

**FULHAM FOOTBALL LEISURE LIMITED**

**(Registered Number 3374347)**

**ANNUAL REPORT**

**YEAR ENDED 30 June 2002**



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**YEAR ENDED 30 June 2002**

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**FULHAM FOOTBALL LEISURE LIMITED  
OFFICES AND ADVISORS**

**REGISTERED OFFICE**

Motspur Park  
New Malden  
*Surrey*  
KT3 6PT

**AUDITORS**

PKF  
New Garden House  
78 Hatton Garden  
London  
EC1N 8JA

**BANKERS**

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

**SOLICITORS**

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

**FULHAM FOOTBALL LEISURE LIMITED  
DIRECTORS' REPORT**

The directors present their report and the accounts for the year ended 30 June 2002, which show the state of the Group's affairs.

**REVIEW OF THE BUSINESS**

The group continued to develop the business both commercially and with regard to the facilities and infrastructure required to enable it to remain in the Premier League.

Commercial activities continue to grow with the on field success of the football club as does the commitment to establishing a long term youth policy via the Football Academy and continued support of the Football in The Community Scheme. The number of full time staff increased from 171 to 185 during the year.

**RESULTS AND DIVIDENDS**

The loss for the financial period, amounted to £40,276,000 (2001 : £23,251,000). The directors do not recommend payment of a dividend. The loss of £40,276,000 will be transferred to reserves.

**PRINCIPAL ACTIVITIES**

The Group's principal activity during the period was the operation of a professional football club.

**FUTURE DEVELOPMENTS**

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

**POST BALANCE SHEET EVENTS**

With regard to Players Registrations in Fulham Football Club (1987) Limited the following material acquisitions have taken place since 30 June 2002.

J Inamoto was acquired on a 12 month loan from Gamba Osaka for £256,118 on 15 July 2002. The agreement includes an option for the company to acquire the player on a permanent transfer before 1 July 2003.

M Djetou was acquired on a 12 month loan from AC Parma for £250,000 on 17 July 2002. The agreement includes an option for the company to acquire the player on a permanent transfer before 12 May 2003.

On 18 September 2002 Fulham Stadium Limited entered into a conditional agreement whereby a deposit of £15m was received towards the purchase of the Craven Cottage site by a third party, conditional upon appropriate planning permission being granted. The total consideration should the purchase proceed is £50m.

On 20 September 2002 Fulham Stadium Limited acquired FL Property Management Limited from Fulham Leisure Holdings Limited. The principal activity of FL Property Management Limited is the ownership of The Training Ground, Motspur Park which is leased to Fulham Football Club (1987) Limited.

# FULHAM FOOTBALL LEISURE LIMITED

## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS

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

	'A' Ordinary shares of £1 each 30 June 2002	'B' Ordinary shares of £1 each 30 June 2002	'A' Ordinary shares of £1 each 30 June 2001	'B' Ordinary shares of £1 each 30 June 2001
M Al Fayed	4,500,000	-	4,500,000	-
S H Benson	-	-	-	-
A M Muddyman*	-	750,000	-	750,000
W F Muddyman	-	-	-	-
B T Delaney (appointed 12 <sup>th</sup> October 2001)	-	-	-	-
M A E Collins (appointed 1 <sup>st</sup> November 2001)	-	-	-	-
B D Langham (appointed 17 <sup>th</sup> June 2002)	-	-	-	-
J M Griffiths (resigned 25 <sup>th</sup> July 2001)	-	-	-	-
M J Fiddy (resigned 12 <sup>th</sup> December 2001)	-	-	-	-
M S Fayed (appointed 1 <sup>st</sup> March 2002)	-	-	-	-

\* A M Muddyman is a beneficial owner by virtue of being a beneficiary of the Muddyman Family Trust which owns 100% of Ruxley Holdings Limited, the registered shareholder of the B shares.

Mr M S Fayed resigned as a director on 10 September 2002 and Mr L de Wilde was appointed as a director on 2 December 2002.

### THE ENVIRONMENT

The Group has continued to adopt policies and procedures which take account of the need to preserve and protect the environment. The directors are committed to compliance with environmental best practice in all aspects of the business.

### POLICY ON PAYMENT OF CREDITORS

It is the Group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. The Group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The Group takes an average 28 (2001:36) days to pay its creditors.

### POLICY ON DISABLED PERSONS

It is the Group's policy to provide full and fair consideration of applications, continuing employment and training while employed for disabled persons in the business and to make our facilities available to disabled supporters as far as is possible within the constraints of a concern for the health and safety of all of our staff and customers.

