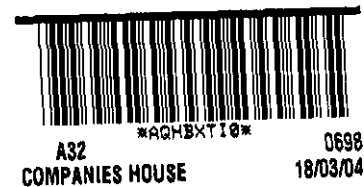


**FULHAM FOOTBALL LEISURE LIMITED**

**(Registered Number 3374347)**

**ANNUAL REPORT**

**YEAR ENDED 30 June 2003**



**FULHAM FOOTBALL LEISURE LIMITED**  
**(Registered Number 3374347)**  
**ANNUAL REPORT**  
**YEAR ENDED 30 June 2003**

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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 2003, 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 £23,208,000 (2002 : £40,276,000) which has been transferred to reserves. The directors do not recommend payment of a dividend (2002 : £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**

With regard to Players Registrations in Fulham Football Club (1987) Limited since the year end, the company has acquired the registrations of Jerome Bonnissel, Mark Crossley, Mark Pembridge, Ian Pearce, Brian McBride, Carlos Bocanegra, Collins John and Moritz Volz. In addition, the company has disposed of the registration of Louis Saha. The net inflow from player trading is approximately £4,600,000.

In respect of Fulham Stadium Limited, planning permission was granted on the 16th December 2003 for the re-development of Craven Cottage as a 22,000 all-seater stadium including all-weather cover, new floodlighting and improved hospitality facilities. Work on the project, which will cost £5.4m, commenced in December 2003 and is due for completion in July 2004.

**FULHAM FOOTBALL LEISURE LIMITED  
DIRECTORS' REPORT**

**DIRECTORS AND THEIR INTERESTS**

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

	'A' Ordinary shares of £1 each 30 June 2003	'B' Ordinary shares of £1 each 30 June 2003	'A' Ordinary shares of £1 each 30 June 2002	'B' Ordinary shares of £1 each 30 June 2002
M Al Fayed	5,550,000	-	4,500,000	-
S H Benson	-	-	-	-
A M Muddyman* (resigned 10.10.03)	-	225,000	-	750,000
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)	-	-	-	-
M S Fayed (resigned 10.9.02)	-	-	-	-
L de Wilde (appointed 2.12.02 resigned 7.5.03)	-	-	-	-

\* 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.

J P Hone was appointed as a director on 1<sup>st</sup> December 2003.

**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 24 (2002:28) 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  
 16<sup>th</sup> February 2004

**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 2003 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 improving trading performance and the cash flows of the group and the continuing financial support that has been indicated by the parent company and 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 2003 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  
17<sup>th</sup> February 2004



PKF  
Registered Auditors

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 June 2003**

		2003			2002
		Operations excluding player trading	Player trading	Total	Total
	Notes	£'000	£'000	£'000	£'000
<b>Turnover</b>	2	34,050	-	34,050	32,380
Other operating income		835	-	835	331
		34,885	-	34,885	32,711
Operating expenses	3	(48,709)	(9,913)	(58,622)	(55,145)
Exceptional item	5	-	-	-	(16,969)
<b>Operating loss</b>		(13,824)	(9,913)	(23,737)	(39,403)
Profit on disposal of players' registrations		-	3,703	3,703	518
<b>Loss before interest and taxation</b>		(13,824)	(6,210)	(20,034)	(38,885)
Net interest payable	7			(3,174)	(1,391)
<b>Loss on ordinary activities before taxation</b>				(23,208)	(40,276)
Taxation of loss on ordinary activities	8			-	-
<b>Retained loss for the year</b>	16			(23,208)	(40,276)

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 2003**

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Intangible assets	9	18,925	28,579
Tangible assets	10	11,691	7,741
		30,616	36,320
<b>CURRENT ASSETS</b>			
Stocks		146	213
Debtors	12	7,999	2,226
Cash at bank and in hand		1,169	2,068
		9,314	4,507
<b>CREDITORS</b>			
Amounts falling due within one year	13	(42,995)	(50,007)
		(33,681)	(45,500)
<b>NET CURRENT LIABILITIES</b>			
		(3,065)	(9,180)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(107,052)	(77,645)
<b>DEFERRED INCOME</b>			
	14	(2,727)	(2,811)
<b>NET LIABILITIES</b>			
		(112,844)	(89,636)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	6,000	6,000
Profit and loss account	16	(118,844)	(95,636)
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	17	(112,844)	(89,636)

Approved by the board on 16<sup>th</sup> February 2004

  
S H Benson  
Director

  
M A E Collins  
Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**BALANCE SHEET**  
**30 June 2003**

