

FULHAM FOOTBALL LEISURE LIMITED

(Registered Number 3374347)

ANNUAL REPORT

YEAR ENDED 30 June 2005



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COMPANIES HOUSE 28/04/2006

FULHAM FOOTBALL LEISURE LIMITED
(Registered Number 3374347)
ANNUAL REPORT
YEAR ENDED 30 June 2005

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**FULHAM FOOTBALL LEISURE LIMITED
OFFICES AND ADVISORS**

REGISTERED OFFICE

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

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 2005, 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 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 £12,931,000 (2004 : £2,596,000) which has been transferred to reserves. The directors do not recommend payment of a dividend (2003 : £Nil).

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 Heider Helguson, Ahmad Elrich, Niclas Jenson, Phillippe Christanval, Simon Elliott, Jaroslav Drobný, Antti Niemi, Michael Brown and Tony Warner. In addition, the company has disposed of the registrations of Elvis Hammond and Steve Marlet. The net outflow from player trading is approximately £5.6million.

In respect of Fulham Stadium Limited, refurbishment of the corporate facilities were completed on 12 August 2005.

On 25 November 2005 Fulham Football Club (1987) Limited entered into a loan agreement with Harrods (UK) Limited, a related party, for £36.6million and Fulham Stadium Limited provided a debenture in respect of this loan securing it by a fixed and floating third charge over Fulham Stadium Limited's assets.

**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 2005	‘B’ Ordinary shares of £1 each 30 June 2005	‘A’ Ordinary shares of £1 each 30 June 2004	‘B’ Ordinary shares of £1 each 30 June 2004
M Al Fayed	5,550,000	-	5,550,000	-
S H Benson	-	-	-	-
M A E Collins	-	-	-	-
J P Hone (resigned 10.10.05)	-	-	-	-

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

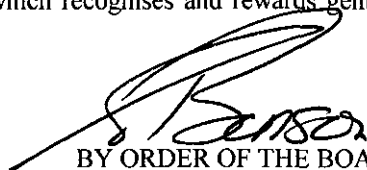
It is the Group’s policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice 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 26 (2004:39) 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.


 BY ORDER OF THE BOARD
 S H Benson
 Secretary
 26th April 2006

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 2005 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 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 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 2005 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
27th April 2006

PKF(UK)LLP
PKF (UK) LLP
Registered Auditors

FULHAM FOOTBALL LEISURE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 June 2005

	Notes	2005			2004
		Operations excluding player trading £'000	Player trading £'000	Total £'000	Total £'000
Turnover	2	37,123	-	37,123	39,810
Other operating income		2,347	-	2,347	3,138
		<u>39,470</u>	<u>-</u>	<u>39,470</u>	<u>42,948</u>
Operating expenses	3	(45,594)	(7,549)	(53,143)	(50,878)
Exceptional item	5	-	(1,000)	(1,000)	(1,997)
Operating loss		<u>(6,124)</u>	<u>(8,549)</u>	<u>(14,673)</u>	<u>(9,927)</u>
Profit on disposal of players' registrations		-	3,726	3,726	10,552
(Loss)/profit before interest and taxation		<u>(6,124)</u>	<u>(4,823)</u>	<u>(10,947)</u>	<u>625</u>
Net interest payable	7			(1,984)	(3,221)
Loss on ordinary activities before taxation				<u>(12,931)</u>	<u>(2,596)</u>
Taxation of loss on ordinary activities	8			-	-
Retained loss for the year	16			<u>(12,931)</u>	<u>(2,596)</u>

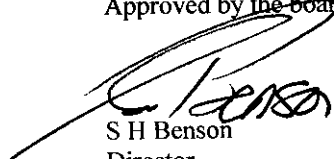
All amounts relate to continuing operations.