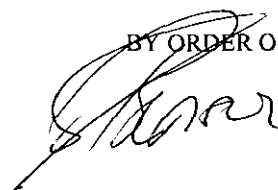
### POLICY ON EMPLOYEE INVOLVEMENT

It is the Group's policy to keep all staff informed as to the development of the business and then encourage them to contribute their ideas, criticisms and comments through a management process which recognises and rewards genuine involvement in the success of the Group.

### AUDITORS

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

BY ORDER OF THE BOARD



S H Benson  
Secretary  
22 April 2003

**FULHAM FOOTBALL LEISURE LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the director's report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
FULHAM FOOTBALL LEISURE LIMITED**

We have audited the financial statements of Fulham Football Leisure Limited for the year ended 30 June 2002 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

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

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

**Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(b) of the financial statements concerning the continuing financial support that has been indicated by the parent company and the ultimate controlling party and the consequent adoption of the going concern basis for the preparation of the accounts. In view of the significance of this matter we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the group's and the company's affairs as at 30 June 2002 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

April 2003

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PKF

PKF

Registered Auditors

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 June 2002**

	<u>Notes</u>	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year ended</u> <u>30 June 2001</u> £'000
<b>Turnover</b>	2	32,380	8,957
Other operating income		331	953
		<hr/>	<hr/>
		32,711	9,910
External charges		(9,589)	(7,242)
Staff costs	3	(30,863)	(19,308)
Depreciation		(2,168)	(1,534)
Deferred income		149	157
Amortisation of goodwill		(498)	(544)
Amortisation of player registrations and associated items	4	(12,176)	(5,501)
Exceptional items – impairment of player registrations/fixed assets	5	(16,969)	-
		<hr/>	<hr/>
<b>Operating loss</b>	6	(39,403)	(24,062)
Profit on disposal of player registrations		518	1,226
Interest receivable and similar income		68	65
Interest payable and similar charges	8	(1,459)	(480)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(40,276)	(23,251)
Taxation on loss on ordinary activities	9	-	-
		<hr/>	<hr/>
Retained loss for the financial year	18	(40,276)	(23,251)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

The group has no recognised gains or losses other than the loss for the year.

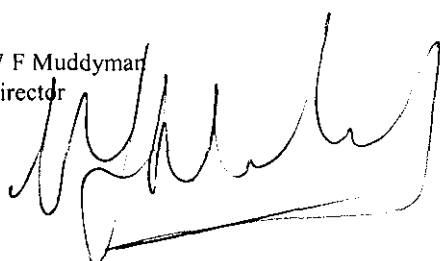


**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**30 June 2002**

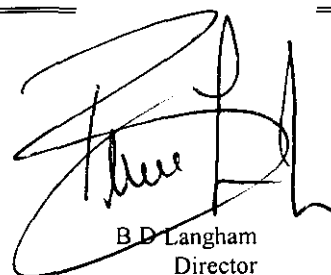
	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Intangible assets	10	28,579	16,184
Tangible assets	11	7,741	11,449
		<hr/>	<hr/>
		36,320	27,633
<b>CURRENT ASSETS</b>			
Stocks		213	117
Debtors	13	2,226	1,600
Cash at bank and in hand		2,068	1,223
		<hr/>	<hr/>
		4,507	2,940
<b>CREDITORS</b>			
Amounts falling due within one year	15	(50,007)	(18,573)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(45,500)	(15,633)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(9,180)	12,000
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	(77,645)	(57,375)
<b>DEFERRED INCOME</b>	16	(2,811)	(3,985)
		<hr/>	<hr/>
<b>NET LIABILITIES</b>		(89,636)	(49,360)
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	6,000	6,000
Profit and loss account	18	(95,636)	(55,360)
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	(89,636)	(49,360)
		<hr/>	<hr/>

