>DEFERRED INCOME</b>			
	14	(3,440)	(2,727)
<b>NET LIABILITIES</b>			
		(115,440)	(112,844)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	6,000	6,000
Profit and loss account	16	(121,440)	(118,844)
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	17	(115,440)	(112,844)

Approved by the board on 24<sup>th</sup> February 2005

  
S H Benson  
Director

  
M A E Collins  
Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**BALANCE SHEET**  
**30 June 2004**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Investments	11	-	1,144
<b>CURRENT ASSETS</b>			
Debtors	12	5,571	501
Cash at bank and in hand		2	17
		<u>5,573</u>	<u>518</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	(6,716)	(39)
		<u>(1,143)</u>	<u>479</u>
<b>NET CURRENT LIABILITIES/ASSETS</b>			
		<u>(1,143)</u>	<u>1,623</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>(1,143)</u>	<u>1,623</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(100,382)	(89,900)
		<u>(101,525)</u>	<u>(88,277)</u>
<b>NET LIABILITIES</b>			
		<u>(101,525)</u>	<u>(88,277)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	6,000	6,000
Profit and loss account	16	(107,525)	(94,277)
		<u>(101,525)</u>	<u>(88,277)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<u>(101,525)</u>	<u>(88,277)</u>

Approved by the board on 24<sup>th</sup> February 2005



S H Benson  
 Director



M A E Collins  
 Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 30 June 2004**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		£'000	£'000
<b>Net cash outflow from operating activities</b>	18	(717)	(16,098)
<b>Returns on investment and servicing of finance</b>	19	(4,330)	(2,065)
<b>Capital expenditure</b>	19	2,052	2,793
<b>Acquisitions and disposals</b>	19	-	99
		<hr/>	<hr/>
<b>Net cash outflow before use of liquid resources and financing</b>		(2,995)	(15,271)
<b>Management of liquid resources</b>	19	(1,420)	-
<b>Financing</b>	19	3,842	14,372
		<hr/>	<hr/>
<b>Decrease in cash in the year</b>		(573)	(899)
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation Of Net Cash Flow To Movement In Net Debt</b>			
Decrease in cash in the year		(573)	(899)
Cash inflow from increase in debt and lease financing		(3,842)	(14,372)
Cash outflow from increase in liquid resources		1,420	-
		<hr/>	<hr/>
Change in net debt resulting from cash flows		(2,995)	(15,271)
Loans and debt acquired with subsidiary		-	(4,044)
		<hr/>	<hr/>
Movement in net debt in the year		(2,995)	(19,315)
Net debt at 30 June 2003		(114,992)	(95,677)
		<hr/>	<hr/>
Net debt at 30 June 2004	20	(117,987)	(114,992)
		<hr/> <hr/>	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**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 2004. 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 significant achievement in the year in reducing the losses and cash outflows. They continue to take action to improve the cashflow position of the group.

They have also had regard to the written indications received from the ultimate parent company, Fulham Leisure Holdings Limited and the verbal indications received from the ultimate controlling party, Mr M Al Fayed, that continued funding will be made available to finance the group's working capital requirements for the foreseeable future. Although there is no legal obligation for either Fulham Leisure Holdings Limited or Mr M Al Fayed to provide this continued support, the Directors are confident that such funding will be forthcoming.

**(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 £13,248,000 (2003: £14,609,000).

**(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.

**(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 in the short-term is regarded as more likely than not. Deferred tax balances are not discounted.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**1 ACCOUNTING POLICIES (Continued)**

**(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.

**(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 2004**

**2 TURNOVER**

	<u>Year ended</u> <u>30 June 2004</u> £'000	<u>Year ended</u> <u>30 June 2003</u> £'000
Match Day	7,603	7,178
Broadcasting	27,159	21,883
Commercial activities	5,048	4,989
	39,810	34,050
	39,810	34,050

**3 OPERATING EXPENSES**

	<u>Year ended</u> <u>30 June 2004</u> £'000	<u>Year Ended</u> <u>30 June 2003</u> £'000
Auditors' remuneration - audit	32	29
- other fees	38	48
Staff costs (Note 4)	30,900	36,444
Depreciation of owned fixed assets	616	531
Depreciation of assets held under finance leases and hire purchase contracts	13	13
Amortisation of goodwill	-	222
Amortisation of owned player registrations	7,258	8,220
Amortisation of player registrations under finance leases	1,611	1,693
Operating lease rentals - plant and machinery	62	90
-land and buildings	1,197	1,417
Other external charges	9,151	9,915
	50,878	58,622
Exceptional impairment loss	1,997	-
	<u>52,875</u>	<u>58,622</u>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**4 STAFF COSTS**

