

**FULHAM FOOTBALL CLUB
(1987) LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

for the year ended 30 June 1994

Company number 2114486

BINDER HAMLYN



FULHAM FOOTBALL CLUB (1987) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

JWT Hill (Chairman)
WF Muddyman
AM Muddyman
DE Shrimpton
CAF Swain

SECRETARY

CAF Swain

REGISTERED OFFICE

Craven Cottage
Stevenage Road
London
SW6 6HH

AUDITORS

Binder Hamlyn
20 Old Bailey
London
EC4M 7BH

PRINCIPAL BANKERS

Robert Fleming & Co Ltd
25 Copthall Avenue
London
EC2R 7DR

Lloyds Bank Plc
39 Old Bond Street
London
W1X 4BH

SOLICITORS

Frere Cholmeley Bischoff
4 John Carpenter Street
London
EC4Y ONH

Roodyn Porter Manski
Greener House
3rd Floor
66/68 Haymarket
London SW1Y 4RF

FULHAM FOOTBALL CLUB (1987) LIMITED

DIRECTORS' REPORT for the year ended 30 June 1994

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 30 June 1994.

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In assessing going concern for the purpose of preparing the financial statements, the directors have paid particular attention to the period 15 months after the balance sheet date.

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.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the operation of a professional football league club.

The loss for the year before accounting for transfer fees and taxation amounted to £168,082 (1993: £782,730). After making provision for net transfer fees payable of £30,795 (1993: £40,000), which the company treats as a revenue item (the directors consider such treatment to be prudent in view of the problems of valuing players for accounts purposes) the loss for the year amounted to £198,877 (1993: £822,730).

The directors are unable to recommend the payment of a dividend (1993: £Nil).

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

A planning application has been submitted to the local authority outlining a substantial redevelopment of the club's ground at Craven Cottage, including the construction of private housing as well as fundamental improvement of the ground and its facilities. The directors view the proposed development as vital to the longer term success of the club.

FIXED ASSETS

Details of changes in fixed assets are set out in note 10 to the financial statements.

FULHAM FOOTBALL CLUB (1987) LIMITED

DIRECTORS' REPORT for the year ended 30 June 1994

DIRECTORS

The directors at 30 June 1994, all of whom served throughout the year were as follows:

JWT Hill	(Chairman)
WF Muddyman	(Vice Chairman)
AM Muddyman	
DE Shrimpton	
CAF Swain	

The directors had no interests in the shares of the company at any time during the year.

Mr JWT Hill, Mr WF Muddyman, Mr AM Muddyman, Mr DE Shrimpton and Mr CAF Swain are also directors of the ultimate parent company and as such their interests are shown in the financial statements of that company.

AUDITORS

On 1 October 1994 our auditors, BDO Binder Hamlyn, joined the Arthur Andersen worldwide organisation and now practise in the name, Binder Hamlyn. They have signed their audit report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 26 April 1995.



Director

AUDITORS' REPORT

to the members of Fulham Football Club (1987) Limited

We have audited the financial statements on pages 5 to 16 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 1, 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 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 judgements 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in notes 1 and 20 to the financial statements concerning the adequacy of the company's funding, its future development and its obligations. The company meets its working capital requirement through banking facilities which are dependent on the continuing guarantees of the directors. The level of its future obligations, in part, is further dependent on renegotiation of its property tenure and realisation of its development plans. In view of the matters referred to above, there are significant doubts as to the appropriateness of the going concern basis, to which we draw your attention. Our opinion is not qualified in this respect.

BINDER HAMLYN

AUDITORS' REPORT *continued*
to the members of Fulham Football Club (1987) Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Chartered Accountants
Registered Auditors

26 April 1995

FULHAM FOOTBALL CLUB (1987) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 30 June 1994

	Notes	1994	1993
		£	£
Turnover	3	1,410,489	1,094,304
Other operating income		162,598	116,078
		1,573,087	1,210,382
External charges		(613,687)	(654,033)
Staff costs	4	(1,004,093)	(1,168,758)
Depreciation		(23,824)	(24,645)
Operating loss	5	(68,517)	(637,054)
Transfer fees	6	(30,795)	(40,000)
Exceptional items	7	-	(64,923)
		(99,312)	(741,977)
Interest payable	8	(99,565)	(80,753)
Loss on ordinary activities before taxation		(198,877)	(822,730)
Tax on loss on ordinary activities	9	-	-
Loss for the year transferred to reserves	17	(198,877)	(822,730)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the amounts included in profit and loss account. All profits and losses are calculated by reference to historical cost.