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
<b>FIXED ASSETS</b>			
Investments	11	1,144	3,081
<b>CURRENT ASSETS</b>			
Debtors	12	501	2,957
Cash at bank and in hand		17	5
		518	2,962
<b>CREDITORS</b>			
Amounts falling due within one year	13	(39)	(5,566)
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		479	(2,604)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,623	477
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(89,900)	(74,145)
<b>NET LIABILITIES</b>		(88,277)	(73,668)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	6,000	6,000
Profit and loss account	16	(94,277)	(79,668)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		(88,277)	(73,668)

Approved by the board on 16<sup>th</sup> February 2004

  
 S H Benson  
 Director

  
 M A E Collins  
 Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 30 June 2003**

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£'000	£'000
Net cash (outflow)/inflow from operating activities	18	(16,098)	7,414
Returns on investment and servicing of finance	19	(2,065)	(1,247)
Capital expenditure	19	2,793	(33,108)
Acquisitions and disposals	19	99	-
		<hr/>	<hr/>
Net cash outflow before use of liquid resources and financing		(15,271)	(26,941)
Financing	19	14,372	27,786
		<hr/>	<hr/>
(Decrease)/increase in cash in the year		(899)	845
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation Of Net Cash Flow To Movement In Net Debt</b>			
(Decrease)/increase in cash in the year		(899)	845
Cash inflow from increase in debt and lease financing		(14,372)	(27,786)
		<hr/>	<hr/>
Change in net debt resulting from cash flows		(15,271)	(26,941)
New finance leases		-	(7,000)
Loans and debt acquired with subsidiary		(4,044)	-
		<hr/>	<hr/>
Movement in net debt in the year		(19,315)	(33,941)
Net debt at 30 June 2002		(95,677)	(61,736)
		<hr/>	<hr/>
Net debt at 30 June 2003	20	(114,992)	(95,677)
		<hr/> <hr/>	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**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 2003. 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 and the further progress made since the year end in moving the Club towards a break even cash position.

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. Goodwill purchased during the year has been assessed for impairment at the year end as required by Financial Reporting Standard No. 10.

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 £14,609,000 (2002: £26,907,000).

**(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

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.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**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 reasonably certain 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 2003**

**2 TURNOVER**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

	<u>Year ended</u> <u>30 June 2003</u> £'000	<u>Year ended</u> <u>30 June 2002</u> £'000
Match Day	7,178	6,309
Broadcasting	21,883	21,142
Commercial activities	4,989	4,929
	<hr/>	<hr/>
	<b>34,050</b>	<b>32,380</b>
	<hr/> <hr/>	<hr/> <hr/>

**3 OPERATING LOSS**

	<u>Year ended</u> <u>30 June 2003</u> £'000	<u>Year Ended</u> <u>30 June 2002</u> £'000
This is stated after charging:		
Auditors' remuneration - audit	29	26
- other fees	48	49
Staff costs (Note 4)	36,444	30,863
Depreciation of owned fixed assets	531	2,164
Depreciation of assets held under finance leases and hire purchase contracts	13	4
Amortisation of goodwill	222	498
Amortisation of owned player registrations	8,220	9,654
Amortisation of player registrations under finance leases	1,693	2,650
Operating lease rentals - plant and machinery	90	79
-land and buildings	1,417	216
Other external charges	9,915	8,942
	<hr/>	<hr/>
	<b>58,622</b>	<b>55,145</b>
	<hr/> <hr/>	<hr/> <hr/>

The following amounts relate to acquisitions during the year.

	Acquisitions £'000	Continuing £'000	Total £'000
Turnover	543	33,507	34,050
Other operating income	2	833	835
	<hr/>	<hr/>	<hr/>
	545	34,340	34,885
Operating expenses	(654)	(57,968)	(58,622)
Operating loss	<hr/>	<hr/>	<hr/>
	<b>(109)</b>	<b>(23,628)</b>	<b>(23,737)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All player trading activities are included within continuing operations.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**4 STAFF COSTS**

	<u>Year ended</u> <u>30 June 2003</u> £'000	<u>Year ended</u> <u>30 June 2002</u> £'000
Wages and salaries	32,543	27,647
Social security costs	3,697	3,063
Other pension costs	204	153
	36,444	30,863
Average numbers employed by the group during the year:		
	<u>Number</u>	<u>Number</u>
Administration and ground staff	140	121
Players (including Ladies Squad)	68	64
	208	185
Casual and part-time staff	165	225
	373	410

**5 EXCEPTIONAL ITEMS**

	<u>Year ended</u> <u>30 June 2003</u> £'000	<u>Year Ended</u> <u>30 June 2002</u> £'000
Impairment of player registrations	-	11,979
Impairment of fixed assets	-	4,990
	-	16,969

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

The provision for impairment of fixed assets in the previous year related to professional fees incurred in connection with the proposed redevelopment of the football stadium at Craven Cottage.