Approved by the board on 22 April 2003

W F Muddyman  
Director



B D Langham  
Director

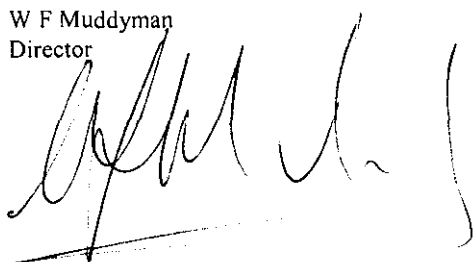


**FULHAM FOOTBALL LEISURE LIMITED**  
**BALANCE SHEET**  
**30 June 2002**

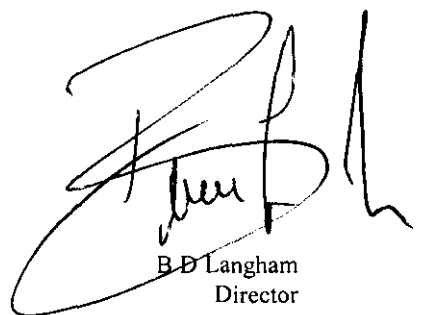
	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Investments	12	3,081	9,119
<b>CURRENT ASSETS</b>			
<b>DEBTORS</b>			
Amounts falling due			
within one year	13	2	5
after one year	14	2,955	840
Cash at bank and in hand		5	377
		<u>2,962</u>	<u>1,222</u>
<b>CREDITORS</b>			
Amounts falling due within one year	15	(5,566)	(32)
		<u>(5,566)</u>	<u>(32)</u>
<b>NET CURRENT ASSETS</b>		<u>(2,604)</u>	<u>1,190</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>477</u>	<u>10,309</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	(74,145)	(57,070)
		<u>(74,145)</u>	<u>(57,070)</u>
<b>NET LIABILITIES</b>		<u>(73,668)</u>	<u>(46,761)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	6,000	6,000
Profit and loss account	18	(79,668)	(52,761)
		<u>(73,668)</u>	<u>(46,761)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(73,668)</u>	<u>(46,761)</u>

Approved by the board on 22 April 2003

W F Muddyman  
Director



B D Langham  
Director



**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 30 June 2002**

	<u>Notes</u>	<u>2002</u> £'000	£'000	<u>2001</u> £'000	£'000
<b>Net cash inflow/(outflow) from operating activities</b>	20		7,414		(11,768)
<b>Returns on investment and servicing of finance</b>	21		(1,247)		(454)
<b>Capital expenditure</b>	21		(33,108)		(4,303)
			<hr/>		<hr/>
<b>Net cash outflow before use of liquid resources and financing</b>			(26,941)		(16,525)
<b>Financing</b>	21				
Issue of shares		-		1,800	
Increase in debt		27,786		14,423	
		<hr/>		<hr/>	
<b>Net cash inflow from financing</b>			27,786		16,223
			<hr/>		<hr/>
<b>Increase/(decrease) in cash in the year</b>			845		(302)
			<hr/>		<hr/>
<b>Reconciliation Of Net Cash Flow To Movement In Net Debt</b>					
Increase/(decrease) in cash in the year			845		(302)
Cash inflow from increase in debt and lease financing			(27,786)		(14,423)
			<hr/>		<hr/>
Change in net debt resulting from cash flows			(26,941)		(14,725)
New finance leases			(7,000)		(6,400)
			<hr/>		<hr/>
Movement in net debt in the year			(33,941)		(21,125)
Net debt at 30 June 2001			(61,736)		(40,611)
			<hr/>		<hr/>
Net debt at 30 June 2002	22		(95,677)		(61,736)
			<hr/>		<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**1 ACCOUNTING POLICIES**

**(a) Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

**(b) Going concern**

The group has a deficit of shareholders' funds at 30 June 2002 and since that date the group has continued to make losses. The financial statements have been prepared on a going concern basis, which assumes that the group will continue in operational existence for the foreseeable future. In concluding that it is appropriate to adopt the going concern basis in preparing these financial statements the Directors have had regard to the written indications received from the ultimate parent company, Fulham Leisure Holdings Limited, and the verbal indications received from the ultimate controlling party, Mr M Al Fayed, that continued funding will be available to finance the Group's working capital requirements for the foreseeable future. Although there is no legal obligation for either Fulham Leisure Holdings Limited or Mr Al Fayed to provide this continued support, the Directors are confident that such funding will be forthcoming.

**(c) Basis of consolidation**

The results of subsidiaries are consolidated from the date of acquisition. The financial statements incorporate the audited assets and liabilities and results of subsidiary undertakings for the year. Goodwill arising on consolidation of subsidiaries is capitalised and written off on a straight-line basis over its estimated useful life of 5 years.

No profit and loss account is presented for Fulham Football Leisure Limited in accordance with the exemption provided by Section 230 of the Companies Act 1985. The company's loss for the year amounted to £26,907,000 (2001: £19,772,000).

**(d) Turnover**

Turnover represents match receipts and all other income associated with the principal activity of running a professional football club and excludes value added tax. Season tickets and other revenues relating to future periods are accounted for in the period to which they relate.

**(e) Depreciation**

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset over its expected useful life. The depreciation rates vary in line with the scheduled demolition of the current stadium. The depreciation rates are as follows:

Stands, fixtures, fittings and equipment	- 10 – 50% per annum
Leasehold improvements	- 20% per annum
Motor vehicles	- 25% per annum

The group evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying value of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value an impairment is recorded.

