

Fulham Football Club (1987) Limited

Financial Statements 30 June 1998
together with directors' and auditors' reports

Registered number: 2114486



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Offices and Advisors

For the year ended 30 June 1998

Registered Office:

Craven Cottage
Stevenage Road
London
SW6 6HH

Auditors:

Pannell Kerr Forster
78 Hatton Garden
London
EC1N 8JA

Bankers:

Midland Bank plc
Poultry & Princes
27-32 Poultry
London
EC2P 2BX

Solicitors:

Townleys Solicitors
Dalby House
396-398 City Road
London
EC1V 2QA

Directors' report

For the year ended 30 June 1998

Financial statements

The directors present their report and financial statements for the year ended 30 June 1998.

Business review

During the year, the company embarked on a full programme of modernising the business and formulating a long-term strategy. All aspects of activity have been subjected to rigorous analysis, and many changes have been made. The most notable have been around the first-team squad, where a large investment has been made in acquiring players who can take the club through to the Premier League. This process continues. Although the outcome of the 1997/98 season was in some ways a disappointment, in that the club did not gain promotion, the foundations laid give the directors every confidence that success will come.

In the meantime, commercial activities have grown significantly, and a number of milestones have been achieved. From the start of the 1998/99 season, the club sponsorship has changed from GMB to Demon Internet. The directors express their warmest thanks to GMB, whose support over many years has been invaluable. However, with the change in the ownership of the club, both GMB and the directors recognised that it was appropriate to look outside for the main sponsorship. GMB will continue to be involved and we look forward to that continuing relationship. The new contract with Demon Internet is the biggest outside of the Premiership, and links us with a business which shares our commitment to providing the best for our customers.

Modernisation of the facilities also continues, and we opened a new shop in Fulham Road. Sales have been excellent, and added to the financial strength of the business.

The club remains committed to enhancing local relationships, and we have added to the resources of our community department. We have re-established a long-term youth policy, and committed significant efforts towards our aim of a Football Academy, submitting a proposal to the Football League Limited to that effect. This proposal has been acknowledged as one of the best received from any club.

Our fellow subsidiary company, Fulham Stadium Limited has continued its programme of modernising the Craven Cottage stadium, to provide better facilities for players, staff and most importantly our supporters.

Year 2000 and Economic Monetary Union

A comprehensive programme has been established to address all year 2000 systems and compliance issues which face the business. A similar project structure is also in place to address those issues associated with the introduction of Economic and Monetary Union. The cost is not considered to be significant.

Directors' report (continued)

For the year ended 30 June 1998

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 33 days to pay its creditors. (1997: 73 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 1998

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 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 enables 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.

Principal activity

The company's principal activity is the operation of a professional Football League club.

Results and dividends

The company made a loss after tax of £6,186,468. The directors are unable to recommend the payment of a dividend (1997: £Nil).

Future developments

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

Charitable donations

The following donations in excess of £2,500 were made during the year (1997 - Nil):

The Peter Pan Childrens Fund	<u>£79,067</u>
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Post balance sheet events

The directors are not aware of any events since the balance sheet date which would have a material impact in the financial statements.

Directors' report (continued)

For the year ended 30 June 1998

Directors

The directors who served during the year were as follows:

M Al Fayed	(Chairman)
WF Muddyman	(Vice Chairman)
AM Muddyman	
SH Benson	
JM Griffiths	
B T Delaney	(Resigned 31/12/97) (Reappointed 2/7/98)
DE Shrimpton	(Resigned 28/10/97)
CAF Swain	(Resigned 31/12/97)
BA Basham	(Resigned 31/12/97)
IG Branfoot	(Resigned 31/12/97)
AC Carlile	(Resigned 31/12/97)
MD Cole	(Resigned 31/12/97)
MAE Collins	(Resigned 31/12/97)
JL Macnamara	(Resigned 31/12/97)
Prof A Nobay	(Resigned 31/12/97)

N J Rodford was appointed on 1/8/98

Directors shareholdings are shown in the accounts of Fulham Football Leisure Limited.

Auditors

The auditors, Pannell Kerr Forster, were appointed by the Directors during the year. In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of auditors of the company will be put to the Annual General Meeting.