**6 DIRECTORS' EMOLUMENTS**

Aggregate directors emoluments during the year totalled £254,580 (2002: £109,359). The highest paid director's emoluments totalled £254,580, including pension contributions of £30,002 (2002 : £Nil). In the previous year contributions were made to a related company's pension scheme in respect of one director.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**7 NET INTEREST PAYABLE**

	<u>Year ended</u> <u>30 June 2003</u> £'000	<u>Year Ended</u> <u>30 June 2002</u> £'000
<b>Interest receivable on deposits:</b>		
Bank interest	48	68
<b>Interest payable on borrowings repayable within five years:</b>		
Loan	(273)	(183)
Hire and lease purchase obligations	(477)	(684)
Amounts payable to related parties	(1,342)	(592)
Other interest payable	(1,130)	-
	(3,222)	(1,459)
	(3,174)	(1,391)

**8 TAX ON LOSS ON ORDINARY ACTIVITIES**

	<u>Year ended</u> <u>30 June 2003</u> £'000	<u>Year Ended</u> <u>30 June 2002</u> £'000
<b>(a) The tax for the year comprises:</b>		
Current tax:		
Corporation tax at 30% (2002 : 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	(23,208)	(40,276)
Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2002 : 30%)	(6,962)	(12,083)
Effects of:		
Expenses not deductible for tax purposes	232	1,656
Depreciation in excess of capital allowances	9	368
Short term timing differences	345	474
Goodwill arising on consolidation not deductible	63	149
Grant income not taxable	-	(45)
Losses group relieved	8	8
Losses utilised in the period	-	(36)
Losses in year carried forward	6,305	9,509
	-	-
Current tax charge for the year (note 8(a))	-	-



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**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 £33m (2002: £26m), 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 2003</u> £'000	<u>Year Ended</u> <u>30 June 2002</u> £'000
Depreciation in excess of capital allowances	385	376
Short term timing differences	768	423
Tax losses carried forward	31,864	25,559
	<hr/>	<hr/>
	<b>33,017</b>	<b>26,358</b>
	<hr/> <hr/>	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**9 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<u><b>Goodwill</b></u> <b>£'000</b>	<u><b>Player registrations</b></u> <b>£'000</b>	<u><b>Total</b></u> <b>£'000</b>
<b>Cost</b>			
At 1 July 2002	2,718	61,064	63,782
Additions	222	1,617	1,839
Disposals	-	(9,084)	(9,084)
At 30 June 2003	<u>2,940</u>	<u>53,597</u>	<u>56,537</u>
<b>Amortisation</b>			
At 1 July 2002	2,718	32,485	35,203
Provided during the year	222	9,913	10,135
Disposals	-	(7,726)	(7,726)
At 30 June 2003	<u>2,940</u>	<u>34,672</u>	<u>37,612</u>
<b>Net book amount</b>			
At 30 June 2003	-	18,925	18,925
At 30 June 2002	<u>-</u>	<u>28,579</u>	<u>28,579</u>

The net book value of player registrations above includes £2,858,191 (2002: £4,302,191) in respect of registrations held under finance leases and hire purchase contracts.

The goodwill purchased during the year relates to the acquisition of FL Property Management Limited on 20 September 2002. This goodwill has been written off during the year. The book and fair value of the assets acquired is as follows:

	<b>£'000</b>
<b>Fixed assets</b>	<b>3,843</b>
<b>Current assets</b>	
Debtors	14
Cash at bank and in hand	99
	<u>113</u>
<b>Current liabilities</b>	
Creditors due within one year	(4,178)
<b>Net current liabilities</b>	<u>(4,065)</u>
<b>Net liabilities acquired</b>	<u>(222)</u>
<b>Goodwill arising on acquisition</b>	<b>222</b>
	<u>-</u>
<b>Represented by:</b>	
Cash consideration	-
	<u>-</u>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**10 TANGIBLE FIXED ASSETS**