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

FULHAM FOOTBALL LEISURE LIMITED
CONSOLIDATED BALANCE SHEET
30 June 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£'000	£'000
FIXED ASSETS			
Intangible assets	9	10,600	13,158
Tangible assets	10	18,255	16,373
		28,855	29,531
CURRENT ASSETS			
Stocks		89	363
Debtors	12	3,065	3,139
Cash at bank and in hand		2,723	596
Bank deposit account – charged		689	1,420
		6,566	5,518
CREDITORS			
Amounts falling due within one year	13	(59,922)	(38,707)
		(53,356)	(33,189)
NET CURRENT LIABILITIES			
		(53,356)	(33,189)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		(24,501)	(3,658)
CREDITORS			
Amounts falling due after more than one year	13	(100,382)	(108,342)
DEFERRED INCOME			
	14	(3,488)	(3,440)
NET LIABILITIES			
		(128,371)	(115,440)
CAPITAL AND RESERVES			
Called up share capital	15	6,000	6,000
Profit and loss account	16	(134,371)	(121,440)
EQUITY SHAREHOLDERS' FUNDS			
	17	(128,371)	(115,440)

Approved by the board on 26th April 2006


S H Benson
Director


M A E Collins
Director

FULHAM FOOTBALL LEISURE LIMITED
BALANCE SHEET
30 June 2005

	<u>Notes</u>	<u>2005</u>		<u>2004</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	11		-		-
CURRENT ASSETS					
Debtors	12	9,809		5,571	
Cash at bank and in hand		6		2	
		9,815		5,573	
CREDITORS					
Amounts falling due within one year	13	(14,155)		(6,716)	
			(4,340)		(1,143)
NET CURRENT LIABILITIES					
			(4,340)		(1,143)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			(4,340)		(1,143)
CREDITORS					
Amounts falling due after more than one year	13		(100,382)		(100,382)
			(104,722)		(101,525)
NET LIABILITIES					
			(104,722)		(101,525)
CAPITAL AND RESERVES					
Called up share capital	15		6,000		6,000
Profit and loss account	16		(110,722)		(107,525)
			(104,722)		(101,525)
EQUITY SHAREHOLDERS' FUNDS					
			(104,722)		(101,525)

Approved by the board on 26th April 2006


S H Benson
Director


M A E Collins
Director

FULHAM FOOTBALL LEISURE LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 June 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£'000	£'000
Net cash outflow from operating activities	18	(8,140)	(717)
Returns on investment and servicing of finance	19	(1,796)	(4,330)
Capital expenditure	19	(5,511)	2,052
		-----	-----
Net cash outflow before use of liquid resources and financing		(15,447)	(2,995)
Management of liquid resources	19	731	(1,420)
Financing	19	16,843	3,842
		-----	-----
Increase/(decrease) in cash in the year		<u>2,127</u>	<u>(573)</u>
 Reconciliation Of Net Cash Flow To Movement In Net Debt			
Increase/(decrease) in cash in the year		2,127	(573)
Cash inflow from increase in debt and lease financing		(16,843)	(3,842)
Cash (in)/outflow from increase in liquid resources		(731)	1,420
		-----	-----
Change in net debt resulting from cash flows		(15,447)	2,995
Non-cash changes		(10,672)	-
		-----	-----
Movement in net debt in the year		(26,119)	(2,995)
Net debt at 30 June 2004		(117,987)	(114,992)
		-----	-----
Net debt at 30 June 2005	20	<u>(144,106)</u>	<u>(117,987)</u>

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

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 2005. 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 the ultimate parent company, Fulham Leisure Holdings Limited and 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 £3,197,000 (2004: £13,248,000).

(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 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 2005

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 2005

2 TURNOVER

	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year ended</u> <u>30 June 2004</u> £'000
Match Day	8,201	7,603
Broadcasting	23,493	27,159
Commercial activities	5,429	5,048
	37,123	39,810
	37,123	39,810

3 OPERATING EXPENSES

	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year Ended</u> <u>30 June 2004</u> £'000
Auditors' remuneration - audit	35	32
- other fees	27	38
Staff costs (Note 4)	33,884	30,900
Depreciation of owned fixed assets	1,350	616
Depreciation of assets held under finance leases and hire purchase contracts	14	13
Amortisation of owned player registrations	6,389	7,258
Amortisation of player registrations under finance leases	1,160	1,611
Operating lease rentals - plant and machinery	50	62
-land and buildings	269	1,197
Other external charges	9,965	9,151
	53,143	50,878
Exceptional impairment loss	1,000	1,997
	54,143	52,875

