

**FULHAM FOOTBALL LEISURE LIMITED**  
(formerly Batchrate Limited)  
(Registered Number 3374347)

**ANNUAL REPORT**

**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**



**PANNELL KERR FORSTER**  
Chartered Accountants

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**(Registered Number 3374347)**  
**ANNUAL REPORT**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

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**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**DIRECTORS, OFFICERS AND REGISTERED OFFICE**

**DIRECTORS**

M Al Fayed  
S H Benson  
J M Griffiths  
A M Muddyman  
W F Muddyman  
N Rodford

**SECRETARY**

S H Benson

**AUDITORS**

Pannell Kerr Forster  
Chartered Accountants  
New Garden House  
78 Hatton Garden  
London EC1N 8JA

**BANKERS**

Midland Bank plc  
PO Box 648  
Poultry & Princes Street  
London EC2P 2BX

**SOLICITORS**

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

**REGISTERED OFFICE**

Craven Cottage  
Stevenage Road  
London SW6 6HH

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**DIRECTORS' REPORT**

The directors present their report and the accounts for the period from 21 May 1997 to 30 June 1998, which show the state of the group's affairs.

## **REVIEW OF THE BUSINESS**

The company was incorporated on 21 May 1997 as Batchrate Limited. On 18 June 1997, the company changed its name to Fulham Football Leisure Limited. On 29 May 1997, the company acquired Fulham Football Club (1987) Limited and the freehold of Craven Cottage. The accounts for the period ended 30 June 1998 incorporate the results of the acquired entity from the date of acquisition.

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 recognise 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.

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.

## **RESULTS AND DIVIDENDS**

The loss for the financial period, amounted to £8,337,000. The directors do not recommend payment of a dividend. The loss of £8,337,000 will be transferred to reserves.

## **PRINCIPAL ACTIVITIES**

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

## **FUTURE DEVELOPMENTS**

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

**FULHAM FOOTBALL LEISURE LIMITED**  
(formerly Batchrate Limited)  
**DIRECTORS' REPORT (continued)**

**DIRECTORS AND THEIR INTERESTS**

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

		<b>'A' Ordinary shares of £1 each 30 June 1998</b>	<b>'B' Ordinary shares of £1 each 30 June 1998</b>
Hallmark Registrars Limited	(appointed and resigned 23 May 1997)	-	-
M Al Fayed	(appointed 29 May 1997)	2,250,000	-
S H Benson	(appointed 29 May 1997)	-	-
J M Griffiths	(appointed 29 May 1997)	-	-
A M Muddyman	(appointed 23 May 1997)	-	-
W F Muddyman	(appointed 29 May 1997)	-	750,000
D E Shrimpton	(appointed 29 May 1997) (resigned 28 October 1997)	-	-

N Rodford was appointed on 1 August 1998.

**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.

**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 33 days to pay its creditors.

**POLICY ON DISABLED PERSONS**

It is the Group'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 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.

**CHARITABLE DONATIONS**

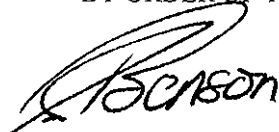
The following donations in excess of £2,500 were made during the year:

The Peter Pan Children's Fund	<u>£79,067</u>
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**AUDITORS**

The auditors, Pannell Kerr Forster, were appointed by the Directors during the period. A resolution to reappoint Pannell Kerr Forster as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

  
S H Benson  
Secretary

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
FULHAM FOOTBALL LEISURE LIMITED  
(formerly Batchrate Limited)**

We have audited the financial statements on pages 6 to 20 which have been prepared under the accounting policies set out on pages 10 and 11.