CONTINUING OPERATIONS

The results for both years reflect the continuing activities of the company.

FULHAM FOOTBALL CLUB (1987) LIMITED

BALANCE SHEET
as at 30 June 1994

	Notes	1994	1993
		£	£
FIXED ASSETS			
Tangible assets	10	31,799	45,993
CURRENT ASSETS			
Stocks	11	16,657	9,536
Debtors	12	146,379	125,346
Cash at bank and in hand		1,406	1,579
		164,442	136,461
CREDITORS: amounts falling due within one year	13	(698,657)	(810,286)
Net current liabilities		(534,215)	(673,825)
Total assets less current liabilities		(502,416)	(627,832)
CREDITORS: amounts falling due after more than one year	14	(1,264,558)	(923,716)
Deferred income	15	(82,241)	(98,790)
		(1,346,799)	(1,022,506)
Net liabilities		(1,849,215)	(1,650,338)
CAPITAL AND RESERVES			
Called up share capital	16	2	2
Profit and loss account	17	(1,849,217)	(1,650,340)
Shareholders' funds	18	(1,849,215)	(1,650,338)

The financial statements on pages 5 to 16 were approved by the Board on 26 April 1995.

 J.E. Smith

Director

26.4.95

FULHAM FOOTBALL CLUB (1987) LIMITED

CASH FLOW STATEMENT
for the year ended 30 June 1994

	Notes	1994	1993
		£	£
Net cash outflow from operating activities	22	(315,373)	(456,072)
Exceptional costs	7	-	(64,923)
		(315,373)	(520,995)
Returns on investments and servicing of finance			
Interest paid		(68,714)	(45,580)
Net cash outflow from servicing of finance		(68,714)	(45,580)
Investing activities			
Purchase of tangible fixed assets		(8,169)	(285)
Sale of tangible fixed assets		6,470	1,154
Transfer fees paid		(30,795)	(40,000)
Net cash outflow from investing activities		(32,494)	(39,131)
Net cash outflow before financing		(416,581)	(605,706)
Financing			
Capital element of finance			
lease rental payments		16,350	19,944
Additional loan		(217,394)	(17,360)
Bank loan		(150,000)	(720,000)
Creditors over one year		(25,048)	-
Net cash outflow from financing		(376,092)	(717,416)
(Decrease)/increase in cash and cash equivalents	23	(40,489)	111,710
		(416,581)	(605,706)

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The company meets its working capital requirements through its banking facilities. The facilities available to the company amounted to £1,150,000 at the balance sheet date. Of this amount, some £750,000 is a term loan available to 2002, with £250,000 available for the same period as an 'on demand' facility repayable on demand.

The balance of £150,000 represents an overdraft facility which the company's bankers have requested be reduced by fixed amounts at specified dates, falling to £125,000 by 1 July 1994 and ultimately nil by 30 June 1996.

The directors have prepared projected cash flow information covering a period ending on 30 September 1995. On the basis of:

- (1) the cash flow information;
- (2) financial and other information covering the period thereafter;
- (3) the value to the company of the players' contracts;
- (4) the company's relationships with its bankers; and
- (5) the possible availability of funding from other sources of finance.

the directors consider it is likely that facilities adequate for the company's requirements will be made available. Accordingly the directors consider it appropriate to prepare the financial statements on a going concern basis.

2 ACCOUNTING POLICIES

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.

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.

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.

Transfer fees

Fees payable to and receivable from other football clubs on the transfer of players' registrations, together with 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 taken to the profit and loss account in the period they become payable.

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES *continued*

Players' contracts

No value has been attributed to players' contracts in the financial statements.

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

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 over the term of the relevant agreement using the sum of digits method of apportionment.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease, except as stated in note 20.