Group	Freehold Land £'000	Leasehold Improvements £'000	Motor Vehicles £'000	Stands, Fixtures, Fittings and Equipment £'000	Total £'000
<b>Cost</b>					
At 1 July 2002	6,814	879	6	11,836	19,535
Additions	-	55	-	601	656
Acquisitions	2,395	-	-	1,443	3,838
<b>At 30 June 2003</b>	<b>9,209</b>	<b>934</b>	<b>6</b>	<b>13,880</b>	<b>24,029</b>
<b>Depreciation</b>					
At 1 July 2002	-	625	5	11,164	11,794
Provided during the year	-	47	1	496	544
<b>At 30 June 2003</b>	<b>-</b>	<b>672</b>	<b>6</b>	<b>11,660</b>	<b>12,338</b>
<b>Net Book Amount</b>					
At 30 June 2003	9,209	262	-	2,220	11,691
At 30 June 2002	6,814	254	1	672	7,741

The net book value of fixed assets above includes an amount of £34,012 (2002:£46,767) 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 2003**

**11 FIXED ASSET INVESTMENTS**

**Company**

**Investments in subsidiary undertakings:**

	<u>Cost</u>	<u>Provision</u>	<u>Net</u>
	£'000	£'000	£'000
At 1 July 2002	11,999	(8,918)	3,081
Provision against diminution in value	-	(1,937)	(1,937)
At 30 June 2003	11,999	(10,855)	1,144

At 30 June 2003, 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.

On 20 September 2003, Fulham Stadium Limited purchased for cash, 100% of the £1 ordinary shares of FL Property Management Limited.

The profit after tax of FL Property Management Limited for the period to 20 September 2003 was £20k (year ended 30 June 2002: loss of £105k).

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

<b>12 DEBTORS</b>	<u>Group</u> <u>2003</u> £'000	<u>Group</u> <u>2002</u> £'000	<u>Company</u> <u>2003</u> £'000	<u>Company</u> <u>2002</u> £'000
<b>Amounts falling due in one year</b>				
Trade debtors	5,819	210	-	-
Related party debtors	-	8	-	-
Amounts owed by group undertakings	-	-	493	2,955
Other debtors	19	121	8	2
Prepayments and accrued income	2,161	1,887	-	-
	7,999	2,226	501	2,957
	7,999	2,226	501	2,957
<b>13 CREDITORS</b>	<u>Group</u> <u>2003</u> £'000	<u>Group</u> <u>2002</u> £'000	<u>Company</u> <u>2003</u> £'000	<u>Company</u> <u>2002</u> £'000
<b>Due within one year:</b>				
Trade creditors	9,344	11,319	12	38
Amounts owed to parent company	-	5,450	-	5,450
Amounts due to related parties	17,632	12,262	-	-
Other taxation and social security	3,370	2,504	-	-
Finance lease obligations	6,718	10,150	-	-
Loan (secured)	3,500	4,500	-	-
Accruals and deferred income	2,431	3,822	27	78
	42,995	50,007	39	5,566
	42,995	50,007	39	5,566
The amount due to related parties is unsecured and attracts interest at a commercial rate of 7.41% per annum.				
<b>Due after more than one year:</b>				
Amounts owed to parent company	90,943	74,145	89,900	74,145
Loan (secured)	-	3,500	-	-
Other creditors	15,000	-	-	-
Accruals	1,109	-	-	-
	107,052	77,645	89,900	74,145
	107,052	77,645	89,900	74,145
(a) The amounts owed to parent company are repayable as follows:				
Within one year or less or on demand	-	5,450	-	5,450
In more than one year but not more than two years	1,043	18,645	-	18,645
In more than two years but not more than five years	34,400	-	34,400	-
In more than five years	55,500	55,500	55,500	55,500
	90,943	74,145	89,900	74,145
	90,943	74,145	89,900	74,145

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**13 CREDITORS (continued)**

As part of the arrangements pursuant to the acquisition of Fulham Football Club (1987) Limited on 29 May 1997, the shareholders in Fulham Football Leisure Limited entered into an agreement concerning the financing of the operating and development cash requirements of the new group of companies. The agreement was revised in March 2003 and now provides that Fulham Leisure Holdings Limited should provide interest free loans (evidenced by Unsecured Loan Notes, repayable on 28 May 2017, up to a maximum of £55,500,000) to Fulham Football Leisure Limited.

On 28 March 2003, other advances from Fulham Leisure Holdings Limited totalling £18,645,379 were the subject of a new loan agreement. This new agreement provided that the advances become repayable no earlier than 28 March 2008 (previously repayable on demand). In return, the Company granted Fulham Leisure Holdings Limited security over its assets and undertakings. The advances remain interest-free.