**Respective responsibilities of directors and auditors**

As described on page 4 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 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 support that has been indicated by the parent 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 affairs of the company and group at 30 June 1998 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Pannell Kerr Forster*

PANNELL KERR FORSTER  
Chartered Accountants  
Registered Auditors

London

*16 March* 1999

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

	<u>Notes</u>	Period from 21 May 1997 to 31 December <u>1998</u> £'000
Turnover	2	3,892
Other operating income		145
		<hr/> 4,037
External charges		(3,702)
Staff costs	3	(6,117)
Depreciation		(526)
Amortisation of goodwill		(589)
Amortisation of player registration and associated items	4	(1,463)
		<hr/>
<b>Operating loss</b>	5	<b>(8,360)</b>
Interest receivable and similar income		44
Interest payable and similar charges	7	(6)
		<hr/>
<b>Loss on ordinary activities before taxation</b>		<b>(8,322)</b>
Taxation on loss on ordinary activities	8	(15)
		<hr/>
<b>Retained loss for the financial period</b>	18	<b>(8,337)</b>
		<hr/> <hr/>

All amounts relate to acquired operations.

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



**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**CONSOLIDATED BALANCE SHEET**  
**30 JUNE 1998**

	<u>Notes</u>	<u>£'000</u>	<u>1998</u> <u>£'000</u>
<b>FIXED ASSETS</b>			
Intangible assets	10		7,934
Tangible assets	11		8,826
			<hr/>
			16,760
<b>CURRENT ASSETS</b>			
Stocks		42	
Debtors	13	794	
Cash at bank and in hand		519	
		<hr/>	
		1,355	
<b>CREDITORS</b>			
Amounts falling due within one year	15	(3,716)	
		<hr/>	
<b>NET CURRENT LIABILITIES</b>			(2,361)
			<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			14,399
<b>CREDITORS</b>			
Amounts falling due after more than one year	15		(19,189)
<b>DEFERRED INCOME</b>			(547)
			<hr/>
<b>NET LIABILITIES</b>			(5,337)
			<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17		3,000
Profit and loss account	18		(8,337)
			<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			(5,337)
			<hr/>

Approved by the board on 16 March 1999

  
S H Benson  
Director

  
J M Griffiths  
Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**BALANCE SHEET**  
**30 JUNE 1998**

	<u>Notes</u>	<u>1998</u>	
		£'000	£'000
<b>FIXED ASSETS</b>			
Investments	12		-
<b>CURRENT ASSETS</b>			
<b>DEBTORS</b>			
Amounts falling due			
within one year	13	48	
after one year	14	11,765	
Cash at bank and in hand		117	
		<hr/>	
		11,930	
<b>CREDITORS</b>			
Amounts			
falling due within one year	15	(49)	
		<hr/>	
<b>NET CURRENT ASSETS</b>			11,881
			<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			11,881
<b>CREDITORS</b>			
Amounts falling			
due after more than one year	15		(19,186)
			<hr/>
<b>NET LIABILITIES</b>			(7,305)
			<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17		3,000
Profit and loss account	18		(10,305)
			<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			(7,305)
			<hr/> <hr/>

Approved by the board on 16 March 1999

S H Benson  
Director

J M Griffiths  
Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

	<u>Notes</u>	£'000	<u>1998</u> £'000
Net cash outflow from operating activities	20		(2,887)
Returns on investment and servicing of finance	21		38
Taxation			
Overseas tax paid			(15)
Capital expenditure	21		(16,087)
Acquisitions	21		168
			<hr/>
Net cash outflow before use of liquid resources and financing			(18,783)
Financing	21		
Issue of shares		3,000	
Increase in debt		16,302	
		<hr/>	
Net cash outflow from financing			19,302
			<hr/>
Increase in cash in the period			519
			<hr/> <hr/>
<b>Reconciliation Of Net Cash Flow To Movement In Net Debt</b>			
Increase in cash in the period			519
Cash inflow from increase in debt and lease financing			(16,302)
			<hr/>
Change in net debt resulting from cash flows			(15,783)
Loans and finance leases acquired with subsidiaries			(2,893)
			<hr/>
Movement in net debt in the year			(18,676)
Net debt at 21 May 1997			-
			<hr/>
Net debt at 30 June 1998	22		(18,676)
			<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

**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 financial statements have been prepared on a going concern basis which assumes that the Group will continue in operation 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 indications received from Fulham Leisure Holdings (BVI) Limited that continued funding will be made available to finance the Group'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.