**(f) Stocks**

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

**(g) Deferred taxation**

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis in accordance with the provisions set out in Financial Reporting Standard No. 19 "Deferred Tax". This represents a change in accounting policy but no material change arises to the current or previous year's deferred tax provision under the new policy. Deferred tax assets are only recognised when they arise from timing differences where their recoverability in the short-term is regarded as more likely than not.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**1 ACCOUNTING POLICIES (Continued)**

**(h) Leasing and hire purchase**

Assets acquired under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account as incurred.

**(i) Pension costs**

The cost of defined contribution pensions represent the contributions payable by the group during the year.

**(j) Grants**

Grants receivable in respect of ground safety and maintenance are credited to the profit and loss account in the same period as the expenditure is incurred.

Grants receivable in respect of fixed assets are credited to deferred income and released to the profit and loss account over the asset's useful economic life.

**(k) Signing on fees**

Signing on fees relating to players' contracts are charged to the profit and loss account on a payable basis. Signing on fees are considered to be part of players' emoluments packages and are included in the accounts as part of staff costs.

**(l) Transfer fees**

Fees payable to other football clubs on the transfer of players' registrations, including agent's fees, are recorded as intangible fixed assets. The associated costs are dealt with through the profit and loss account in the year in which the transfer takes place.

Transfer fees which are contingent on a future event are recorded as intangible fixed assets, if in the opinion of the Directors, the future event is reasonably certain to occur during the life of the player's contract. Fees contingent on a future event which has a material uncertainty are only brought into intangible fixed assets when the event actually occurs.

Player registration costs are amortised over the life of the players' contract with the club. These intangible assets are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

**(m) Foreign Currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**2 TURNOVER**

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

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year ended</u> <u>30 June 2001</u> £'000
Match Day	6,309	3,764
Broadcasting	21,142	997
Commercial activities	4,929	4,196
	<hr/> 32,380	<hr/> 8,957
	<hr/> <hr/>	<hr/> <hr/>

**3 STAFF COSTS**

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year ended</u> <u>30 June 2001</u> £'000
Wages and salaries	27,647	17,316
Social security costs	3,063	1,893
Other pension costs	153	99
	<hr/> 30,863	<hr/> 19,308
	<hr/> <hr/>	<hr/> <hr/>

Average numbers employed by the group during the year:

	<u>Number</u>	<u>Number</u>
Administration and ground staff	121	119
Players (including Ladies Squad)	64	52
	<hr/>	<hr/>
	185	171
Casual and part-time staff	225	192
	<hr/>	<hr/>
	410	363
	<hr/> <hr/>	<hr/> <hr/>

**4 AMORTISATION OF PLAYER REGISTRATIONS AND ASSOCIATED COSTS**

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year Ended</u> <u>30 June 2001</u> £'000
Amortisation of player registrations	12,304	5,094
Net transfer levies (receivable)/payable	(128)	407
	<hr/> 12,176	<hr/> 5,501
	<hr/> <hr/>	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**5 EXCEPTIONAL ITEMS**

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year Ended</u> <u>30 June 2001</u> £'000
Impairment of player registrations	11,979	-
Impairment of fixed assets	4,990	-
	<hr/>	<hr/>
	16,969	-
	<hr/>	<hr/>

Impairment of player registrations arises from the directors' review of the carrying values.

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

**6 OPERATING LOSS**

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year Ended</u> <u>30 June 2001</u> £'000
This is stated after charging:		
Auditors' remuneration - audit	26	25
- other fees	49	35
Depreciation of owned fixed assets	2,164	1,534
Depreciation of assets held under finance leases and hire purchase contracts	4	4
Amortisation of goodwill	498	544
Amortisation of owned player registrations	9,654	4,449
Amortisation of player registrations under finance leases	2,650	645
Operating lease rentals - plant and machinery	79	75
-land and buildings	216	141
	<hr/>	<hr/>

**7 DIRECTORS' EMOLUMENTS**

Aggregate directors emoluments during the year totalled £109,359 (2001: £160,174). The highest paid director's emoluments totalled £109,359, including pension contributions of £3,432. Contributions were made to a related company's pension scheme in respect of one director.