	<u>Year ended</u> <u>30 June 2004</u> £'000	<u>Year ended</u> <u>30 June 2003</u> £'000
Wages and salaries	27,499	32,543
Social security costs	3,218	3,697
Other pension costs	183	204
	30,900	36,444
Average numbers employed by the group during the year:	<u>Number</u>	<u>Number</u>
Administration and ground staff	125	140
Players (including Ladies Squad)	71	68
	196	208
Casual and part-time staff	192	165
	388	373
	388	373

**5 EXCEPTIONAL ITEMS**

	<u>Year ended</u> <u>30 June 2004</u> £'000	<u>Year Ended</u> <u>30 June 2003</u> £'000
Impairment of player registrations	1,997	-
	1,997	-

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

**6 DIRECTORS' EMOLUMENTS**

Aggregate directors emoluments during the year totalled £359,708 (2003: £254,580). The highest paid director's emoluments totalled £205,605 (2003: £254,580), including pension contributions of £10,167 (2003 : £30,002). Contributions were made to a related party's pension scheme in relation to one director (2003: one).

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

7	<b>NET INTEREST PAYABLE</b>	<b>Year ended 30 June 2004 £'000</b>	<b>Year Ended 30 June 2003 £'000</b>
	<b>Interest receivable on deposits:</b>		
	Bank interest	70	48
	Amounts receivable from related parties	113	-
		183	48
	<b>Interest payable on borrowings repayable within five years:</b>		
	Bank interest	(59)	-
	Loan	(42)	(273)
	Hire and lease purchase obligations	(255)	(477)
	Amounts payable to related parties	(666)	(1,342)
	Other interest payable	(2,382)	(1,130)
		(3,404)	(3,222)
		(3,221)	(3,174)
		(3,221)	(3,174)
8	<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	<b>Year ended 30 June 2004 £'000</b>	<b>Year Ended 30 June 2003 £'000</b>
	<b>(a) The tax for the year comprises:</b>		
	Current tax:		
	Corporation tax at 30% (2003 : 30%)	-	-
		-	-
	Total current tax (note 8(b))	-	-
		-	-
	<b>(b) Factors affecting tax charge for the year</b>		
	The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:		
	Loss on ordinary activities before tax	(2,596)	(23,208)
		(2,596)	(23,208)
	Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2003 : 30%)	(779)	(6,962)
	Effects of:		
	Expenses not deductible for tax purposes	97	232
	Depreciation in excess of capital allowances	5	9
	Short term timing differences	(141)	345
	Goodwill arising on consolidation not deductible	-	63
	Losses group relieved	-	8
	Losses in year carried forward	818	6305
		818	6305
	Current tax charge for the year (note 8(a))	-	-
		-	-



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**8 TAX ON LOSS ON ORDINARY ACTIVITIES (Continued)**

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

At the year end the group has an unprovided deferred tax asset of approximately £34m (2003: £33m), 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:

	<u>Year ended</u> <u>30 June 2004</u> £'000	<u>Year Ended</u> <u>30 June 2003</u> £'000
Depreciation in excess of capital allowances	392	385
Short term timing differences	627	768
Tax losses carried forward	32,682	31,864
	<hr/>	<hr/>
	<b>33,701</b>	<b>33,017</b>
	<hr/> <hr/>	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**9 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b><u>Goodwill</u></b> <b>£'000</b>	<b><u>Player</u></b> <b><u>registrations</u></b> <b>£'000</b>	<b><u>Total</u></b> <b>£'000</b>
<b>Cost</b>			
At 1 July 2003	2,940	53,597	56,537
Additions	-	6,310	6,310
Disposals	-	(12,125)	(12,125)
At 30 June 2004	<u>2,940</u>	<u>47,782</u>	<u>50,722</u>
<b>Amortisation</b>			
At 1 July 2003	2,940	34,672	37,612
Provided during the year	-	8,869	8,869
Impairment loss	-	1,997	1,997
Disposals	-	(10,914)	(10,914)
At 30 June 2004	<u>2,940</u>	<u>34,624</u>	<u>37,564</u>
<b>Net book amount</b>			
At 30 June 2004	-	13,158	13,158
At 30 June 2003	<u>-</u>	<u>18,925</u>	<u>18,925</u>

The net book value of player registrations above includes £2,276,638 (2003: £2,858,191) in respect of registrations held under finance leases and hire purchase contracts.

