

AMENDING

Fulham Football Club (1987) Limited

Annual Report 30 June 2006

Registered number: 2114486



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Offices and Advisors

For the year ended 30 June 2006

Registered Office:

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

Auditors:

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

Bankers:

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

Solicitors:

Hammond Suddards Edge
7 Devonshire Square
Cutlers Gardens
London
EC2M 4YH

Chairman's statement

For the year ended 30 June 2006

Our fifth season in the F A Premier League began with much optimism following our league finish of 13th in the previous campaign, demonstrating that we have consolidated our position in the Premier League. We therefore began our second season back home at Craven Cottage with confidence and energy, following more improvements to the facilities at the ground during the summer of 2005. This led to a finishing position of 12th, an improvement on the previous season and secured our Premier League status once again.

Gross revenues in the year decreased by 3 % to £37.4m, primarily as a result of a reduction in other operating income such as player loan receivables. Our operating expenses were reduced by £1.5m, largely due to a reduction in player wage costs. This resulted in an operating loss (before player trading and amortisation) of £6.4m compared to a loss of £6.2m the year before. However, I was delighted that non broadcasting revenues increased by 10% to £14.0m from the previous figure of £12.7m.

The sale of Elvis Hammond to Leicester in summer 2005 and the final contingent fee on the sale of Steve Finnan to Liverpool contributed to the £0.9m profit on disposal of players.

During the 2005/2006 mid season transfer window investment was made to the squad with the purchase of Michael Brown, Antti Niemi, Simon Elliot and the addition of Wayne Bridge on loan, providing necessary squad depth to enable us to progress on the pitch and ensure our finishing position maintained our vital Premier League status.

Overall the Club posted a loss of £15.5m for the season 2005/2006, but although this number is slightly higher than the previous season, the figure, in terms of the improvement in the operating loss position, is positive. We must continue to control costs and increase our revenues by continually improving the facilities at Craven Cottage to enhance the supporter experience. We remain on course for my long term aim of making the Club financially self sufficient.

There is of course more to do and I will continue to invest both on and off the field to further assist in the long term success of Fulham Football Club. We shall maintain our philosophy of supporting both our football team and serving our supporters and offer the best possible match day experience for all those visiting Craven Cottage. Finally, I urge our fans to continue to show their loyalty and commitment to the Club by filling our stadium to capacity each and every game.

Directors' report

For the year ended 30 June 2006

Financial statements

The directors present their report and financial statements for the year ended 30 June 2006

Review of the business

During the year to 30 June 2006, the company saw the following changes in the key indicators of financial and non-financial performance

<u>Indicator</u>	<u>Year to 30 June</u>		<u>+/- change</u>	<u>%</u>
	<u>2006</u>	<u>2005</u>		
Gross revenues (£m)	37.4	38.6	(1.2)	(3)
Turnover (£m)	37.1	36.2	0.9	2
Total staff costs (£m)	30.1	33.1	(3.0)	(9)
Staff costs as % of revenues	81%	92%		11
Net operating (loss) (£m)	(13.3)	(14.7)	1.4	9
Final position in FAPL	12th	13th	+1	
Total attendances	392,457	376,928	15,529	4
Average attendances per game	20,656	19,838	818	4

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

The Chairman's statement contains an appropriate commentary on the performance of the company for the year

Principal activity

The company's principal activity is the operation of a professional Football Club

Results and dividends

The company made a loss after tax of £15,487,973 (2005 £12,303,118) which has been transferred to reserves. The directors are unable to recommend the payment of a dividend (2005 £Nil)

Future developments

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

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

Financial instruments and risks

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

Directors' report (continued)

For the year ended 30 June 2006

Financial instruments and risks (continued)

The company's main source of finance, for operating losses, working capital and capital expenditure (including player transfers), in excess of funds generated internally, is interest-free loans from its immediate parent company. The company has received assurances from the directors of the parent company that no repayment demand will be made which would either cause the repayments to be a preference of a creditor or which would cause the company to become technically insolvent. The parent company has also provided comfort that as further funds are needed to meet creditors as they fall due, these will be made available. In this respect, the company also relies on assurances from Mr M Al Fayed.

