

Fulham Football Club (1987) Limited

Financial Statements 30 June 1997
together with directors' and auditors' reports

Registered number: 2114486



BINDER HAMLYN

Directors and Officers

Directors

M Al Fayed (Chairman)
WF Muddyman
AM Muddyman
SH Benson
JM Griffiths

Secretary

SH Benson

Registered office

Craven Cottage
Stevenage Road
London
SW6 6HH

Auditors

Binder Hamlyn
20 Old Bailey
London
EC4M 7BH

Bankers

Lloyds Bank Plc
39 Old Bond Street
London
W1X 4BH

Solicitors

Frere Cholmeley Bischoff
4 John Carpenter Street
London
EC4Y ONH

Directors' report

For the year ended 30 June 1997

Financial Statements

The directors present their report and financial statements for the year ended 30 June 1997 .

Business Review

At the end of the 1996/97 season, the football club gained promotion to Division 2 of the Football League.

On 30 May 1997, the shares in the ultimate parent undertaking, (Fulham Football Club Limited (by guarantee)) were transferred to Fulham Football Leisure Limited (FFLL), a new company created for the purpose of the acquisition. At the same time, the freehold interest in the stadium was acquired by a new subsidiary of FFLL, Belloc Limited, incorporated in Jersey. Immediately afterwards, funds were injected into the Company to stabilise its financial position, and enable an expansion phase to begin.

Another subsidiary company of FFLL, Fulham Stadium Limited (FSL), has embarked upon a programme of refurbishment of the stadium and has acquired the freehold from Belloc Limited. The Company will enter into a formal lease agreement with FSL once the refurbishment has been completed. Until then the Company enjoys the use of the stadium at nil rent.

The Company has also enhanced the playing squad with a number of transfers of players from other league clubs and abroad. The total cost of these transfers at the date of signing this report amounts to £6.7m (exclusive of league levies and VAT). Funding for these players has been provided by FFLL, which continues to provide financial support for the operating commitments of the Company.

The Directors of the Company firmly believe that these developments secure the future of the Company, and will enable the football club to produce success on the playing field, from which commercial success should follow.

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 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.

Directors' report (continued)

Principal activity

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

Dividends

The directors are unable to recommend the payment of a dividend (1996: £Nil).

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

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

The directors who served during the year were as follows:

M Al Fayed	(Chairman) (appointed 29 May 1997)
WF Muddyman	(Vice Chairman) (appointed 6 August 1996)
AM Muddyman	(appointed 6 August 1996)
DE Shrimpton	(resigned 28 October 1997)
CAF Swain	(resigned 31 December 1997)
BA Basham	(appointed 29 May 1997) (resigned 31 December 1997)
SH Benson	(appointed 29 May 1997)
IG Branfoot	(appointed 29 May 1997) (resigned 31 December 1997)
AC Carlile	(appointed 29 May 1997) (resigned 31 December 1997)
MD Cole	(appointed 29 May 1997) (resigned 31 December 1997)
MAE Collins	(appointed 29 May 1997) (resigned 31 December 1997)
BT Delaney	(appointed 29 May 1997) (resigned 31 December 1997)
JM Griffiths	(appointed 29 May 1997)
JL MacNamara	(appointed 29 May 1997) (resigned 31 December 1997)
Prof A Nobay	(appointed 29 May 1997) (resigned 31 December 1997)
TF Wilson	(appointed 21 February 1997) (resigned 28 May 1997)
JWT Hill	(resigned 23 May 1997)

Directors' report (continued)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the appointment of auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 7 April 1998.

A handwritten signature in black ink, appearing to read 'Benson', with a large, sweeping flourish above it.

Director

BINDER HAMLYN

Auditors' report

To the shareholders of Fulham Football Club (1987) Limited

Andersen Worldwide

20 Old Bailey
London EC4M 7BH

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the 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.

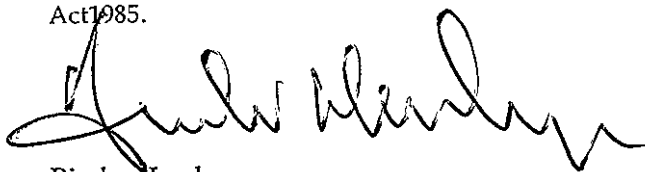
Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in 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 the company's affairs as at 30 June 1997 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 and Registered Auditors

20 Old Bailey, London EC4M 7BH

7 April 1998

Profit and loss account

For the year ended 30 June 1997

	Notes	1997 £	1996 £
Turnover	3	2,056,727	1,543,176
Other operating income		<u>145,892</u>	<u>2,172</u>
		2,202,619	1,545,348
External charges		(1,035,260)	(819,311)
Staff costs	4	(1,527,373)	(1,192,490)
Depreciation		<u>(51,469)</u>	<u>(20,133)</u>
Operating loss	5	(411,483)	(486,586)
Transfer fees	6	<u>(156,252)</u>	<u>107,509</u>
		(567,735)	(379,077)
Interest payable	7	<u>(181,237)</u>	<u>(180,777)</u>
Loss on ordinary activities before taxation		(748,972)	(559,854)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss for the year transferred to reserves	15	<u>(748,972)</u>	<u>(559,854)</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. All profits and losses are calculated by reference to historical cost.