By order of the Board



S H Benson

Secretary

17 December 1998

Auditors' report

For the year ended 30 June 1998

We have audited the financial statements on pages 8 to 19 which have been prepared under the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and 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 continuing support that has been indicated by a fellow group company 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 affairs of the company as at 30 June 1998 and the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

S Marsh 1999

Pannell Kerr Forster
PANNELL KERR FORSTER

Chartered Accountants

Registered Auditors

Profit and loss account

For the year ended 30 June 1998

	Notes	1998	1997 (Restated)
		£	£
Turnover	3	3,742,767	2,108,499
Other operating income		<u>6,136</u>	<u>94,120</u>
		3,748,903	2,202,619
External charges		(3,320,119)	(1,035,260)
Staff costs	4	(5,140,078)	(1,527,373)
Depreciation		(34,768)	(51,469)
Amortisation of player registrations & associated items	5	<u>(1,451,328)</u>	<u>88,921</u>
Operating loss	6	(6,197,390)	(322,562)
Interest receivable/(payable)	7	<u>10,922</u>	<u>(181,237)</u>
Loss on ordinary activities before taxation		(6,186,468)	(503,799)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss for the year transferred to reserves	16	<u>(6,186,468)</u>	<u>(503,799)</u>

Statement of total recognised gains and losses

As a result of the adoption of the recommendations of Financial Reporting Standard No. 10 with respect to transfer fees (see note 2(e)), the operating loss for 1997 has been restated to include a gain of £245,173. There are no further recognised gains or losses other than the amounts included in the profit and loss account. All profits and losses are calculated by reference to historical cost.

Continuing operations

All of the above results derive from continuing activities. There were no acquisitions in the period.

The notes on pages 10 to 19 form a part of these financial statements.


Balance Sheet

As at 30 June 1998

	Notes	1998	1997
			(Restated)
		£	£
Fixed assets			
Tangible assets	9	188,774	73,746
Intangible assets	10	<u>5,805,091</u>	<u>245,173</u>
		5,993,865	318,919
Current assets			
Stocks		41,830	33,317
Debtors	11	682,481	123,010
Cash at bank and in hand		<u>305,111</u>	<u>22,249</u>
		1,029,422	178,576
Creditors: amounts falling due within one year	12	<u>(15,959,560)</u>	<u>(3,535,374)</u>
Net current liabilities		<u>(14,930,138)</u>	<u>(3,356,798)</u>
Total assets less current liabilities		(8,936,273)	(3,037,879)
Creditors: amounts falling due after more than one year	13	(3,184)	(9,818)
Deferred income	14	<u>(546,667)</u>	<u>(251,959)</u>
		<u>(549,851)</u>	<u>(261,777)</u>
Net assets		<u><u>(9,486,124)</u></u>	<u><u>(3,299,656)</u></u>
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account	16	<u>(9,486,126)</u>	<u>(3,299,658)</u>
Equity shareholders' funds	17	<u><u>(9,486,124)</u></u>	<u><u>(3,299,656)</u></u>

The notes on pages 10 to 19 form part of these financial statements.

The financial statements on pages 8 to 19 were approved by the Board on 17 December 1998.


W F MUDDYMAN
Director


J M GRIFFITHS
Director

Notes to the financial statements

For the year ended 30 June 1998

1 Basis of preparation of financial statements

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are set out below.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operating existence for the foreseeable future. In concluding that it was appropriate to adopt the going concern basis in preparing these financial statements the directors have had regard to the indications received from Fulham Leisure Holdings (BVI) Limited 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 Fulham Leisure Holdings (BVI) Limited 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.

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 accounted for 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 the accounts as part of staff costs.

Notes to the financial statements (continued)

For the year ended 30 June 1998

2 Accounting policies *continued*

e) Transfer fees

Fees payable to other football clubs on the transfer of players' registrations, are recorded as intangible fixed assets. This is a change in accounting policy, owing to the adoption of the recommendations of Financial Reporting Standard No. 10. Previously transfer fees payable were dealt with through the profit and loss account in the year which the transfer took place. The effect is to decrease the loss in the prior year by £245,173 and decrease the loss in the current year by £5,559,918. The associated costs are dealt with through the profit and loss account in the year in which the transfer takes place.

Transfer fees contingent on, for example, future appearances, are recorded as intangible fixed assets.

f) Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, 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

g) Intangible fixed assets and amortisation

Transfer fees are amortised over the life of a player's contract with the club. Additional transfer fees payable as a result of such things as future appearances are also depreciated over the life of a player's contract with the club.

h) Leases and hire purchase contracts

Assets acquired under hire or lease purchase agreements are capitalised in the balance sheet as tangible fixed assets and are depreciated in accordance with their classification. The related finance charges are charged to the profit and loss account evenly over the term of the relevant agreement.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

i) Stocks

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

j) Pensions

The pension cost charged in the year represents contributions payable by the company to various pension schemes.