The Company's main commercial risk is that associated with potential failure to retain membership of the Football Association Premier League. Of the company's total revenues in the year to 30 June 2006, 62% came from sources controlled by the FAPL (2005: 65%). In the event of relegation from the FAPL, the company's revenues would fall in the next two years to a level which would not finance ongoing contractual commitments, and the company would therefore have to place more reliance on funds provided by the parent company and take action to significantly reduce operating costs. Such action could prevent the maintenance of a playing squad capable of gaining promotion back to the FAPL. Therefore the Company's main aim is to prevent this risk becoming a reality.

The environment

The company 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 company'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 company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers.

The company takes an average of 24 days to pay its creditors (2005: 26 days).

Policy on disabled persons

It is the company's policy to provide opportunities for disabled persons to have meaningful employment 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 company's policy to keep all staff informed as to the development of the business and to encourage them to contribute their ideas, criticisms and comments through a management process which recognises and rewards genuine involvement in the success of the company.

Directors' report (continued)

For the year ended 30 June 2006

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom General Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

Disclosure of information to auditors

Each of the directors has confirmed that

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

Directors' report (continued)

For the year ended 30 June 2006

Post balance sheet events

Since the year end, the company has acquired the registrations of Franck Queudrue, Gabriel Zakuani, Bjorn Runstrom, Clint Dempsey and Simon Davies. In addition, the company has disposed of the registrations of Steed Malbranque, Dean Leacock, Zesh Rehman, Liam Fontaine and Luis Boa Morte. The net outflow from player trading is approximately £3.4 million.

On 12 December 2006, the company entered into a loan agreement with Fortis Bank S A/N V for £9 million secured on future broadcasting amounts receivable.

On 12 July 2006, £34.5 million in respect of Harrods trading and payroll loans were repaid, utilising proceeds of an equivalent increase in the debt due to Fulham Football Leisure Limited, the parent undertaking.

On 10 January 2007, £35.2 million in respect of Harrods trading and payroll loans were repaid, utilising proceeds of an equivalent increase in the debt due to Fulham Football Leisure Limited, the parent undertaking.

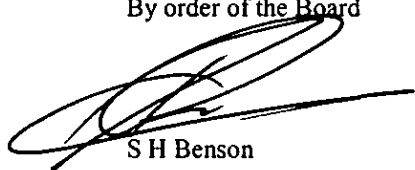
Directors

The directors who served during the year were as follows:

M Al Fayed	(Chairman)
K Fayed	
O Fayed	
S H Benson	
M A E Collins	
Mr I J W McLeod	
D P McNally	
C L Hoos	Resigned 30 March 2006
A J Ambler	Resigned 28 March 2006
Mr J P Hone	Resigned 10 October 2005

Directors' shareholdings in Fulham Football Leisure Limited, the parent undertaking, are shown in that company's accounts.

By order of the Board



S H Benson

Secretary

1 March 2007

Independent Auditors' report to the Members of Fulham Football Club (1987) Limited

We have audited the financial statements of Fulham Football Club (1987) Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements.

**Independent Auditors' report to the Members of Fulham Football Club (1987) Limited
(continued)**

Emphasis of matter - Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the trading performance and the cash flows of the company, 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 financial statements. The company has incurred significant losses in recent years and has accumulated a significant deficit of shareholders funds. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

PKF(UK)LLP

London, UK

1 March 2007

PKF (UK) LLP

Registered Auditors

Profit and loss account

For the year ended 30 June 2006

		2006			2005
		Operations excluding player trading	Player trading	Total	Total
	Notes	£	£	£	£
Turnover	3	37,110,743	-	37,110,743	36,206,623
Other operating income		332,352	-	332,352	2,388,230
		<u>37,443,095</u>	<u>-</u>	<u>37,443,095</u>	<u>38,594,853</u>
Operating expenses	4	(43,827,949)	(6,959,355)	(50,787,304)	(52,312,717)
Exceptional item	6	-	-	-	(1,000,000)
Operating loss		<u>(6,384,854)</u>	<u>(6,959,355)</u>	<u>(13,344,209)</u>	<u>(14,717,864)</u>
Profit on disposal of players' registrations		-	852,333	852,333	3,726,193
Loss before interest and taxation		<u>(6,384,854)</u>	<u>(6,107,022)</u>	<u>(12,491,876)</u>	<u>(10,991,671)</u>
Net interest payable	7			(2,996,097)	(1,311,447)
Loss on ordinary activities before taxation				<u>(15,487,973)</u>	<u>(12,303,118)</u>
Taxation of loss on ordinary activities	8			-	-
Loss for the year	16			<u>(15,487,973)</u>	<u>(12,303,118)</u>