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

4 STAFF COSTS

	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year ended</u> <u>30 June 2004</u> £'000
Wages and salaries	30,327	27,499
Social security costs	3,382	3,218
Other pension costs	175	183
	33,884	30,900
Average numbers employed by the group during the year:	<u>Number</u>	<u>Number</u>
Administration and ground staff	141	125
Players (including Ladies Squad)	60	71
	201	196
Casual and part-time staff	525	192
	726	388

5 EXCEPTIONAL ITEMS

	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year Ended</u> <u>30 June 2004</u> £'000
Impairment of player registrations	1,000	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 £599,190 (2004: £359,708). The highest paid director's emoluments totalled £180,648 (2004: £205,605), including pension contributions of £15,233 (2004 : £10,167). Contributions were made to a related party's pension scheme in relation to one director (2004: one).

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

7	NET INTEREST PAYABLE	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year Ended</u> <u>30 June 2004</u> £'000
	Interest receivable on deposits:		
	Bank interest	132	70
	Amounts receivable from related parties	-	113
		<hr/>	<hr/>
		132	183
	Interest payable on borrowings repayable within five years:		
	Bank and loan interest	(717)	(101)
	Hire and lease purchase obligations	(119)	(255)
	Amounts payable to related parties	(963)	(666)
	Other interest payable	(317)	(2,382)
		<hr/>	<hr/>
		(2,116)	(3,404)
		<hr/>	<hr/>
		(1,984)	(3,221)
		<hr/> <hr/>	<hr/> <hr/>
8	TAX ON LOSS ON ORDINARY ACTIVITIES	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year Ended</u> <u>30 June 2004</u> £'000
	(a) The tax for the year comprises:		
	Current tax:		
	Corporation tax at 30% (2004 : 30%)	-	-
		<hr/>	<hr/>
	Total current tax (note 8(b))	-	-
		<hr/> <hr/>	<hr/> <hr/>
	(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:		
	Loss on ordinary activities before tax	(12,931)	(2,596)
		<hr/>	<hr/>
	Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2004 : 30%)	(3,879)	(779)
	Effects of:		
	Expenses not deductible for tax purposes	302	97
	Depreciation in excess of capital allowances	24	5
	Short term timing differences	(625)	(141)
	Losses in year carried forward	4,531	818
	Losses utilised	(353)	-
		<hr/>	<hr/>
	Current tax charge for the year (note 8(a))	-	-
		<hr/> <hr/>	<hr/> <hr/>

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

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 £37m (2004: £34m), 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:

	Year ended 30 June 2005 £'000	Year Ended 30 June 2004 £'000 restated
Depreciation in excess of capital allowances	464	442
Short term timing differences	2	627
Tax losses carried forward	36,804	32,626
	<hr/>	<hr/>
	37,270	33,695
	<hr/> <hr/>	<hr/> <hr/>

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

9 INTANGIBLE FIXED ASSETS

Group	<u>Goodwill</u> £'000	<u>Player</u> <u>registrations</u> £'000	<u>Total</u> £'000
Cost			
At 1 July 2004	2,940	47,782	50,722
Additions	-	6,566	6,566
Disposals	-	(12,655)	(12,655)
At 30 June 2005	<u>2,940</u>	<u>41,693</u>	<u>44,633</u>
Amortisation			
At 1 July 2004	2,940	34,624	37,564
Provided during the year	-	7,549	7,549
Impairment loss	-	1,000	1,000
Disposals	-	(12,080)	(12,080)
At 30 June 2005	<u>2,940</u>	<u>31,093</u>	<u>34,033</u>
Net book amount			
At 30 June 2005	-	10,600	10,600
At 30 June 2004	<u>-</u>	<u>13,158</u>	<u>13,158</u>