**(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 period.

Goodwill arising on consolidation of subsidiaries is capitalised and written off on a straight-line basis over its estimated useful life of 5 years.

**(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, as follows.

Stands, fixtures, fittings and equipment      - 10 – 25% per annum

**(f) Stocks**

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

**(g) Deferred taxation**

Deferred tax, calculated on the liability basis, is provided on the excess of capital allowances claimed over depreciation charged, computed at the expected Corporation Tax rates applicable at the time of reversal.

**(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 company during the period.

**(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.

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

**1 ACCOUNTING POLICIES (continued)**

**(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 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, contingent on, for example, future appearances, are recorded as intangible fixed assets.

Transfer fees are amortised over the life of the players' contract with the club.

**2 TURNOVER**

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

	<b>For the period from 21 May 1997 to 30 June 1998 £'000</b>
Match receipts	1,914
Football league and football association distribution	473
Revenue from commercial activities	1,505
	<hr/> 3,892 <hr/>

**3 STAFF COSTS**

	<b>For the period from 21 May 1997 to 30 June 1998 £'000</b>
Wages and salaries	5,507
Social security costs	450
Other pension costs	160
	<hr/> 6,117 <hr/>
Average numbers employed by the group during the period:	
	<b><u>Number</u></b>
Administration and ground staff	47
Players	29
	<hr/>
	76
Casual and part-time staff	26
	<hr/> 102 <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

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

	£'000
Amortisation of player registrations	1,415
Profit on disposal of players	(202)
Net transfer levies payable	250
	<hr/> 1,463 <hr/>

**5 OPERATING LOSS**

This is stated after charging

Auditors' remuneration - audit	12
- other fees	13
Depreciation of owned fixed assets	524
Depreciation of assets held under finance leases and hire purchase contracts	3
Amortisation of goodwill	589
Amortisation of players registrations	1,415
Operating lease rentals - plant and machinery	48
	<hr/> <hr/>

**6 DIRECTORS' EMOLUMENTS**

None of the directors received any remuneration for their services during the period.

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	£'000
On bank loans and overdrafts	2
Finance lease interest	4
	<hr/> 6 <hr/>

**8 TAXATION ON LOSS ON ORDINARY ACTIVITIES**

Overseas taxation	15
	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

**9 PROFIT FOR THE FINANCIAL PERIOD**

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 financial period amounted to £10,305,000.

**10 INTANGIBLE FIXED ASSETS**

**Group**

	<u>Goodwill</u> £'000	<u>Player registrations</u> £'000	<u>Total</u> £'000
<b>Cost</b>			
At 21 May 1997	-	-	-
Acquired	-	385	385
Additions	2,718	7,928	10,646
Disposals	-	(1,013)	(1,013)
	<hr/>	<hr/>	<hr/>
At 30 June 1998	2,718	7,300	10,018
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 21 May 1997	-	-	-
Acquired	-	211	211
Provided during the period	589	1,415	2,004
Disposals	-	(131)	(131)
	<hr/>	<hr/>	<hr/>
At 30 June 1998	589	1,495	2,084
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 1998	2,129	5,805	7,934
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Goodwill arises on the acquisition of Fulham Football Club Limited.

**FULHAM FOOTBALL LEISURE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

**11 TANGIBLE FIXED ASSETS**

**Group**

	<b>Freehold Land £'000</b>	<b>Stands, Fixtures, Fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 21 May 1997	-	-	-
Acquired	-	256	256
Additions	6,814	2,437	9,251
Disposals	-	(50)	(50)
	<hr/>	<hr/>	<hr/>
At 30 June 1998	6,814	2,643	9,457
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 21 May 1997	-	-	-
Acquired	-	146	146
Provided during the period	-	527	527
Disposals	-	(42)	(42)
	<hr/>	<hr/>	<hr/>
At 30 June 1998	-	631	631
	<hr/>	<hr/>	<hr/>
<b>Net book amount</b>			
At 30 June 1998	6,814	2,012	8,826
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of fixed assets above includes an amount of £13,000 in respect of assets held under finance leases and hire purchase contracts.