Statement of total recognised gains and losses

There are no recognised gains or losses other than the amounts included in the profit and loss account

Continuing operations

All of the above results derive from continuing activities

The notes on pages 12 to 25 form a part of these financial statements

Balance Sheet

As at 30 June 2006

	Notes	2006	2005
		£	£
Fixed assets			
Intangible assets	9	14,067,525	10,600,000
Tangible assets	10	<u>1,174,586</u>	<u>1,092,584</u>
		15,242,111	11,692,584
Current assets			
Stocks		175,895	88,833
Debtors	11	2,851,067	2,777,773
Cash at bank and in hand		<u>442,055</u>	<u>2,620,557</u>
		3,469,017	5,487,163
Creditors: amounts falling due within one year	12	<u>(28,140,937)</u>	<u>(37,163,130)</u>
Net current liabilities		<u>(24,671,920)</u>	<u>(31,675,967)</u>
Total assets less current liabilities		(9,429,809)	(19,983,383)
Creditors: amounts falling due after more than one year	13	(120,754,270)	(95,484,549)
Deferred income	14	<u>(4,259,974)</u>	<u>(3,488,148)</u>
Net Liabilities		<u>(134,444,053)</u>	<u>(118,956,080)</u>
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account	16	<u>(134,444,055)</u>	<u>(118,956,082)</u>
Shareholders' funds	17	<u>(134,444,053)</u>	<u>(118,956,080)</u>

The notes on pages 12 to 25 form part of these financial statements

The financial statements on pages 10 to 25 were approved and authorised for issue by the Board and were signed on its behalf on 1 March 2007



M A E Collins
Director



S H Benson
Director

Notes to the financial statements

For the year ended 30 June 2006

1 Basis of preparation of financial statements and going concern

The Company has a deficit of shareholders' funds at 30 June 2006 and has operated at a loss in recent years. The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Directors are aware of their duty to present a balanced assessment of the Company'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 are continuing to take action to improve the cashflow position of the Company.

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 company'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.

2 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) 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 ticket and other revenues relating to future periods are recognised in the period to which they relate.

c) 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.

d) Signing on fees

Signing on fees relating to players' contracts are charged to the profit and loss account in the period in which they become due. Signing on fees are considered to be part of players' emoluments packages and are included in these financial statements as part of staff costs.

Notes to the financial statements (continued)

For the year ended 30 June 2006

2 Accounting policies *continued*

e) Transfer fees

Fees payable to other football clubs on the transfer of players' registrations, including agents' fees and league levies, are recorded as intangible fixed assets. Any other 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.

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

f) Tangible fixed assets and depreciation

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

Ground equipment and furniture	- 10% - 25% per annum
Motor vehicles	- 25% per annum
Computer equipment	- 25% per annum
Leasehold improvements	- Over period of lease

g) Leases and hire purchase contracts

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.

h) Stocks

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

Notes to the financial statements (continued)

For the year ended 30 June 2006

2 Accounting policies *continued*

i) *Pensions*

The pension cost charged in the year represents contributions payable by the company to a number of defined contribution schemes

j) *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.

k) *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.

3 Turnover

	2006	2005
	£	£
Match Day	7,539,911	8,201,290
Broadcasting	23,155,680	23,492,588
Commercial activities	<u>6,415,152</u>	<u>4,512,745</u>
	<u>37,110,743</u>	<u>36,206,623</u>

Notes to the financial statement (continued)

For the year ended 30 June 2006

4 Operating expenses

	2006	2005
	£	£
Auditors' remuneration for audit services	24,151	18,750
Auditors' remuneration for non-audit services	9,380	1,090
Staff costs (Note 5)	30,102,499	33,135,540
Depreciation		
- Owned fixed assets	301,254	268,980
- Assets under finance leases	15,806	13,710
- Amortisation of owned player registrations	6,959,355	6,389,281
- Amortisation of player registrations under finance leases	-	1,159,942
Amounts paid under operating leases		
- Land and Buildings	2,244,077	2,268,813
- Other	69,969	49,632
Other external charges	<u>11,060,813</u>	<u>9,006,979</u>
	50,787,304	52,312,717
Exceptional impairment loss	<u>-</u>	<u>1,000,000</u>
	<u>50,787,304</u>	<u>53,312,717</u>