The net book value of player registrations above includes £Nil (2004: £2,276,638) 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 2005

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 & Equipment</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 July 2004	5,227	9,209	934	6	13,957	29,333
Additions	2,741	-	-	33	472	3,246
Disposals	-	-	-	-	(4,990)	(4,990)
Transfers	(7,897)	-	-	-	7,897	-
At 30 June 2005	<u>71</u>	<u>9,209</u>	<u>934</u>	<u>39</u>	<u>17,336</u>	<u>27,589</u>
Depreciation						
At 1 July 2004	-	-	738	6	12,216	12,960
Provided during the year	-	-	35	-	1,329	1,364
Disposals	-	-	-	-	(4,990)	(4,990)
At 30 June 2005	<u>-</u>	<u>-</u>	<u>773</u>	<u>6</u>	<u>8,555</u>	<u>9,334</u>
Net Book Amount						
At 30 June 2005	<u>71</u>	<u>9,209</u>	<u>161</u>	<u>33</u>	<u>8,781</u>	<u>18,255</u>
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>

The net book value of fixed assets above includes an amount of £52,668 (2004:£21,258) 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 2005

11 FIXED ASSET INVESTMENTS

Company

Investments in subsidiary undertakings:

	<u>Cost</u> £'000	<u>Provision</u> £'000	<u>Net</u> £'000
At 1 July 2004 and 30 June 2005	11,999	(11,999)	-

At 30 June 2005, 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 Community Sports Trust (by Guarantee)**	Community football	100% of voting rights

* Owned via Fulham Stadium Limited.

** formerly Fulham FC Football & Community Scheme Limited

On 1 July 2005, Fulham FC Community Sports Trust was demerged from the group.

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

12 DEBTORS	<u>Group</u> <u>2005</u> £'000	<u>Group</u> <u>2004</u> £'000	<u>Company</u> <u>2005</u> £'000	<u>Company</u> <u>2004</u> £'000
Amounts falling due in one year				
Trade debtors	1,590	703	-	-
Amounts owed by group undertakings	-	-	9,809	5,568
Other debtors	24	19	-	3
Prepayments and accrued income	1,451	2,417	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,065	3,139	9,809	5,571
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
13 CREDITORS	<u>Group</u> <u>2005</u> £'000	<u>Group</u> <u>2004</u> £'000	<u>Company</u> <u>2005</u> £'000	<u>Company</u> <u>2004</u> £'000
Due within one year:				
Bank loan (secured)	8,121	1,945	-	-
Finance lease obligations	49	3,009	-	-
Trade creditors	6,537	7,984	20	-
Amounts owed to parent company	13,931	6,707	13,931	6,707
Amounts due to related parties	25,035	10,672	-	-
Other taxation and social security	2,931	3,053	8	-
Accruals and deferred income	3,318	5,337	196	9
	<hr/>	<hr/>	<hr/>	<hr/>
	59,922	38,707	14,155	6,716
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Due after more than one year:				
Bank loan (secured)	-	7,960	-	-
Amounts owed to parent company	100,382	100,382	100,382	100,382
	<hr/>	<hr/>	<hr/>	<hr/>
	100,382	108,342	100,382	100,382
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(a) The amounts owed to parent company are repayable as follows:				
In less than one year	13,931	6,707	13,931	6,707
In more than two years but not more than five years	44,882	44,882	44,882	44,882
In more than five years	55,500	55,500	55,500	55,500
	<hr/>	<hr/>	<hr/>	<hr/>
	114,313	107,089	114,313	107,089
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

13 CREDITORS (continued)

- (a) At 30 June 2005, the total loaned by Fulham Leisure Holdings Limited was £100,382,000 (2004: £100,382,000) 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 £13,931,000 (2004: £6,707,000) by other unsecured advances repayable on demand.
- (b) The bank loan is repayable within one year and is secured by a first legal charge on certain of the groups 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, Harrods Holdings Limited has provided a guarantee for the loan, the guarantee is secured by a second charge on the company's land and buildings.
- (c) As at they year end, the amount due to related parties was unsecured and attracted interest at a commercial rate of 7.11% per annum. Since the year end it has been formalised in a secured loan (see note 25).