**8 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year Ended</u> <u>30 June 2001</u> £'000
Loan	183	-
Hire and lease purchase obligations	684	200
Amounts payable to related parties	592	280
	<hr/>	<hr/>
	1,459	480
	<hr/>	<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**9 TAX ON LOSS ON ORDINARY ACTIVITIES**

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year Ended</u> <u>30 June 2001</u> £'000
(a) The tax for the year comprises:		
Current tax:		
Corporation tax at 30% (2001 : 30%)	-	-
	<hr/>	<hr/>
<b>Total current tax (note 9(b))</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
(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	<b>(40,276)</b>	<b>(23,251)</b>
	<hr/>	<hr/>
Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2001 : 30%)	<b>(12,083)</b>	<b>(6,975)</b>
Effects of:		
Expenses not deductible for tax purposes	<b>1,656</b>	<b>271</b>
Depreciation in excess of capital allowances	<b>368</b>	<b>63</b>
Short term timing differences	<b>474</b>	<b>-</b>
Goodwill arising on consolidation not deductible	<b>149</b>	<b>163</b>
Grant income not taxable	<b>(45)</b>	<b>(47)</b>
Losses group relieved	<b>8</b>	<b>6</b>
Losses utilised in the period	<b>(36)</b>	<b>(21)</b>
Losses in year carried forward	<b>9,509</b>	<b>6,540</b>
	<hr/>	<hr/>
Current tax charge for the year (note 9(a))	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

**(c) Factors that may affect future tax charges**

At the year end group has an unprovided deferred tax asset of approximately £26m, as analysed below. This asset has not been recognised as the group is currently incurring operating losses and recoverability is dependent on there being future taxable trading profits against which to offset the asset.

The potential deferred tax asset is analysed below:

Depreciation in excess of capital allowances	<b>313</b>	<b>239</b>
Tax losses carried forward	<b>25,634</b>	<b>16,161</b>
	<hr/>	<hr/>
	<b>25,947</b>	<b>16,400</b>
	<hr/>	<hr/>



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**10 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b><u>Goodwill</u></b> <b><u>£'000</u></b>	<b><u>Player</u></b> <b><u>registrations</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
<b>Cost</b>			
At 1 July 2001	2,718	25,519	28,237
Additions	-	37,450	37,450
Disposals	-	(1,905)	(1,905)
	<hr/>	<hr/>	<hr/>
At 30 June 2002	2,718	61,064	63,782
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 July 2001	2,220	9,833	12,053
Provided during the year	498	12,304	12,802
Impairment loss	-	11,979	11,979
Disposals	-	(1,631)	(1,631)
	<hr/>	<hr/>	<hr/>
At 30 June 2002	2,718	32,485	35,203
	<hr/>	<hr/>	<hr/>
<b>Net book amount</b>			
At 30 June 2002	-	28,579	28,579
	<hr/>	<hr/>	<hr/>
At 30 June 2001	498	15,686	16,184
	<hr/>	<hr/>	<hr/>

Goodwill arises on the acquisition of Fulham Football Club Limited.

The net book value of player registrations above includes £4,302,191 (2001: £3,799,985) in respect of registrations held under finance leases and hire purchase contracts.

The impairment loss arises from the directors' review of the carrying value of players' registrations.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**11 TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold Land £'000</b>	<b>Leasehold Improvements £'000</b>	<b>Motor Vehicles £'000</b>	<b>Stands, Fixtures, Fittings and Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 July 2001	6,814	659	6	8,606	16,085
Additions	-	220	-	3,230	3,450
At 30 June 2002	<u>6,814</u>	<u>879</u>	<u>6</u>	<u>11,836</u>	<u>19,535</u>
<b>Depreciation</b>					
At 1 July 2001	-	78	2	4,556	4,636
Provided during the year	-	547	3	1,618	2,168
Impairment provision	-	-	-	4,990	4,990
At 30 June 2002	<u>-</u>	<u>625</u>	<u>5</u>	<u>11,164</u>	<u>11,794</u>
<b>Net Book Amount</b>					
At 30 June 2002	<u>6,814</u>	<u>254</u>	<u>1</u>	<u>672</u>	<u>7,741</u>
At 30 June 2001	<u>6,814</u>	<u>581</u>	<u>4</u>	<u>4,050</u>	<u>11,449</u>

The net book value of fixed assets above includes an amount of £46,767 (2001:£10,360) in respect of assets held under finance leases and hire purchase contracts.

The impairment represents provision against the carrying value of professional fees relating to the proposed redevelopment of the football stadium at Craven Cottage. In the opinion of the directors' the fees incurred relate to plans which are now out dated and in light of the conditional sale agreement entered into post balance sheet (note 27) may never be brought into use.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**12 FIXED ASSET INVESTMENTS**

**Company**

**Investments in subsidiary undertakings:**

	<b>£'000</b>
At 1 July 2001	9,119
Additions in the period	-
Provision against diminution in value	(6,038)
	<hr/>
At 30 June 2002	<b>3,081</b>
	<hr/>

At 30 June 2002, the Company owned the following principal subsidiaries all of which are incorporated in Great Britain and operate in the United Kingdom.