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

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**10 TANGIBLE FIXED ASSETS**

**Group**

	<u>Assets in the course of construction</u>	<u>Freehold Land</u>	<u>Leasehold Improve- ments</u>	<u>Motor Vehicles</u>	<u>Stands, Fixtures, Fittings &amp; Equipment</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 July 2003	-	9,209	934	6	13,880	24,029
Additions	5,227	-	-	-	85	5,312
Disposals	-	-	-	-	(8)	(8)
At 30 June 2004	<u>5,227</u>	<u>9,209</u>	<u>934</u>	<u>6</u>	<u>13,957</u>	<u>29,333</u>
<b>Depreciation</b>						
At 1 July 2003	-	-	672	6	11,660	12,338
Provided during the year	-	-	66	-	563	629
Disposals	-	-	-	-	(7)	(7)
At 30 June 2004	<u>-</u>	<u>-</u>	<u>738</u>	<u>6</u>	<u>12,216</u>	<u>12,960</u>
<b>Net Book Amount</b>						
At 30 June 2004	<u>5,227</u>	<u>9,209</u>	<u>196</u>	<u>-</u>	<u>1,741</u>	<u>16,373</u>
At 30 June 2003	<u>-</u>	<u>9,209</u>	<u>262</u>	<u>-</u>	<u>2,220</u>	<u>11,691</u>

The net book value of fixed assets above includes an amount of £21,258 (2003:£34,012) 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 2004**

**11 FIXED ASSET INVESTMENTS**

**Company**

**Investments in subsidiary undertakings:**

	<u>Cost</u> £'000	<u>Provision</u> £'000	<u>Net</u> £'000
At 1 July 2003	11,999	(10,855)	1,144
Provision against diminution in value	-	(1,144)	(1,144)
<hr/>			
At 30 June 2004	11,999	(11,999)	-
<hr/> <hr/>			

At 30 June 2004, the Group owned the following principal subsidiaries all of which are incorporated in Great Britain and operate in the United Kingdom.

<u>Company</u>	<u>Principal Activity</u>	<u>Interest in Ordinary shares</u>
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 (by Guarantee)	Dormant	100% of voting rights
Fulham FC Football & Community Scheme Limited (by Guarantee)	Football community scheme	100% of voting rights

\* Owned via Fulham Stadium Limited.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

12 DEBTORS	<u>Group</u> <u>2004</u> £'000	<u>Group</u> <u>2003</u> £'000	<u>Company</u> <u>2004</u> £'000	<u>Company</u> <u>2003</u> £'000
<b>Amounts falling due in one year</b>				
Trade debtors	703	5,819	-	-
Amounts owed by group undertakings	-	-	5,568	493
Other debtors	19	19	3	8
Prepayments and accrued income	2,417	2,161	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,139	7,999	5,571	501
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
13 CREDITORS	<u>Group</u> <u>2004</u> £'000	<u>Group</u> <u>2003</u> £'000	<u>Company</u> <u>2004</u> £'000	<u>Company</u> <u>2003</u> £'000
<b>Due within one year:</b>				
Bank loan (secured)	1,945	-	-	-
Loan (secured)	-	3,500	-	-
Finance lease obligations	3,009	6,718	-	-
Trade creditors	7,984	9,344	-	12
Amounts owed to parent company	6,707	-	6,707	-
Amounts due to related parties	10,672	17,632	-	-
Other taxation and social security	3,053	3,370	-	-
Accruals and deferred income	5,337	2,431	9	27
	<hr/>	<hr/>	<hr/>	<hr/>
	38,707	42,995	6,716	39
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Due after more than one year:</b>				
Bank loan (secured)	7,960	-	-	-
Amounts owed to parent company	100,382	90,943	100,382	89,900
Other creditors	-	15,000	-	-
Accruals and deferred income	-	1,109	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	108,342	107,052	100,382	89,900
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(a) The amounts owed to parent company are repayable as follows:				
In less than one year	6,707	-	6,707	-
In more than one year but not more than two years	-	1,043	-	-
In more than two years but not more than five years	44,882	34,400	44,882	34,400
In more than five years	55,500	55,500	55,500	55,500
	<hr/>	<hr/>	<hr/>	<hr/>
	107,089	90,943	107,089	89,900
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**13 CREDITORS (continued)**

At 30 June 2004, the total loaned by Fulham Leisure Holdings Limited was £100,382,000 (2003: £89,900,000) by Interest-Free Loan Notes, of which £55.5m is unsecured and repayable on 28 May 2017, and the balance secured and repayable no earlier than 28 March 2008, and £6,707,000 (2003: £1,043,000) by other unsecured advances repayable on demand.

(b) The bank loan is repayable within two years and it is secured by a charge on certain of the groups land and building assets. The interest rate payable on the loan is 2.5% above LIBOR. The finance lease obligations are secured upon certain player registrations. The amount due to related parties is unsecured and attracts interest at a commercial rate of 7.41% per annum.