5 Staff numbers and costs

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

	2006	2005
	£	£
Wages and salaries	26,779,948	29,641,697
Social security costs	3,202,294	3,342,522
Pension costs	<u>120,257</u>	<u>151,321</u>
	<u>30,102,499</u>	<u>33,135,540</u>

The average monthly number of employees during the year was 615 (2005 580) made up as follows

	2006	2005
	Number	Number
Administrative and ground staff	119	124
Players (including Ladies squad)	<u>61</u>	<u>60</u>
	180	184
Part-time staff	<u>435</u>	<u>396</u>
	<u>615</u>	<u>580</u>

Notes to the financial statement (continued)

For the year ended 30 June 2006

Aggregate directors emoluments during the year totalled £552,617 (2005 £540,440) including pension contributions of £43,785 (2005 £50,928). The highest paid director's emoluments totalled £240,875 (2005 £180,648) including pension contributions of £22,500 (2005 £15,233). Contributions were made to a related company's pension scheme in respect of 1 director (2005 1).

Payments to a former director previously provided for amounted to £152,375 (2005 £2,555,000).

6 Exceptional item

	2006	2005
	£	£
Impairment loss	=	<u>1,000,000</u>

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

7 Net interest payable

	2006	2005
	£	£
Interest receivable on deposits:		
Bank interest	<u>91,436</u>	<u>80,769</u>
Interest payable on borrowings repayable within five years:		
Other interest payable	(258,643)	(317,238)
Hire and lease purchase obligations	(4,887)	(118,480)
Amounts payable to related parties	<u>(2,824,003)</u>	<u>(956,498)</u>
	<u>(3,087,533)</u>	<u>(1,392,216)</u>
Net interest payable	<u>(2,996,097)</u>	<u>(1,311,447)</u>

Notes to the financial statements (continued)

For the year ended 30 June 2006

8 Taxation

	2006 £	2005 £
(a) The tax for the year comprises:		
Current tax		
Corporation tax at 30% (2005 30%)	-	-
	<u> </u>	<u> </u>
Total current tax (note 8(b))	-	-
	<u> </u>	<u> </u>

(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	(15,487,973)	(12,303,118)
	<u> </u>	<u> </u>
Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2005 30%)	(4,646,392)	(3,690,935)
Effects of		
Expenses not deductible for tax purposes	12,090	32,422
Depreciation less than capital allowances	(44,273)	(31,853)
Short term timing differences	-	(624,945)
Losses in year carried forward	4,678,575	4,315,311
	<u> </u>	<u> </u>
Current tax charge for the year (note 8(a))	-	-
	<u> </u>	<u> </u>

(c) Factors that may affect future tax charges

At the year end the company has an unprovided deferred tax asset of approximately £40.4m (2005 £35.7m), as analysed below. This asset has not been recognised as the company 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

	2006 £	2005 £
Depreciation in excess of capital allowances	131,400	60,000
Short term timing differences	2,000	2,000
Tax losses carried forward	40,237,000	35,673,000
	<u> </u>	<u> </u>
	40,370,400	35,735,000
	<u> </u>	<u> </u>

Notes to the financial statements (continued)

For the year ended 30 June 2006

9 Intangible fixed assets

Player registrations

Cost	£
1 July 2005	41,693,208
Additions	10,426,880
Disposals	<u>(18,195,933)</u>
30 June 2006	<u>33,924,155</u>
Amortisation	
1 July 2005	31,093,208
Disposals	<u>(18,195,933)</u>
Charge for the year	<u>6,959,355</u>
30 June 2006	<u>19,856,630</u>
Net Book Amount	
30 June 2006	<u>14,067,525</u>
30 June 2005	<u>10,600,000</u>

Notes to the financial statements (continued)