Stocks

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

Pensions

Eligible administrative staff of the club are members of the Football League Limited Pensions and Life Assurance Scheme. The scheme is a defined benefit scheme based on final pensionable salary with both the club and staff making contributions into the fund. Contributions to the scheme, as calculated by the actuary, are accounted for as they fall due. The assets of the scheme do not form part of these financial statements. Further details of the scheme are given in note 21 to the accounts.

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.

Compliance with accounting standards

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

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3	TURNOVER	1994	1993
		£	£
	Match receipts	732,947	583,766
	Football League and Football Association Distribution	239,443	245,512
	Revenue from commercial activities	438,099	265,026
		<u>1,410,489</u>	<u>1,094,304</u>
<hr/>			
4	STAFF NUMBERS AND COSTS		
	Staff costs during the year amounted to:		
	Wages and salaries	881,107	965,171
	Signing on fees	37,750	105,417
	Social security costs	75,161	90,890
	Pension costs	10,075	7,280
		<u>1,004,093</u>	<u>1,168,758</u>
<hr/>			
	The average weekly number of employees during the year was 54 made up as follows:	Number	Number
	Administrative and ground staff	16	17
	Players	38	46
		<u>54</u>	<u>63</u>
<hr/>			
	None of the directors received any remuneration during the year.		
5	OPERATING LOSS is stated after charging:	£	£
	Directors' remuneration	-	-
	Auditors' remuneration	8,000	7,000
	Payments under sundry operating leases (see note 20)	3,478	6,546
	Depreciation		
	- Owned fixed assets	10,124	9,885
	- Assets under finance lease	13,700	14,760
		<u></u>	<u></u>
<hr/>			
6	TRANSFER FEES		
	Transfer fees and levies payable	30,795	40,000
		<u></u>	<u></u>

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7

EXCEPTIONAL ITEMS

1994

1993

£

£

The exceptional items represent income from the former landlord less related legal and other costs

-

64,923

8

INTEREST PAYABLE

On borrowing repayable within five years:

Hire and lease purchase loans

2,277

2,499

Bank overdraft and other loans

18,849

25,444

Other interest

38,052

18,529

59,178

46,472

On borrowing repayable over five years:

Bank loan

40,387

34,281

99,565

80,753

9

TAXATION

No tax arises on the results for the year. The company has taxable losses available for offset against future taxable profits. (see note 24)

10

TANGIBLE FIXED ASSETS

Motor vehicles

Computer equipment

Ground equipment and furniture

Total

£

£

£

£

Cost

1 July 1993

67,375

14,875

46,158

128,408

Additions

8,500

-

8,813

17,313

Disposals

(35,350)

(940)

(750)

(37,040)

30 June 1994

40,525

13,935

54,221

108,681

Depreciation

1 July 1993

41,279

8,900

32,236

82,415

Disposals

(28,278)

(329)

(750)

(29,357)

Charge for the year

14,774

3,305

5,745

23,824

30 June 1994

27,775

11,876

37,231

76,882

Net book value

30 June 1994

12,750

2,059

16,990

31,799

30 June 1993

26,096

5,975

13,922

45,993

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 TANGIBLE FIXED ASSETS

The net book value of fixed assets includes an amount of £14,234 (1993: £23,096) in respect of assets held under hire and lease purchase contracts.

11 STOCKS	1994 £	1993 £
Goods for resale	16,657	9,536

12 DEBTORS

Trade debtors	12,586	12,170
Amounts due from ultimate holding company	50	50
Taxation recoverable	17,522	17,522
Other taxes	-	5,791
Other debtors	92,955	67,428
Prepayments	23,266	22,385
	146,379	125,346

13 CREDITORS: amounts falling due within one year

Bank overdraft	147,313	106,997
Bank loan (note 14)	220,000	170,000
Hire and lease purchase (note 19)	8,292	12,832
Trade creditors	109,493	100,363
Other taxes and social security	70,643	57,510
Other creditors	28,503	20,356
Accruals	114,413	342,228
	698,657	810,286

14 CREDITORS: amounts falling due after more than one year

Bank loan	650,000	550,000
Other loan	584,754	367,360
Hire and lease purchase (note 19)	4,756	6,356
Other creditors	25,048	-
	1,264,558	923,716

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 CREDITORS: amounts falling due after more than one year

The other loan is due to a director, WF Muddyman, is unsecured and bears interest of 1% above bank base rate. It is not repayable before 1 July 1995.