14 DEFERRED INCOME

	<u>Group</u> <u>2005</u> £'000	<u>Group</u> <u>2004</u> £'000
Season ticket sales in advance	2,344	2,700
Commercial income and sponsorship	1,144	740
	3,488	3,440
	3,488	3,440

The Company has no deferred income (2004: £Nil).

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

15 SHARE CAPITAL	<u>2005</u>	<u>2004</u>
	£	£
Authorised		
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/>
Allotted, called up and fully paid		
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 2004	(121,440)	(107,525)
Retained loss for the year	(12,931)	(3,197)
	<hr/>	<hr/>
At 30 June 2005	(134,371)	(110,722)
	<hr/>	<hr/>

17 SHAREHOLDERS' FUNDS	<u>Group</u>	<u>Group</u>
	<u>2005</u>	<u>2004</u>
	£'000	£'000
The reconciliation of movements in equity shareholders' funds is as follows:		
Opening shareholders' funds	(115,440)	(112,844)
Loss for the year	(12,931)	(2,596)
	<hr/>	<hr/>
Closing shareholders' funds	(128,371)	(115,440)
	<hr/>	<hr/>

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

18 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	<u>Year ended</u> <u>30 June 2005</u>	<u>Year ended</u> <u>30 June 2004</u>
	£'000	£'000
Operating loss	(14,673)	(9,927)
Depreciation charges	1,364	629
Amortisation of players' registrations	7,549	8,869
Impairment of player registrations	1,000	1,997
Decrease/(increase) in stocks	274	(217)
Decrease in debtors	74	4,860
(Decrease) in creditors	(3,776)	(7,641)
Increase in deferred income	48	713
	<hr/>	<hr/>
Net cash outflow from operating activities	(8,140)	(717)
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>Year ended</u> <u>30 June 2005</u>		<u>Year ended</u> <u>30 June 2004</u>	
	£'000	£'000	£'000	£'000
Returns on investment and servicing of finance				
Interest received		132		183
Interest paid		(1,809)		(4,258)
Interest element of finance lease rental payments		(119)		(255)
		<hr/>		<hr/>
Net cash outflow from returns on investment and servicing of finance		(1,796)		(4,330)
		<hr/> <hr/>		<hr/> <hr/>
Capital expenditure				
Purchase of players' registrations		(6,566)		(6,310)
Sale of players' registrations		4,301		11,763
Purchase of tangible fixed assets		(3,246)		(3,401)
		<hr/>		<hr/>
Net cash (out)/inflow for capital expenditure		(5,511)		2,052
		<hr/> <hr/>		<hr/> <hr/>
Management of liquid resources				
Cash transferred from/(to) deposit account subject to charge		731		(1,420)
		<hr/> <hr/>		<hr/> <hr/>
Financing				
Debt due within one year:				
- loan		-	(3,500)	
- bank loan	(1,784)		1,945	
- advance from group companies	7,224		6,707	
- advance from related parties	14,363		-	
		<hr/>		<hr/>
		19,803		5,152
Debt due after one year:				
- other creditor		-	(15,000)	
- bank loan		-	7,960	
- advances from group companies		-	9,439	
		<hr/>		<hr/>
		-		2,399
Capital element of finance lease rental payments		(2,960)		(3,709)
		<hr/>		<hr/>
Net cash inflow from financing		16,843		3,842
		<hr/> <hr/>		<hr/> <hr/>

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

20 ANALYSIS OF CHANGES IN NET DEBT

	At 30 June 2004 £'000	Cash flows £'000	Non- cash changes £'000	At 30 June 2005 £'000
Cash at bank and in hand	596	2,127	-	2,723
Bank deposit account – charged	1,420	(731)	-	689
Debt due within a year	(8,652)	(19,803)	(18,632)	(47,087)
Debt due after one year	(108,342)	-	7,960	(100,382)
Finance leases	(3,009)	2,960	-	(49)
	<u>(117,987)</u>	<u>(15,447)</u>	<u>(10,672)</u>	<u>(144,106)</u>

The net non-cash change relates to the reclassification of the Harrods (UK) Ltd balance as debt. This arrangement has been formalised post year end.