Continuing operations

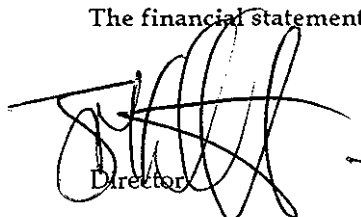
All of the above results derive from continuing activities and there were no acquisitions in the period.

Balance sheet

As at 30 June 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	9	73,746	94,164
Current assets			
Stocks		33,317	32,991
Debtors	10	123,010	410,652
Cash at bank and in hand		22,249	53,054
		<u>178,576</u>	<u>496,697</u>
Creditors: amounts falling due within one year	11	<u>(3,535,374)</u>	<u>(767,588)</u>
Net current liabilities		<u>(3,356,798)</u>	<u>(270,891)</u>
Total assets less current liabilities		(3,283,052)	(176,727)
Creditors: amounts falling due after more than one year	12	(9,818)	(2,468,472)
Deferred income	13	<u>(251,959)</u>	<u>(150,658)</u>
		<u>(261,777)</u>	<u>(2,619,130)</u>
Net assets		<u>(3,544,829)</u>	<u>(2,795,857)</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account	15	<u>(3,544,831)</u>	<u>(2,795,859)</u>
Equity shareholders' funds	16	<u>(3,544,829)</u>	<u>(2,795,857)</u>

The financial statements on pages 5 to 15 were approved by the Board on 7 April 1998.


Director

Notes to the financial statements

for the year ended 30 June 1997

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 operational 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.

Other operating income represents income from grants and sponsorship. In previous years it has also included income from other activities, such as the club telephone line and pitch hire, however the current directors view these as part of the operations of the club, and as such have included these as part of turnover. Comparatives have been restated in this respect.

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 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.

e) *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.

Notes to the financial statements (continued)

for the year ended 30 June 1997

Transfer fees contingent on, for example, future appearances, are taken to the profit and loss account in the period they become payable.

2 Accounting policies continued

f) *Players' contracts*

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

g) *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

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*

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 19 to the financial statements.

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.

Notes to the financial statements (continued)

for the year ended 30 June 1997

3 Turnover

	1997 £	1996 £
Match receipts	1,093,089	826,560
Football league and football association distribution	254,087	179,916
Revenue from commercial activities	709,551	536,700
	<u>2,056,727</u>	<u>1,543,176</u>

4 Staff numbers and costs

Staff costs during the year amounted to:

	1997 £	1996 £
Wages and salaries	1,306,124	976,652
Signing on fees	63,300	72,850
Social security costs	119,691	88,288
Pension costs	4,125	6,118
Commercial consultant	21,574	46,032
Lottery consultant	12,559	2,550
	<u>1,527,373</u>	<u>1,192,490</u>

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

	Number	Number
Administrative and ground staff	17	14
Players	38	37
	<u>55</u>	<u>51</u>

IG Branfoot received £3,889 in aggregate emoluments. No other directors received remuneration during the year.

Notes to the financial statements (continued)

for the year ended 30 June 1997

5 Operating loss

Is stated after charging/(crediting):

	1997	1996
	£	£
Auditors' remuneration for audit services	13,472	10,094
Auditors' remuneration for non-audit services	950	-
Depreciation		
- Owned fixed assets	17,758	8,579
- Assets under finance leases	33,098	11,554
Amortisation of grant	(2,689)	(520)

6 Transfer fees

	1997	1996
	£	£
Transfer fees and levies payable	(198,252)	(132,992)
Transfer fees and levies receivable	42,000	240,501
	<u>(156,252)</u>	<u>107,509</u>

7 Interest payable

	1997	1996
	£	£
On borrowings repayable within five years:		
Hire and lease purchase loans	14,527	5,742
Bank overdraft and other loans	1,241	18,876
Other interest	165,469	98,120
	<u>181,237</u>	<u>122,738</u>
On borrowing repayable over five years:		
Bank loan	-	58,039
	<u>181,237</u>	<u>180,777</u>

8 Taxation

No tax arises on the results for the year. The company has taxable losses available for offset against future taxable profits.