The bank loan is secured as a fixed and floating charge over the assets of the company. The amount of the loan included in note 13 is repayable on demand, the balance of £650,000 is repayable after more than five years. Interest is charged on bank borrowings at 1% over LIBOR on the long term borrowings and at 1% over base rate on bank loans due within one year.

15 DEFERRED INCOME

This represents payments received in advance amounting to £82,241 (1993: £98,790) in respect of season tickets for the 1994/95 season.

16 SHARE CAPITAL

	1994 Number	1993 Number
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid	£	£
Ordinary shares of £1 each	2	2

17 PROFIT AND LOSS ACCOUNT

1 July 1993	(1,650,340)	(827,610)
Loss for the year	(198,877)	(822,730)
30 June 1994	(1,849,217)	(1,650,340)

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Opening shareholders' funds	(1,650,338)	(827,608)
Loss for the financial year	(198,877)	(822,730)
Closing shareholders' funds	(1,849,215)	(1,650,338)

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 HIRE AND LEASE PURCHASE CREDITORS

	1994	1993
	£	£
Amounts payable:		
Within one year	8,292	12,832
Two to five years	4,756	6,356
	13,048	19,188

20 FINANCIAL COMMITMENTS

Operating leases

At 30 June 1994 the company had an average annual commitment of £414,500 in respect of its lease at Craven Cottage. The lease was granted for a period of ten years from 1 June 1993.

As set out in the directors' report a planning application has been submitted to the local authority in respect of a major development of the ground. The need for such a development is vital to the future success of the company and would necessarily involve a renegotiation of the tenure of the ground. Consequently rental payments are being accounted for as they fall due in the expectation that the higher levels of rental will not ultimately be payable.

Other commitments

Signing on fees of £8,250 (1993: £29,500) are payable to players under existing contracts of employment.

21 PENSION SCHEME COMMITMENTS

The company is one of 70 participating employers in the Football League Pension and Life Assurance Scheme, a contracted-out defined benefit pension scheme.

At 30 June 1994, 1 (1993: 2) of the company's employees were members of the scheme. Contributions payable by the company are 10.4% (1993: 10.4%) of the members' pensionable salary.

Playing staff are responsible for their own pension arrangements.

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1994	1993
	£	£
Operating loss	(68,517)	(637,054)
Depreciation	23,824	24,645
(Profit)/loss on sale of tangible fixed assets	(1,412)	1,025
(Increase)/decrease in stocks	(7,121)	5,204
(Increase)/decrease in debtors	(21,033)	43,020
(Decrease)/increase in creditors	(224,565)	78,456
(Decrease)/increase in deferred income	(16,549)	28,632
Net cash outflow from operating activities	(315,373)	(456,072)

23 CASH AND CASH EQUIVALENTS

Balance of cash and cash equivalents

Cash at bank and in hand	1,406	1,579
Bank overdraft	(147,313)	(106,997)
	(145,907)	(105,418)

Change in the balance of cash and cash equivalents

1 July	(105,418)	(217,128)
Net cash (outflow)/inflow for year	(40,489)	111,710
30 June	(145,907)	(105,418)

Analysis of changes in financing during the year

1 July	1,106,548	375,632
Bank loans	150,000	720,000
Other loans	217,394	17,360
Net movements on hire and lease purchase agreements	(6,140)	(6,444)
30 June	1,467,802	1,106,548

24 CONTINGENT LIABILITY

The Inland Revenue are contesting that a receipt of £2 million in 1990 represents taxable income of the parent undertaking. Whilst the directors and their taxation advisors strongly contest this and believe that no liability attaches to that company, were the Inland Revenue successful in their argument a liability of some £700,000 might arise should losses be determined not to be available for offset and prior to the recovery of any amounts from third parties. The parent undertaking has no resources other than its investment in the company.

FULHAM FOOTBALL CLUB (1987) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25 PARENT UNDERTAKING

The directors regard Fulham Football Club Limited (by Guarantee), a company registered in England and Wales, as the company's ultimate parent undertaking. The group qualifies as a small-sized group under Section 248 of the Companies Act 1985 and does not prepare group accounts.