For the year ended 30 June 2006

10 Tangible fixed assets

	Leasehold improvements £	Motor vehicles £	Equipment £	Total £
Cost				
1 July 2005	934,101	38,798	2,761,807	3,734,706
Additions	-	-	399,062	399,062
30 June 2006	<u>934,101</u>	<u>38,798</u>	<u>3,160,869</u>	<u>4,133,768</u>
Depreciation				
1 July 2005	773,037	5,750	1,863,335	2,642,122
Charge for the year	<u>32,377</u>	<u>11,016</u>	<u>273,667</u>	<u>317,060</u>
30 June 2006	<u>805,414</u>	<u>16,766</u>	<u>2,137,002</u>	<u>2,959,182</u>
Net book amount				
30 June 2006	<u>128,687</u>	<u>22,032</u>	<u>1,023,867</u>	<u>1,174,586</u>
30 June 2005	<u>161,064</u>	<u>33,048</u>	<u>898,472</u>	<u>1,092,584</u>

The net book amount of fixed assets includes an amount of £56,273 (2005 £52,668) in respect of Equipment assets held under hire and lease purchase contracts

Notes to the financial statements (continued)

For the year ended 30 June 2006

11 Debtors	2006	2005
	£	£
Trade debtors	1,683,221	1,505,414
Other debtors	10,591	23,996
Prepayments and accrued income	<u>1,157,255</u>	<u>1,248,363</u>
	<u>2,851,067</u>	<u>2,777,773</u>

12 Creditors: amounts falling due within one year

	2006	2005
	£	£
Hire and lease purchase obligations (note 18)	21,823	49,264
Trade creditors	4,341,970	6,266,497
Amounts due to related parties (note 21)	20,163,366	24,909,189
Other taxes and social security	2,693,527	2,962,688
Accruals and deferred income	<u>920,251</u>	<u>2,975,492</u>
	<u>28,140,937</u>	<u>37,163,130</u>

The hire purchase and lease obligations are secured upon certain equipment assets

13 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Amounts due to Harrods (UK) Limited	35,491,461	-
Amounts due to Fulham Football Leisure Limited	<u>85,262,809</u>	<u>95,484,549</u>
	<u>120,754,270</u>	<u>95,484,549</u>

Amounts due to Fulham Football Leisure Limited are unsecured, interest free and there is no fixed repayment timetable

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

The loan due to Harrods (UK) Limited was fully repaid subsequent to the year end following payments in July 2006 and January 2007 (see note 22)

Notes to the financial statements (continued)

For the year ended 30 June 2006

14 Deferred income

	2006	2005
	£	£
Season ticket sales in advance	2,354,419	2,344,192
Commercial income and sponsorship	<u>1,905,555</u>	<u>1,143,956</u>
	<u>4,259,974</u>	<u>3,488,148</u>

15 Share capital

	2006	2005
	Number	Number
Authorised	£	£
1,000 Ordinary shares of £1 each	<u>1000</u>	<u>1,000</u>
Allotted, called up and fully paid	£	£
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

16 Profit and loss account

	2006
	£
1 July 2005	(118,956,082)
Loss for the year	<u>(15,487,973)</u>
30 June 2006	<u>(134,444,055)</u>

17 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Opening shareholders' funds	(118,956,080)	(106,652,962)
Loss for the financial year	<u>(15,487,973)</u>	<u>(12,303,118)</u>
Closing shareholders' funds	<u>(134,444,053)</u>	<u>(118,956,080)</u>

Notes to the financial statements (continued)

For the year ended 30 June 2006

18 Loans and hire and lease purchase obligations

i) Obligations under finance leases and hire purchase contracts are as follows

	2006	2005
	£	£
Amounts payable		
In one year or less, or on demand	<u>21,823</u>	<u>49,264</u>

19 Financial commitments

a) *Annual commitments under non-cancellable operating leases*

	2006		2005	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire				
Within one year	-	-	-	7,236
In the second to fifth years inclusive	2,000,000	61,183	2,025,500	28,600
Over five years	245,998	-	245,998	-
	<u>2,245,998</u>	<u>61,183</u>	<u>2,271,498</u>	<u>35,836</u>

b) *Other commitments*

The maximum commitment for additional transfer fees payable in respect of future possible appearances amounts to £1,545,000 (2005 £1,850,000)

c) *Future receipts*

In the course of normal business the company enters into contracts that include clauses contingent upon future events. The directors have assessed such contracts and Fulham Football Club (1987) Ltd can receive additional transfer fees in respect of future events in relation to those contracts up to a maximum of £250,000 (2005 £750,000)