**14 DEFERRED INCOME**

	<u>Group</u> <u>2004</u> £'000	<u>Group</u> <u>2003</u> £'000
Season ticket sales in advance	2,700	2,052
Commercial income and sponsorship	740	675
	3,440	2,727
	3,440	2,727

The Company has no deferred income (2003: £Nil).

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

15 SHARE CAPITAL	<u>2004</u>	<u>2003</u>
	£	£
<i>Authorised</i>		
46,125,000 "A" Ordinary shares of £1 each	46,125,000	46,125,000
15,375,000 "B" Ordinary Shares of £1 each	15,375,000	15,375,000
	<hr/>	<hr/>
	61,500,000	61,500,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
5,550,000 "A" Ordinary shares of £1 each	5,550,000	5,550,000
450,000 "B" Ordinary shares of £1 each	450,000	450,000
	<hr/>	<hr/>
	6,000,000	6,000,000
	<hr/>	<hr/>

*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	<u>Group</u>	<u>Company</u>
	£'000	£'000
At 1 July 2003	(118,844)	(94,277)
Retained loss for the year	(2,596)	(13,248)
	<hr/>	<hr/>
At 30 June 2004	(121,440)	(107,525)
	<hr/>	<hr/>

17 SHAREHOLDERS' FUNDS	<u>Group</u>	<u>Group</u>
	<u>2004</u>	<u>2003</u>
	£'000	£'000
The reconciliation of movements in equity shareholders' funds is as follows:		
Opening shareholders' funds	(112,844)	(89,636)
Loss for the year	(2,596)	(23,208)
	<hr/>	<hr/>
Closing shareholders' funds	(115,440)	(112,844)
	<hr/>	<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**18 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS**

	<u>Year ended</u> <u>30 June 2004</u>	<u>Year ended</u> <u>30 June 2003</u>
	£'000	£'000
Operating loss	(9,927)	(23,737)
Depreciation charges	629	544
Amortisation of goodwill	-	222
Amortisation of players' registrations	8,869	9,913
Impairment of player registrations	1,997	-
(Increase)/decrease in stocks	(217)	67
Decrease/(increase) in debtors	4,860	(5,759)
(Decrease)/increase in creditors	(7,641)	2,736
Increase/(decrease) in deferred income	713	(84)
	<hr/>	<hr/>
Net cash outflow from operating activities	(717)	(16,098)
	<hr/> <hr/>	<hr/> <hr/>

**19 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	<u>Year ended</u> <u>30 June 2004</u>	<u>Year ended</u> <u>30 June 2003</u>
	£'000	£'000
<b>Returns on investment and servicing of finance</b>		
Interest received	183	48
Interest paid	(4,258)	(1,636)
Interest element of finance lease rental payments	(255)	(477)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investment and servicing of finance</b>	(4,330)	(2,065)
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital expenditure</b>		
Purchase of players' registrations	(6,310)	(1,617)
Sale of players' registrations	11,763	5,061
Purchase of tangible fixed assets	(3,401)	(651)
	<hr/>	<hr/>
<b>Net cash inflow for capital expenditure</b>	2,052	2,793
	<hr/> <hr/>	<hr/> <hr/>
<b>Acquisitions and disposals</b>		
Net cash acquired	-	99
	<hr/> <hr/>	<hr/> <hr/>
<b>Management of liquid resources</b>		
Cash transferred to deposit account subject to charge	(1,420)	-
	<hr/> <hr/>	<hr/> <hr/>
<b>Financing</b>		
Debt due within one year:		
- loan	(3,500)	(4,500)
- bank loan	1,945	-
- advance from/(payments to) group companies	6,707	(5,450)
	<hr/>	<hr/>
	5,152	(9,950)
Debt due after one year:		
- other creditor	(15,000)	15,000
- bank loan	7,960	-
- advances from group companies	9,439	12,754
Capital element of finance lease rental payments	(3,709)	(3,432)
	<hr/>	<hr/>
	(1,310)	24,322
	<hr/> <hr/>	<hr/> <hr/>
<b>Net cash inflow from financing</b>	3,842	14,372
	<hr/> <hr/>	<hr/> <hr/>



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**20 ANALYSIS OF CHANGES IN NET DEBT**

	At 30 June <u>2003</u> £'000	Cash <u>flows</u> £'000	At 30 June <u>2004</u> £'000
Cash at bank and in hand	1,169	847	2,016
Debt due within a year	(3,500)	(5,152)	(8,652)
Debt due after one year	(105,943)	(2,399)	(108,342)
Finance leases	(6,718)	3,709	(3,009)
	<u>(114,992)</u>	<u>(2,995)</u>	<u>(117,987)</u>