<u>Company</u>	<u>Principal Activity</u>	<u>Interest in Ordinary shares</u>
Fulham Football Club (1987) Limited	Operation of a professional football club	100%
Fulham Stadium Limited	Football stadium development	100%
Fulhamfc.co.uk Limited	Dormant	100%
Fulham Football Club Limited (by Guarantee)	Dormant	100% of voting rights

**13 DEBTORS**

	<u>Group</u> <u>2002</u> <u>£'000</u>	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>Company</u> <u>2002</u> <u>£'000</u>	<u>Company</u> <u>2001</u> <u>£'000</u>
<b>Amounts falling due in one year</b>				
Trade debtors	210	849	-	-
Related party debtors	8	3	-	-
Other debtors	121	80	2	5
Prepayments and accrued income	1,887	668	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>2,226</b>	<b>1,600</b>	<b>2</b>	<b>5</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**14 DEBTORS**

<b>Amounts falling due after more than one year</b>				
Amounts owed by group undertakings	-	-	<b>2,955</b>	840
	<hr/>	<hr/>	<hr/>	<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**15 CREDITORS**

	<u>Group</u> <u>2002</u> £'000	<u>Group</u> <u>2001</u> £'000	<u>Company</u> <u>2002</u> £'000	<u>Company</u> <u>2001</u> £'000
<b>Due within one year:</b>				
Trade creditors	11,319	5,729	38	2
Amounts owed to parent company	5,450	-	5,450	-
Amounts due to related parties	12,262	3,660	-	-
Other taxation and social security	2,504	1,547	-	-
Finance lease obligations	10,150	5,889	-	-
Loan (secured)	4,500	-	-	-
Accruals and deferred income	3,822	1,748	78	30
	<u>50,007</u>	<u>18,573</u>	<u>5,566</u>	<u>32</u>

Of the amount due to related parties, £11,945,607 (2001: £3,571,905) is unsecured and attracts interest at a commercial rate of 7.41% per annum.

**Due after more than one year:**

Amounts owed to parent company	74,145	57,070	74,145	57,070
Finance lease obligations	-	-	-	-
Loan (secured)	3,500	-	-	-
Accruals	-	305	-	-
	<u>77,645</u>	<u>57,375</u>	<u>74,145</u>	<u>57,070</u>

As part of the arrangements pursuant to the acquisition of Fulham Football Club (1987) Limited on 29 May 1997, the shareholders in Fulham Football Leisure Limited entered into an agreement concerning the financing of the operating and development cash requirements of the new group of companies. The agreement provided that Fulham Leisure Holdings Limited, the owner of the "A" ordinary shares, would provide interest free loans to Fulham Football Leisure Limited. The loans are evidenced by Unsecured Loan Notes, in denominations of £1 each. The owners of the "B" ordinary shares had right to acquire up to 25% of the Loan Notes at a nominal consideration, in the event that a decision was made by the whole of the shareholders to dispose of their interests in the company. The Loan Notes are themselves not repayable until such a decision is made, and are therefore categorised as due after more than one year. At 30 June 2002, the total loaned by Fulham Leisure Holdings Limited was £55,500,000 by Loan Notes and £24,095,000 by other interest-free advances.

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

On 28 March 2003, a new shareholders agreement was entered into. One provision of this was to remove the right of the "B" shareholders to acquire 25% of the Loan Notes at a nominal consideration.

The Loan is secured upon the FA Premier League Basic Award. The interest rate payable on this loan is 2% above bank base rate. The finance lease obligations are secured upon certain player registrations.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

16 DEFERRED INCOME	<u>Group</u> <u>2002</u> £'000	<u>Group</u> <u>2001</u> £'000
Season ticket sales in advance	2,650	2,553
Commercial income and sponsorship	161	1,283
Grants in respect of fixed asset expenditure	-	149
	<hr/>	<hr/>
	2,811	3,985
	<hr/>	<hr/>

The Company has no deferred income (2001: £Nil).