21 FINANCIAL COMMITMENTS

a) *At 30 June 2005, the group had annual commitments under non-cancellable operating leases as follows:*

	<u>2005</u>		<u>2004</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	7,236	-	1,580
In the second to fifth years inclusive	25,500	28,600	25,500	43,993
Over five years	245,998	-	61,648	-
	<u>271,498</u>	<u>35,836</u>	<u>87,148</u>	<u>45,573</u>

b) *Other commitments*

Signing on fees of £2,830,000 (2004: £3,457,500) will become payable to players in future years under existing contracts of employment.

The maximum commitment for additional transfer fees payable in respect of future possible appearances amounts to £1,850,000 (2004: £2,150,000).

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 £750,000 (2004: £1,250,000).

22 CAPITAL COMMITMENTS

Amounts contracted for but not provided for in the accounts amounted to £560,274 (2004: £2,382,924) for the group and £Nil (2004: £Nil) for the company.

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

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:

	2005		2004	
	Purchases £	Sales £	Purchases £	Sales £
Harrods Estates Limited	33,183	7,502	873	-
Harrods (UK) Limited	268,438	-	277,940	-
Harrods Limited	169,406	12,729	(40,625)	26,087
Kurt Geiger	51	-	269	-
Harrods Aviation Limited	1,543	-	3,310	-
Liberty Publishing Limited	64	-	18	-
Hyde Park Residence Limited	-	-	1,389	-
Genavco Insurance Limited	69,471	-	121,658	-
Harrods International Limited	4,018	-	-	-
	<u>546,174</u>	<u>20,231</u>	<u>364,832</u>	<u>26,087</u>

During the year to 30 June 2005, Harrods (UK) Limited recharged payroll services and payroll costs of £32,536,233 (2004: £29,000,967). These costs are included within staff costs in note 4.

During the year to 30 June 2005, Harrods Ltd project management charges of £101,504 (2004: £Nil) were capitalised as part of the Stadium redevelopment works.

As at 30 June 2005 a total of £24,870,778 (2004: £10,671,588) was owed to Harrods (UK) Ltd, £133,041 (2004: £Nil) was owed to Harrods Ltd, £3,042 (2004: £Nil) was owed to Harrods International Limited and £28,313 (2004: £Nil) was owed to Harrods Estates Ltd. In addition an amount of £60 was due from Harrods Ltd (2004: £244).

During the year to 30 June 2005, interest charges of £955,355 (2004: £662,867) were payable to Harrods (UK) Ltd, £7,844 (2004: £3,583) were payable to Harrods Ltd and £16 (2004: £Nil) were payable to Harrods International Limited. In addition, interest of £Nil (2004: £112,584) was received from Fulham Leisure Holdings Limited.

Harrods Holdings Limited have provided a guarantee to the lender in respect of the bank loan.

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 £175,245 (2004: £183,257).

FULHAM FOOTBALL LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

25 POST BALANCE SHEET EVENTS

Since the year end, Fulham Football Club (1987) Limited has acquired the registrations of Heider Helguson, Ahmad Elrich, Niclas Jenson, Phillippe Christanval, Simon Elliott, Jaraslav Drobny, Antti Niemi, Michael Brown and Tony Warner. In addition, the company has disposed of the registrations of Elvis Hammond and Steve Marlet. The net outflow from player trading is approximately £5.6million.

In respect of Fulham Stadium Limited, refurbishment of the corporate facilities were completed on 12 August 2005

On 25 November 2005 Fulham Football Club (1987) Limited entered into a loan agreement with Harrods (UK) Limited , a related party, for £36.6million and Fulham Stadium Limited provided a debenture in respect of this loan securing it by a fixed and floating third charge over Fulham Stadium Limited's assets.

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.