Notes to the financial statements (continued)

For the year ended 30 June 1998

k) Deferred taxation

Deferred taxation, calculated on the liability basis, is provided on timing differences to the extent that a liability for the payment of such taxation is expected to arise in the foreseeable future.

l) Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

3 Turnover

	1998	1997
	£	£
Match receipts	1,912,563	1,093,089
Football League and Football Association distribution	430,415	254,087
Revenue from commercial activities	<u>1,399,789</u>	<u>761,323</u>
	<u>3,742,767</u>	<u>2,108,499</u>

4 Staff numbers and costs

Staff costs during the year (including directors emoluments) amounted to:

	1998	1997
	£	£
Wages and salaries	4,611,517	1,403,557
Social security costs	368,640	119,691
Pension costs	<u>159,921</u>	<u>4,125</u>
	<u>5,140,078</u>	<u>1,527,373</u>

The average monthly number of employees during the year was 101 (1997: 55) made up as follows:

	Number	Number
Administrative and ground staff	46	17
Players	<u>29</u>	<u>38</u>
	75	55
Casual and part-time staff	<u>26</u>	<u>-</u>
	<u>101</u>	<u>55</u>

Aggregate directors emoluments during the year totalled £76,747 (1997: Nil), of which £52,300 was compensation in respect of loss of office. Contributions were made to the personal pension scheme of 1 director.

Notes to the financial statement (continued)

For the year ended 30 June 1998

5 Amortisation of player registrations and associated items

	1998	1997
		(Restated)
	£	£
Amortisation of player registrations	1,403,287	82,563
Profit on disposal of players	(201,705)	(178,534)
Net transfer levies payable	<u>249,746</u>	<u>7,050</u>
	<u>1,451,328</u>	<u>(88,921)</u>

6 Operating loss

Is stated after charging/(crediting):

	1998	1997
	£	£
Amounts paid under operating leases:		
- Land and Buildings	500,000	-
- Other	43,568	2,160
Auditors' remuneration for audit services	8,500	13,472
Auditors' remuneration for non-audit services	2,000	950
Depreciation		
- Owned fixed assets	32,090	17,758
- Assets under finance leases	2,678	33,098
- Amortisation of player registrations	1,403,287	(95,971)
- Amortisation of grant	<u>(3,120)</u>	<u>(2,689)</u>

7 Interest receivable/(payable)

	1998	1997
	£	£
Interest receivable on deposits:		
Bank interest	12,812	-
Other interest	<u>2,216</u>	<u>-</u>
	15,028	-

Interest payable on borrowings repayable within five years:

Hire and lease purchase loans	(4,106)	(14,527)
Bank overdraft and other loans	-	(1,241)
Other interest	<u>-</u>	<u>(165,469)</u>
	<u>(4,106)</u>	<u>(181,237)</u>
	<u>10,922</u>	<u>(181,237)</u>

Notes to the financial statements (continued)

For the year ended 30 June 1998

8 Taxation

No tax arises on the results for the year (1997: Nil). The company has taxable losses available for offset against future taxable profits.

9 Tangible fixed assets

	Leasehold Improvements £	Motor vehicles £	Equipment £	Total £
Cost				
1 July 1997	-	60,350	195,728	256,078
Additions	30,107	-	127,923	158,030
Disposals	<u>-</u>	<u>(42,250)</u>	<u>(8,000)</u>	<u>(50,250)</u>
30 June 1998	<u>30,107</u>	<u>18,100</u>	<u>315,651</u>	<u>363,858</u>
Depreciation				
1 July 1997	-	41,640	140,692	182,332
Disposals	-	(35,016)	(7,000)	(42,016)
Charge for the year	<u>627</u>	<u>7,414</u>	<u>26,727</u>	<u>34,768</u>
30 June 1998	<u>627</u>	<u>14,038</u>	<u>160,419</u>	<u>175,084</u>
Net book value				
30 June 1998	<u>29,480</u>	<u>4,062</u>	<u>155,232</u>	<u>188,774</u>
30 June 1997	<u>Nil</u>	<u>18,710</u>	<u>55,036</u>	<u>73,746</u>

The net book value of fixed assets includes an amount of £13,329 (1997:£18,710) in respect of assets held under hire and lease purchase contracts.