Notes to the financial statements (continued)

For the year ended 30 June 2006

20 Pension scheme

Payments are made into a number of defined contribution schemes. Total contributions charged during the year amounted to £120,257 (2005 £151,321)

21 Related party information

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 are under the control of the company's ultimate controlling party. The value of these transactions during the year to 30 June 2006 is as follows

	2006	2006	2005	2005
	Purchases	Sales	Purchases	Sales
	£	£	£	£
Genavco Insurance Ltd	89,340	-	69,471	-
Harrods Estates Ltd	60,594	7,650	33,183	7,502
Harrods (UK) Ltd	37,054	-	268,438	-
Harrods Ltd	96,007	4,985	67,902	12,729
Harrods International Ltd	-	-	4,018	-
Kurt Geiger Ltd	-	-	51	-
Harrods Aviation Ltd	3,376	-	1,543	-
Liberty Publishing Ltd	228	-	64	-
Hyde Park Residence	-	543	-	-
Total	<u>286,599</u>	<u>13,178</u>	<u>444,670</u>	<u>20,231</u>

During the year to 30 June 2006, Harrods (UK) Ltd recharged payroll services and payroll costs of £29,674,674 (2005 £32,536,233) and settled on behalf of the company external charges of £2,605,381 (2005 £Nil). These costs are included within staff costs in note 5 and within other external charges in note 4, respectively.

Balances with related parties as at 30th June 2006 are as follows

Falling due within 1 year

	2006	2006	2005	2005
	Due To	Due From	Due To	Due From
	£	£	£	£
Harrods Estates Ltd	108	-	28,313	-
Harrods (UK) Ltd	20,125,539	-	24,870,778	-
Harrods Ltd	37,719	60	7,056	-
Harrods International Ltd	-	-	3,042	-
Total	<u>20,163,366</u>	<u>60</u>	<u>24,909,189</u>	<u>-</u>

23 Fulham Football Club (1987) Limited

Notes to the financial statements (continued)

For the year ended 30 June 2006

Falling due after more than 1 year

	2006	2006	2005	2005
	Due To	Due From	Due To	Due From
	£	£	£	£
Harrods (UK) Limited	<u>35,491,461</u>	—	—	—
Total	<u>35,491,461</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	2006	2006	2005	2005
	Paid To	Received From	Paid To	Received From
	£	£	£	£
Harrods (UK) Ltd	2,821,577	-	955,355	-
Harrods Ltd	2,426	60	1,127	-
Harrods International Ltd	—	—	16	—
Total	<u>2,824,003</u>	<u>60</u>	<u>956,498</u>	<u>—</u>

During the year, the company also donated £85,000 to Fulham FC Community Sports Trust

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

22 Post Balance Sheet Events

Since the year end, the company has acquired the registrations of Franck Queudrue, Gabriel Zakuani, Bjorn Runstrom, Clint Dempsey and Simon Davies. In addition, the company has disposed of the registrations of Steed Malbranque, Dean Leacock, Zesh Rehman, Liam Fontaine and Luis Boa Morte. The net outflow from player trading is approximately £3.4 million.

On 12 December 2006, the company entered into a loan agreement with Fortis Bank S A/N V for £9 million secured on future broadcasting amounts receivable.

On 12 July 2006, £34.5 million in respect of Harrods trading and payroll loans were repaid, utilising proceeds of an equivalent increase in the debt due to Fulham Football Leisure Limited, the parent undertaking.

On 10 January 2007, £35.2 million in respect of Harrods trading and payroll loans were repaid, utilising proceeds of an equivalent increase in the debt due to Fulham Football Leisure Limited, the parent undertaking.

Notes to the financial statements (continued)

For the year ended 30 June 2006

23 Parent Undertaking

The company's immediate parent undertaking is Fulham Football Leisure Limited, a company registered in England and Wales which is the ultimate UK parent undertaking, being both the smallest and largest group which consolidates the results of the company. The accounts for Fulham Football Leisure Limited are available from Companies House.

The 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.