**12 FIXED ASSET INVESTMENTS**

**Company**

**Investments in subsidiary undertakings:**

	<b>£'000</b>
At 21 May 1997	-
Additions in the period	-
	<hr/>
At 30 June 1998	-
	<hr/> <hr/>

At 30 June 1998, 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 league football club	100%
Fulham Stadium Limited	Football stadium development	100%
Fulham Football Club Limited (by Guarantee)	Dormant	100% of voting rights



**FULHAM FOOTBALL LEISURE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

13 DEBTORS	<u>Group</u> <u>1998</u> <u>£'000</u>	<u>Company</u> <u>1998</u> <u>£'000</u>
Amounts falling due in one year		
Trade debtors	556	-
Amounts owed by group undertakings	-	-
Other debtors	151	48
Prepayments and accrued income	87	-
	<hr/> 794	<hr/> 48
	<hr/> <hr/>	<hr/> <hr/>
14 DEBTORS		
Amounts falling due after more than one year		
Amounts owed by group undertakings	-	11,765
	<hr/>	<hr/>
15 CREDITORS		
Due within one year:		
Trade creditors	2,756	-
Other taxation and social security	433	-
Finance lease obligations	6	-
Accruals and deferred income	521	49
	<hr/> 3,716	<hr/> 49
	<hr/> <hr/>	<hr/> <hr/>
Due after more than one year:		
Amounts owed to group undertakings	19,186	19,186
Finance lease obligations	3	-
	<hr/> 19,189	<hr/> 19,186
	<hr/> <hr/>	<hr/> <hr/>

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 provides that Fulham Leisure Holdings Limited, the owner of the "A" ordinary shares, will provide interest free loans to Fulham Football Leisure Limited. The loans will be evidenced by Unsecured Loan Notes, in denominations of £1 each. The owners of the "B" ordinary shares have a right to acquire up to 25% of the Loan Notes at a nominal consideration, in the event that a decision is 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 1998, the total amount of the loans made by Fulham Leisure Holdings Limited was £19,185,625.

The finance lease obligations are wholly repayable within five years and are secured on the assets concerned.

16 DEFERRED INCOME	1998 £'000
Season ticket sales in advance for 1998 season	424
Commercial income and sponsorship	117
Football Trust grant to cover cost of specific costs	6
	<hr/> 547
	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
**(formerly Batchrate Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 21 MAY 1997 TO 30 JUNE 1998**

**17 SHARE CAPITAL**

	£
<b>Authorised</b>	
23,062,500 "A" Ordinary shares of £1 each	23,062,500
7,687,500 "B" Ordinary Shares of £1 each	7,687,500
	<hr/>
	30,750,000
	<hr/>
<b>Allotted, called up and fully paid</b>	
2,250,000 "A" Ordinary shares of £1 each	2,250,000
750,000 "B" Ordinary Shares of £1 each	750,000
	<hr/>
	3,000,000
	<hr/>

2,250,000 "A" Ordinary shares of £1 each were issued during the period for £1 each. 750,000 "B" Ordinary shares of £1 each were issued during the period for £1 each.

*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 21 May 1997	-	-
Retained (loss)/profit for the financial period	(8,337)	(10,305)
	<hr/>	<hr/>
At 30 June 1998	(8,337)	(10,305)
	<hr/>	<hr/>