Notes to the financial statements (continued)

For the year ended 30 June 1998

10 Intangible fixed assets Player registrations

Cost	£
1 July 1997 (as restated)	468,000
Additions	7,845,000
Disposals	(1,013,000)
30 June 1998	<u>7,300,000</u>

Depreciation

1 July 1997 (as restated)	222,827
Disposals	(131,205)
Charge for the year	<u>1,403,287</u>
30 June 1998	<u>1,494,909</u>

Net Book Value

30 June 1998	<u>5,805,091</u>
30 June 1997	<u>245,173</u>

11 Debtors

	1998	1997
	£	£
Trade debtors	555,448	46,509
Amounts due from other group companies	12,607	-
Other debtors	27,078	7,603
Prepayments and accrued income	<u>87,348</u>	<u>68,898</u>
	<u>682,481</u>	<u>123,010</u>

12 Creditors: amounts falling due within one year

	1998	1997
	£	£
Other loans	-	50,000
Amounts due to Fulham Leisure Limited	11,908,161	2,845,477
Amounts due to Fulham Stadium Limited	500,000	-
Hire and lease purchase (note 18)	6,208	21,971
Trade creditors	2,755,827	213,393
Other taxes and social security	433,600	100,136
Other creditors	-	55,475
Accruals	<u>355,764</u>	<u>248,922</u>
	<u>15,959,560</u>	<u>3,535,374</u>

Notes to the financial statements (continued)

For the year ended 30 June 1998

13 Creditors: amounts falling due after more than one year

	1998	1997
	£	£
Hire and lease purchase (note 18)	<u>3,184</u>	<u>9,818</u>

14 Deferred income

	1998	1997
	£	£
Season ticket sales in advance for 1998 season	423,672	196,970
Commercial Income and Sponsorship	117,267	33,641
Football Trust Grant to cover cost of specific costs	5,728	8,848
Football Association payment for 1997/98 season	<u>-</u>	<u>12,500</u>
	<u>546,667</u>	<u>251,959</u>

15 Share capital

	1998	1997
	Number	Number
Authorised		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	£	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

16 Profit and loss account

	1998
	£
1 July 1997 (as previously stated)	(3,544,831)
Value of restatement of losses	<u>245,173</u>
As restated	(3,299,658)
Loss for the year	<u>(6,186,468)</u>
30 June 1998	<u>(9,486,126)</u>

The restatement of losses is as a result of the adoption of the recommendations of Financial Reporting Standard No. 10 with respects to the amortisation of transfer fees (see note 2(e)).

Notes to the financial statements (continued)

For the year ended 30 June 1998

17 Reconciliation of movement in shareholders' funds

	1998	1997
	£	£
Opening shareholders' funds (as previously stated)	(3,544,829)	(2,795,857)
Value of restatement of losses	<u>245,173</u>	<u>-</u>
As restated	(3,299,656)	(2,795,857)
Loss for the financial year	<u>(6,186,468)</u>	<u>(748,972)</u>
Closing shareholders' funds	<u>(9,486,124)</u>	<u>(3,544,829)</u>

18 Hire and lease purchase creditors

	1998	1997
	£	£
Amounts payable		
Within one year	6,208	21,971
Two to five years	<u>3,184</u>	<u>9,818</u>
	<u>9,392</u>	<u>31,789</u>

19 Financial commitments

a) Operating leases

At 30 June 1998, the company had an average annual commitment of £500,000 (1997: £Nil) in respect of its 25 year lease at Craven Cottage.

There were other annual commitments under non-cancellable operating leases of £ Nil (1997: £1,440) expiring within one year, and £69,878 (1997: £3,978) expiring within 2-5 years.

b) Other commitments

Signing on fees of £2,482,000 (1997: £216,000) are payable to players under existing contracts of employment.

Notes to the financial statements (continued)

For the year ended 30 June 1998

20 Pension scheme

Certain staff are members of the Football League Limited Players Retirement Income Scheme, a defined contribution scheme. As the company is one of a number of participating employers, it is not possible to allocate any actuarial surplus or deficit and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the scheme are held separately from those of the company being invested with insurance companies.

Contributions are also paid into individuals private pension schemes, and company schemes of related companies.

Total contributions charged during the period amounted to £159,921.

21 Contingent liabilities

A claim has been lodged by a visitor against the club for an alleged incident involving a groundsman. On the advice of their solicitors the directors believe the maximum liability will be £10,000 should the action be successful. The directors however believe that the action is unlikely to succeed. An accrual of £3,429 for expected legal costs has been made.

22 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 have directors in common with the company. The value of these transactions during the year to 30 June 1998 is as follows:

	Purchases	Sales
	£	£
Harrods Estates Ltd	£38,550	-
Harrods UK Ltd	£100,885	-
Harrods Ltd	£165,527	£3,045
Metro Business Aviation Ltd	£23,723	£3,708
Liberty Publishing Ltd	£179,038	£10,481
Punch Ltd	£13,935	-
Hyde Park Residences Ltd	£368	£5,168
Brompton Press	-	£49
Ruxley Holdings Ltd	£250	-
Total	<u>£522,276</u>	<u>£22,451</u>

Notes to the financial statements (continued)

For the year ended 30 June 1998

23 Inter Group Transactions

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.

24 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 (BVI) 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.