At 30 June 2003, the total loaned by Fulham Leisure Holdings Limited was £89,900,000 (2002: £55,500,000) by Loan Notes and £1,043,000 (2002: £24,095,000) by other interest-free advances.

(b) The Loan is secured upon the FA Premier League Basic Award. The interest rate payable on this loan is 2% above bank base rate, and was repaid in full on 6<sup>th</sup> August 2003. The finance lease obligations are secured upon certain player registrations.

(c) Other creditors are interest bearing.

**14 DEFERRED INCOME**

	<u>Group</u> <u>2003</u> <u>£'000</u>	<u>Group</u> <u>2002</u> <u>£'000</u>
Season ticket sales in advance	2,052	2,650
Commercial income and sponsorship	675	161
	2,727	2,811

The Company has no deferred income (2002: £Nil).

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

15 SHARE CAPITAL	<u>2003</u>	<u>2002</u>
	£	£
<b>Authorised</b>		
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/>
<b>Allotted, called up and fully paid</b>		
5,550,000 "A" Ordinary shares of £1 each	5,550,000	4,500,000
450,000 "B" Ordinary shares of £1 each	450,000	1,500,000
	<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.

In accordance with the shareholder agreement, during the year 1,050,000 "B" Ordinary shares were reclassified as "A" Ordinary shares.

16 PROFIT AND LOSS ACCOUNT	<u>Group</u>	<u>Company</u>
	£'000	£'000
At 1 July 2002	(95,636)	(79,668)
Retained loss for the year	(23,208)	(14,609)
	<hr/>	<hr/>
At 30 June 2003	(118,844)	(94,277)
	<hr/>	<hr/>

17 SHAREHOLDERS' FUNDS	<u>Group</u>	<u>Group</u>
	<u>2003</u>	<u>2002</u>
	£'000	£'000
The reconciliation of movements in equity shareholders' funds is as follows:		
Opening shareholders' funds	(89,636)	(49,360)
Loss for the year	(23,208)	(40,276)
	<hr/>	<hr/>
Closing shareholders' funds	(112,844)	(89,636)
	<hr/>	<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

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

	<u>Year ended</u> <u>30 June 2003</u>	<u>Year ended</u> <u>30 June 2002</u>
	£'000	£'000
Operating loss	(23,737)	(39,403)
Depreciation charges	544	2,168
Amortisation of goodwill	222	498
Amortisation of players' registrations	9,913	12,304
Exceptional items	-	16,969
Decrease/(increase) in stocks	67	(97)
Increase in debtors	(5,759)	(626)
Increase in creditors	2,736	16,775
Decrease in deferred income	(84)	(1,174)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(16,098)	7,414
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>Year ended</u> <u>30 June 2003</u>	<u>Year ended</u> <u>30 June 2002</u>
	£'000	£'000
<b>Returns on investment and servicing of finance</b>		
Interest received	48	68
Interest paid	(1,636)	(448)
Interest element of finance lease rental payments	(477)	(867)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investment and servicing of finance</b>	(2,065)	(1,247)
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital expenditure</b>		
Purchase of players' registrations	(1,617)	(30,450)
Sale of players' registrations	5,061	792
Purchase of tangible fixed assets	(651)	(3,450)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) for capital expenditure</b>	2,793	(33,108)
	<hr/> <hr/>	<hr/> <hr/>
<b>Acquisitions and disposals</b>		
Net cash acquired	99	-
	<hr/>	<hr/>
<b>Net cash inflow from acquisitions and disposals</b>	99	-
	<hr/> <hr/>	<hr/> <hr/>
<b>Financing</b>		
Debt due within one year:		
- loan	(4,500)	4,500
- (payments to)/advances from group companies	(5,450)	5,450
	<hr/>	<hr/>
	(9,950)	9,950
Debt due after one year:		
- other creditor	15,000	-
- loan	-	3,500
- advances from group companies	12,754	17,075
Capital element of finance lease rental payments	(3,432)	(2,739)
	<hr/>	<hr/>
	24,322	17,836
	<hr/> <hr/>	<hr/> <hr/>
<b>Net cash inflow from financing</b>	14,372	27,786
	<hr/> <hr/>	<hr/> <hr/>



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**20 ANALYSIS OF CHANGES IN NET DEBT**