Notes to the financial statements (continued)

for the year ended 30 June 1997

9 Tangible fixed assets

	Motor vehicles £	Equipment £	Total £
Cost			
1 July 1996	63,750	107,455	171,205
Additions	6,100	35,938	42,038
Disposals	(9,500)	(10,356)	(19,856)
30 June 1997	60,350	133,037	193,387
Depreciation			
1 July 1996	12,698	64,343	77,041
Disposals	(4,156)	(4,100)	(8,256)
Charge for the year	33,098	17,758	50,856
30 June 1997	41,640	78,001	119,641
Net book value			
30 June 1997	18,710	55,036	73,746
30 June 1996	51,052	43,112	94,164

The net book value of fixed assets includes an amount of £18,710 (1996: £52,727) in respect of assets held under hire and lease purchase contracts.

10 Debtors

	1997 £	1996 £
Trade debtors	46,509	56,532
Amounts due from ultimate holding company	-	50
Other debtors	7,603	263,778
Prepayments and accrued income	68,898	90,292
	123,010	410,652

Notes to the financial statements (continued)

for the year ended 30 June 1997

11 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank loans	-	250,000
Other loans	50,000	-
Amounts due to group companies	2,845,477	-
Hire and lease purchase (note 17)	21,971	24,159
Trade creditors	213,393	234,510
Other taxes and social security	100,136	40,080
Other creditors	55,475	104,200
Accruals	248,922	114,639
	<u>3,535,374</u>	<u>767,588</u>

12 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Bank loan	-	750,000
Other loan	-	1,699,694
Hire and lease purchase (note 17)	9,818	18,778
	<u>9,818</u>	<u>2,468,472</u>

The other loan due to a director, WF Muddyman, was unsecured and bore interest at 1% above base rate. The loan was repaid during the year. An amount of £94,220 was waived and written back to other operating income.

WF Muddyman also made a contribution of £34,715.07 towards legal fees previously suffered by the club, and this has been written back against external charges.

The bank loan was secured by a fixed and floating charge over the assets of the company. The amount of the loan included in note 11 was repayable on demand, the balance of £750,000 was repayable after more than five years. Interest was 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. The bank loan was repaid during the year.

Notes to the financial statements (continued)
for the year ended 30 June 1997

13 Deferred income

	1997	1996
	£	£
Season ticket sales in advance for 1997 season	196,970	103,266
Normal ticket sales in advance	33,641	35,424
Football Trust Grant to cover cost of specific assets	8,848	11,968
FA payment for 1997/98 season	12,500	-
	<u>251,959</u>	<u>150,658</u>

14 Share capital

	1997	1996
	Number	Number
Authorised		
Ordinary shares of £1 each	1,000	1,000
	<u>£</u>	<u>£</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2
	<u>£</u>	<u>£</u>

15 Profit and loss account

	1997	1996
	£	£
1 July 1996	(2,795,859)	(2,236,005)
Loss for the year	<u>(748,972)</u>	<u>(559,854)</u>
30 June 1997	<u>(3,544,831)</u>	<u>(2,795,859)</u>

16 Reconciliation of movement in shareholders' funds

	1997	1996
	£	£
Opening shareholders' funds	(2,795,857)	(2,236,003)
Loss for the financial year	<u>(748,972)</u>	<u>(559,854)</u>
Closing shareholders' funds	<u>(3,544,829)</u>	<u>(2,795,857)</u>

Notes to the financial statements (continued)

for the year ended 30 June 1997

17 Hire and lease purchase creditors

	1997	1996
	£	£
Amounts payable:		
Within one year	21,971	24,159
Two to five years	9,818	18,778
	<u>31,789</u>	<u>42,937</u>

18 Financial commitments

a) Operating leases

At 30 June 1997, the company had an average annual commitment of £Nil (1996: £ 437,500) in respect of its lease at Craven Cottage. The lease was granted for a period of ten years from 1 June 1993, but was surrendered on 29 August 1997. All rental obligations up to that date were waived.

There were other annual commitments under non-cancellable operating leases of £1,440 (1996: £nil) expiring within one year, and £3,978 (1996: £Nil) expiring within 2-5 years.

b) Other commitments

Signing on fees of £216,000 (1996: £ 88,700) are payable to players under existing contracts of employment.

19 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 1997, none (1996: 1) of the company's employees was a member of the scheme. Contributions payable by the company are nil % (1996: 10.4%) of the members' pensionable salary.

Playing staff are responsible for their own pension arrangements.

20 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 that should the action be successful the maximum liability will be £10,000.

The directors believe that the action is unlikely to succeed. An accrual for expected legal costs has been made.

Notes to the financial statements (continued)

for the year ended 30 June 1997

21 Related party information

At the balance sheet date there were arm's length agreements between the company and Harrods (UK) Limited to provide management services and between the company and Harrods PLC to supply security services. Both Harrods (UK) Limited and Harrods PLC have directors in common with the company. There were no transactions under these contracts during the year to 30 June 1997.

22 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 will be filed with the Registrar of Companies in due course.

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.