**19 SHAREHOLDERS' FUNDS**

	<u>Group</u> 1998 £'000
The reconciliation of movements in equity shareholders' funds is as follows:	
Opening shareholders' funds	-
Issue of shares	3,000
Loss for the financial period	(8,337)
	<hr/>
Closing shareholders' funds	(5,337)
	<hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
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<b>20</b>	<b>RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS</b>	For the period from 21 May 1997 to 30 June 1998 <u>£'000</u>
	Operating loss	(8,360)
	Depreciation charges	527
	Amortisation of goodwill	589
	Amortisation of players' registrations	1,415
	Increase in stocks	(9)
	Increase in debtors	(737)
	Increase in creditors	3,890
	Profit on disposal of players	(202)
		<hr/>
	Net cash outflow from operating activities	(2,887)
		<hr/> <hr/>
<b>21</b>	<b>ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT</b>	For the period from 21 May 1997 to 30 June 1998 <u></u>
	<b>Returns on investment and servicing of finance</b>	
	Interest received	44
	Interest paid	(2)
	Interest element of finance lease rental payments	(4)
		<hr/>
	<b>Net cash outflow from returns on investment and servicing of finance</b>	38
		<hr/> <hr/>
	<b>Capital expenditure</b>	
	Purchase of players' registrations	(7,928)
	Sale of players' registrations	1,084
	Purchase of tangible fixed assets	(9,251)
	Sale of tangible fixed assets	8
		<hr/>
	<b>Net cash inflow for capital expenditure</b>	(16,087)
		<hr/> <hr/>
	<b>Acquisitions</b>	
	Purchase of subsidiary undertaking	-
	Net cash acquired with subsidiary	168
		<hr/>
	<b>Net cash inflow for acquisitions</b>	168
		<hr/> <hr/>

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

**For the period  
from 21 May 1997  
to 30 June 1998**

**Financing**

Issue of shares		3,000
Debt due within a year		
repayment of other loans	(2,861)	
Debt due beyond a year		
advances from group companies	19,186	
Capital element of finance lease rental payments	(23)	
	<hr/>	16,302
		<hr/>
<b>Net cash outflow from financing</b>		<b>19,302</b>
		<hr/> <hr/>

**22 ANALYSIS OF CHANGES IN NET DEBT**

	<b>Acquisitions (excluding cash and overdrafts) £'000</b>	<b>Cash flow £'000</b>	<b>Other non-cash changes £'000</b>	<b>At 30 June 1998 £'000</b>
Cash at bank and in hand	-	519	-	519
Debt due after 1 year	-	(19,186)	-	(19,186)
Debt due within one year	(2,861)	2,861	-	-
Finance leases	(32)	23	-	(9)
		<hr/>		
		(16,302)		
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,893)	(15,783)	-	(18,676)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**FULHAM FOOTBALL LEISURE LIMITED**  
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**23 ACQUISITION OF SUBSIDIARY UNDERTAKINGS**

	Book value £'000	Adjustments £'000	Fair value £'000
<b>Net assets acquired</b>			
Player registration	174	-	174
Tangible fixed assets	110	-	110
Stocks	33	-	33
Debtors	57	-	57
Cash at bank and in hand	168	-	168
Creditors	(367)	-	(367)
Loans	(2,861)	-	(2,861)
Finance leases	(32)	-	(32)
	<hr/>	<hr/>	<hr/>
Net liabilities at fair value	(2,718)	-	(2,718)
 Goodwill			 2,718
			<hr/>
			-
			<hr/> <hr/>
<b>Satisfied by</b>			<b>£</b>
Cash			2
			<hr/> <hr/>

On 29 May 1997, the company acquired Fulham Football Club Limited and subsidiary undertakings, including Fulham Football Club (1987) Limited, the trading subsidiary. The accounts for the period ended 30 June 1998 incorporate the results of the acquired entities from the date of acquisition. The profit after taxation of the acquired group for the year ended 30 June 1997 was £337,000.

**24 FINANCIAL COMMITMENTS**

*a) Operating leases*

At 30 June 1998, the group had annual commitments under non-cancellable operating leases of £ Nil expiring within one year, and £69,878 expiring within 2-5 years.

The company had no operating lease commitments.

*b) Other commitments*

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

**25 CAPITAL COMMITMENTS**

Amounts contracted for but not provided for in the accounts amounted to £616,000 for the group and £ Nil for the company.

**26 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.

**FULHAM FOOTBALL LEISURE LIMITED**  
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**27 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:

	Purchases £	Sales £
Harrods Estates Limited	38,550	-
Harrods UK Limited	100,885	-
Harrods Limited	165,527	3,045
Metro Business Aviation Limited	23,723	3,708
Liberty Publishing Limited	179,038	10,481
Punch Limited	13,935	-
Hyde Park Residence Limited	368	5,168
Brompton Press Limited	-	49
Ruxley Holdings Limited	250	-

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

**28 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.

**29 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

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