	At 30 June <u>2002</u> £'000	Cash <u>flows</u> £'000	Non-cash <u>changes</u> £'000	<u>Acquisition</u> £'000	At 30 June <u>2003</u> £'000
Cash at bank and in hand	2,068	(899)	-	-	1,169
Debt due within a year	(9,950)	9,950	(3,500)	-	(3,500)
Debt due after one year	(77,645)	(27,754)	3,500	(4,044)	(105,943)
Finance leases	(10,150)	3,432	-	-	(6,718)
	<u>(95,677)</u>	<u>(15,271)</u>	-	<u>(4,044)</u>	<u>(114,992)</u>

**21 ACQUISITIONS**

Subsidiaries and businesses acquired during the year contributed £63,000 to the group's net operating cash flows, utilised £68,000 for capital expenditure and repaid £40,000 of financing.

**22 FINANCIAL COMMITMENTS**

a) *At 30 June 2003, the group had annual commitments under non-cancellable operating leases as follows:*

	<u>2003</u>		<u>2002</u>	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	760,000	43,932	760,000	90,764
In the second to fifth years inclusive	25,500	8,269	25,500	42,552
Over five years	245,600	-	201,016	-
	<u>1,031,100</u>	<u>52,201</u>	<u>986,516</u>	<u>133,316</u>

b) *Other commitments*

Signing on fees of £1,888,000 (2002: £2,701,450) 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 £450,000 (2002: £725,000).

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 £1,500,000 (2002: £NIL).

**23 CAPITAL COMMITMENTS**

Amounts contracted for but not provided for in the accounts amounted to £10,041 (2002 : £Nil) for the group and £Nil (2002: £Nil) for the company.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**24 RELATED PARTY TRANSACTIONS**

At the balance sheet date there were arm's length agreements between the company 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:

	2003		2002	
	Purchases £	Sales £	Purchases £	Sales £
Harrods Estates Limited	75,228	-	77,560	-
Harrods UK Limited	271,366	-	743,069	-
Harrods Limited	706,392	723	133,963	-
Kurt Geiger	824	-	1,280	-
Harrods Aviation Limited	1,281	-	19,335	-
Liberty Publishing Limited	223	-	1,714	56
Hyde Park Residence Limited	2,488	-	387	22
Ruxley Holdings Limited	4,463	5,967	560	10,550
Air Harrods	-	-	4,185	-
	<b>1,062,265</b>	<b>6,690</b>	<b>982,053</b>	<b>10,628</b>

As at 30th June 2003 a total of £17,661,548 (2002: £12,148,175) was owed to Harrods (UK) Ltd, £Nil (2002: £77,633) was owed to Harrods Ltd and £1,761 (2002: £35,250) was owed to Harrods Estates Ltd. In addition an amount of £31,482 was due from Harrods Ltd (2002: £2,736) and £Nil (2002: £4,982) was due from Ruxley Holdings Ltd.

During the year to 30 June 2003, interest charges of £1,330,723 (2002: £551,568) were payable to Harrods (UK) Ltd, £32,170 (2002: £40,718) were payable to Harrods Ltd.

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.

**25 PENSION SCHEME**

Payments are made into a number of defined contribution schemes. Total contributions charged during the year amounted to £203,565 (2002: £152,048).

**26 POST BALANCE SHEET EVENTS**

With regard to Players Registrations in Fulham Football Club (1987) Limited since the year end, the company has acquired the registrations of Jerome Bonnissel, Mark Crossley, Mark Pembridge, Ian Pearce, Brian McBride, Carlos Bocanegra, Collins John and Moritz Volz. In addition, the company has disposed of the registration of Louis Saha. The net inflow from player trading is approximately £4,600,000.

In respect of Fulham Stadium Limited, planning permission was granted on the 16th December 2003 for the re-development of Craven Cottage as a 22,000 all-seater stadium including all-weather cover, new floodlighting and improved hospitality facilities. Work on the project, which will cost £5.4m, commenced in December 2003 and is due for completion in July 2004.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**27 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 2003**

**FOR CONSOLIDATION PURPOSES ONLY**

	<u>2003</u> £'000	<u>2002</u> £'000
Turnover	-	-
Other operating income	-	-
	<hr/>	<hr/>
External charges	(154)	(150)
Staff costs	-	-
Provision against debts due from subsidiaries	(14,455)	(26,763)
	<hr/>	<hr/>
Operating loss	(14,609)	(26,913)
Interest receivable and similar income	-	6
	<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<b>(14,609)</b>	<b>(26,907)</b>
	<hr/> <hr/>	<hr/> <hr/>