17 SHARE CAPITAL	<u>2002</u> £	<u>2001</u> (as restated) £
<b>Authorised</b>		
46,125,000 "A" Ordinary shares of £1 each	46,125,000	46,125,000
15,375,000 "B" Ordinary Shares of £1 each	15,375,000	15,375,000
	<hr/>	<hr/>
	61,500,000	61,500,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
4,500,000 "A" Ordinary shares of £1 each	4,500,000	4,500,000
1,500,000 "B" Ordinary Shares of £1 each	1,500,000	1,500,000
	<hr/>	<hr/>
	6,000,000	6,000,000
	<hr/>	<hr/>

*Rights of each class of shares*

The "A" Ordinary shares and the "B" ordinary shares rank pari passu in all respects, except that during such time as the "B" Ordinary shares represent at least ten per cent in the nominal value of the issued share capital, certain limited decisions require the consent of the majority in nominal value of the "B" Ordinary shares.

18 PROFIT AND LOSS ACCOUNT	<u>Group</u> £'000	<u>Company</u> £'000
At 1 July 2001	(55,360)	(52,761)
Retained loss for the year	(40,276)	(26,907)
	<hr/>	<hr/>
At 30 June 2002	(95,636)	(79,668)
	<hr/>	<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**19 SHAREHOLDERS' FUNDS**

	<u>Group</u> <u>2002</u> £'000	<u>Group</u> <u>2001</u> £'000
The reconciliation of movements in equity shareholders' funds is as follows:		
Opening shareholders' funds	(49,360)	(27,909)
Issue of shares	-	1,800
Loss for the year	(40,276)	(23,251)
	<hr/>	<hr/>
Closing shareholders' funds	(89,636)	(49,360)
	<hr/>	<hr/>

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

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year ended</u> <u>30 June 2001</u> £'000
Operating loss	(39,403)	(24,062)
Depreciation charges	2,168	1,534
Amortisation of goodwill	498	544
Amortisation of players' registrations	12,304	5,094
Exceptional items	16,969	-
Increase/(decrease) in stocks	(97)	100
Increase in debtors	(626)	(974)
Increase in creditors	16,775	3,746
Decrease/(increase) in deferred income	(1,174)	2,250
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	7,414	(11,768)
	<hr/>	<hr/>

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

	<u>Year ended</u> <u>30 June 2002</u> £'000	<u>Year ended</u> <u>30 June 2001</u> £'000
<b>Returns on investment and servicing of finance</b>		
Interest received	68	65
Interest paid	(448)	(239)
Interest element of finance lease rental payments	(867)	(280)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investment and servicing of finance</b>	(1,247)	(454)
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Purchase of players' registrations	(30,450)	(4,609)
Sale of players' registrations	792	1,774
Purchase of tangible fixed assets	(3,450)	(1,536)
Sale of tangible fixed assets	-	15
Capital grants received	-	53
	<hr/>	<hr/>
<b>Net cash outflow for capital expenditure</b>	(33,108)	(4,303)
	<hr/>	<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**21 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED  
IN THE CASH FLOW STATEMENT (Continued)**

	<u>Year ended</u> <u>30 June 2002</u>		<u>Year ended</u> <u>30 June 2001</u>	
	£'000	£'000	£'000	£'000
<b>Financing</b>				
Issue of shares		-		1,800
Debt due within one year:				
- loan	4,500		-	
- advances from group companies	5,450		-	
		9,950		-
Debt due after one year:				
- loan	3,500		-	
- advances from group companies	17,075		14,945	
Capital element of finance lease rental payments	(2,739)		(522)	
		17,836		14,423
<b>Net cash inflow from financing</b>		<b>27,786</b>		<b>16,223</b>

**22 ANALYSIS OF CHANGES IN NET DEBT**

	<u>At 30 June</u> <u>2001</u> £'000	<u>Cash</u> <u>flows</u> £'000	<u>Non-cash</u> <u>changes</u> £'000	<u>At 30 June</u> <u>2002</u> £'000
Cash at bank and in hand	1,223	845	-	2,068
Debt due within a year	-	(9,950)	-	(9,950)
Debt due after one year	(57,070)	(20,575)	-	(77,645)
Finance leases	(5,889)	2,739	(7,000)	(10,150)
	<b>(61,736)</b>	<b>(26,941)</b>	<b>(7,000)</b>	<b>(95,677)</b>

**23 FINANCIAL COMMITMENTS**

*a) Operating leases*

At 30 June 2002, the group had an annual commitment of £164,016 (2001: £104,288) in respect of the 30 year lease of Motspur Park training ground, an annual commitment of £37,000 (2001: £37,000) in respect of the 10 year lease of shop premises at 959-961 Fulham Palace Road, and also an annual commitment of £25,500 (2001: £NIL) in respect of the 5 year lease of Parkgate House, 356 West Barnes Lane, New Malden. In addition, the group also had an annual commitment of £760,000 (2001: £NIL) in respect of the 2 year lease of Loftus Road Stadium. The group has the option to cancel this agreement before the commencement of the second year.