**21 FINANCIAL COMMITMENTS**

a) *At 30 June 2004, the group had annual commitments under non-cancellable operating leases as follows:*

	<u>2004</u>		<u>2003</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	1,580	760,000	43,932
In the second to fifth years inclusive	25,500	43,993	25,500	8,269
Over five years	61,648	-	57,600	-
	<u>87,148</u>	<u>45,573</u>	<u>843,100</u>	<u>52,201</u>

b) *Other commitments*

Signing on fees of £3,457,500 (2003: £1,888,000) are payable to players under existing contracts of employment. The maximum commitment for additional transfer fees payable in respect of future possible appearances amounts to £2,150,000 (2003: £450,000).

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 £1,250,000 (2003: £1,500,000).

**22 CAPITAL COMMITMENTS**

Amounts contracted for but not provided for in the accounts amounted to £2,382,924 (2003: £10,041) for the group and £Nil (2003: £Nil) for the company.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**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 have directors in common with the company. The value of these transactions during the period were:

	2004		2003	
	Purchases £	Sales £	Purchases £	Sales £
Harrods Estates Limited	873	-	75,228	-
Harrods (UK) Limited	277,940	-	271,366	-
Harrods Limited	(40,625)	26,087	706,392	723
Kurt Geiger	269	-	824	-
Harrods Aviation Limited	3,310	-	1,281	-
Liberty Publishing Limited	18	-	223	-
Hyde Park Residence Limited	1,389	-	2,488	-
Ruxley Holdings Limited	3,992	51,011	4,463	5,967
Genavco Insurance Limited	121,658	-	-	-
	<b>368,824</b>	<b>77,098</b>	<b>1,062,265</b>	<b>6,690</b>

As at 30th June 2004 a total of £10,671,588 (2003: £17,661,548) was owed to Harrods (UK) Ltd, £Nil (2003: £Nil) was owed to Harrods Ltd and £Nil (2003: £1,761) was owed to Harrods Estates Ltd. In addition an amount of £244 was due from Harrods Ltd (2003: £31,482) and £Nil (2003: £Nil) was due from Ruxley Holdings Ltd.

During the year to 30 June 2004, interest charges of £662,867 (2003: £1,330,723) were payable to Harrods (UK) Ltd, £3,583 (2003: £32,170) were payable to Harrods Ltd. In addition, interest of £112,584 (2003: £Nil) was received from Fulham Leisure Holdings Limited.

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.

**24 PENSION SCHEME**

Payments are made into a number of defined contribution schemes. Total contributions charged during the year amounted to £183,257 (2003: £203,565).

**25 POST BALANCE SHEET EVENTS**

Since the year end, Fulham Football Club (1987) Limited has acquired the registrations of Andrew Cole, Claus Jensen, Tomasz Radzinski and Papa Bouba Diop. In addition, the company has disposed of the registrations of Sean Davis, Jon Harley and Mark Hudson. The net outflow from player trading is approximately £3,000,000.

In respect of Fulham Stadium Limited, the re-development of Craven Cottage as a 22,000 all-seater stadium including all-weather cover, new floodlighting and improved hospitality facilities was completed in July 2004. Fulham Football Club (1987) Limited and Fulham Stadium entered into a five year lease on 1<sup>st</sup> July 2004 and the club returned to Craven Cottage for the first game of the 2004/05 Premiership Season.

**FULHAM FOOTBALL LEISURE LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 30 June 2004**

**26 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's immediate and ultimate parent undertaking is Fulham Leisure Holdings Limited, a company incorporated in the British Virgin Islands which is under the control and held for the benefit of Mr Mohamed Al Fayed and his family, the ultimate controlling party.

**FULHAM FOOTBALL LEISURE LIMITED  
 COMPANY PROFIT AND LOSS ACCOUNT  
 YEAR ENDED 30 June 2004**

**FOR CONSOLIDATION PURPOSES ONLY**

	<u>2004</u> £'000	<u>2003</u> £'000
<b>Turnover</b>	-	-
<i>Other operating income</i>	-	-
	-----	-----
	-	-
External charges	(45)	(154)
Staff costs	-	-
Provision against debts due from subsidiaries	(13,203)	(14,455)
	-----	-----
Operating loss	(13,248)	(14,609)
Interest receivable and similar income	-	-
	-----	-----
<b>Loss on ordinary activities before taxation</b>	<b>(13,248)</b>	<b>(14,609)</b>
	=====	=====