There were other annual commitments under non-cancellable operating leases of £90,764 (2001: £91,076) expiring within one year, and £42,552 (2001: £79,116) expiring within 2-5 years.

*b) Other commitments*

Signing on fees of £2,701,450 (2001: £1,382,167) are payable to players under existing contracts of employment. The maximum commitment for additional transfer fees payable in respect of future possible appearances amounts to £725,000 (2001: £925,000)

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**24 CAPITAL COMMITMENTS**

Amounts contracted for but not provided for in the accounts amounted to £Nil (2001 : £Nil) for the group and £Nil (2001: £Nil) for the company.

**25 RELATED PARTY TRANSACTIONS**

At the balance sheet date there were arm's length agreements between the company and various related companies to provide management, security and maintenance services. These companies have directors in common with the company. The value of these transactions during the period were:

	<b>2002</b>		<b>2001</b>	
	<b>Purchases £</b>	<b>Sales £</b>	<b>Purchases £</b>	<b>Sales £</b>
Harrods Estates Limited	77,560	-	12,000	-
Harrods UK Limited	743,069	-	500,174	-
Harrods Limited	133,963	-	168,814	247
Kurt Geiger	1,280	-	-	-
Metro Business Aviation Limited	19,335	-	11,820	-
Liberty Publishing Limited	1,714	56	-	-
Hyde Park Residence Limited	387	22	-	2,169
Ruxley Holdings Limited	560	10,550	-	5,756
FL Property Management Limited	183,925	41,431	137,493	10,875
Air Harrods	4,185	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,165,978	52,059	830,301	19,047
	<hr/>	<hr/>	<hr/>	<hr/>

As at 30th June 2002 a total of £12,148,175 (2001:£3,571,905) was owed to Harrods Ltd, £77,633 (2001:£89,564) was owed to Harrods UK Ltd and £35,250 (2001: £NIL) was owed to Harrods Estates Ltd. In addition an amount of £2,736 was due from Harrods Ltd (2001: £2,901) and £4,982 (2001: £Nil) was due from Ruxley Holdings Ltd.

During the year to 30 June 2002, interest charges of £551,568 (2001: £19,870) were payable to Harrods (UK) Ltd, £40,718 (2001: £259,825) were payable to Harrods Ltd and £NIL (2001: £409) were payable to Harrods Estates Ltd.

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.

**26 PENSION SCHEME**

Payments are made into a number of defined contribution schemes. Total contributions charged during the year amounted to £152,048 (2001: £ 98,729).



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2002**

**27 POST BALANCE SHEET EVENTS**

With regard to Players Registrations in Fulham Football Club (1987) Limited the following material acquisitions have taken place since 30 June 2002.

J Inamoto was acquired on a 12 month loan from Gamba Osaka for £256,118 on 15 July 2002. The agreement includes an option for the company to acquire the player on a permanent transfer before 1 July 2003.

M Djetou was acquired on a 12 month loan from AC Parma for £250,000 on 17 July 2002. The agreement includes an option for the company to acquire the player on a permanent transfer before 12 May 2003.

On 18 September 2002 Fulham Stadium Limited entered into a conditional agreement whereby a deposit of £15m was received towards the purchase of the Craven Cottage site by a third party, conditional upon appropriate planning permission being granted. The total consideration should the purchase proceed is £50m.

On 20 September 2002 the group acquired FL Property Management Limited from Fulham Leisure Holdings Limited. The principal activity of FL Property Management Limited is the ownership of The Training Ground, Motspur Park which is leased to Fulham Football Club (1987) Limited.

**28 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's immediate and ultimate parent undertaking is Fulham Leisure Holdings Limited, a company incorporated in the British Virgin Islands which is under the control and held for the benefit of Mr Mohamed Al Fayed and his family, the ultimate controlling party.

**FULHAM FOOTBALL LEISURE LIMITED  
COMPANY PROFIT AND LOSS ACCOUNT  
YEAR ENDED 30 June 2002**

**FOR CONSOLIDATION PURPOSES ONLY**

	<u>2002</u> £'000	<u>2001</u> £'000
<b>Turnover</b>	-	-
Other operating income	-	-
	<hr/>	<hr/>
	-	-
External charges	(150)	(76)
Staff costs	-	-
Provision against debts due from subsidiaries	(26,763)	(19,710)
	<hr/>	<hr/>
Operating loss	(26,913)	(19,786)
Interest receivable and similar income	6	14
	<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<u>(26,907)</u>	<u>(19,772)</u>