

**FULHAM FOOTBALL LEISURE LIMITED**

**(Registered Number 3374347)**

**ANNUAL REPORT**

**YEAR ENDED 30 JUNE 2001**



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**FULHAM FOOTBALL LEISURE LIMITED**  
**(Registered Number 3374347)**  
**ANNUAL REPORT**  
**YEAR ENDED 30 JUNE 2001**

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**FULHAM FOOTBALL LEISURE LIMITED  
OFFICES AND ADVISORS**

**REGISTERED OFFICE**

Craven Cottage  
Stevenage Road  
London SW6 6HH

**AUDITORS**

PKF  
New Garden House  
78 Hatton Garden  
London EC1N 8JA

**BANKERS**

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

**SOLICITORS**

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

## **FULHAM FOOTBALL LEISURE LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the accounts for the year ended 30 June 2001, which show the state of the Group's affairs.

#### **REVIEW OF THE BUSINESS**

The group continued its long-term development of the business and expansion of activities both on and off the field. The season 2000/2001 was to prove a historic one for Fulham Football Club as new manager Jean Tigana led the team to the first division championship thus securing promotion to the Premier League. Off the field the company 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 and continue in its vision of becoming one of England's top football clubs.

Since achieving Premier League status further investment has been made to acquire new players and as a result Fulham Football Club is currently in 15<sup>th</sup> position in its first season in the Premier League and has reached the semi finals of the F A Cup for the first time in 27 years.

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 97 to 119 during the year and is set to increase further with the need for a Premier League infrastructure.

Our subsidiary company, Fulham Stadium Limited has successfully gained approval from the local council for its plans to build an all seater stadium on the existing Craven Cottage site. This is vital to secure the long-term financial viability of the Football Club and provide enhanced facilities for players, staff and our supporters.

#### **Post Balance Sheet events**

With regard to Players Registrations in Fulham Football Club (1987) Limited the following material acquisitions have taken place since the 30<sup>th</sup> June 2001.

E Van Der Sar was acquired from Juventus FC for £7m on 31st July 2001.

S Malbranque was acquired from Olympique Lyonnais for £5.2m on 30th July 2001

A Quaddou was acquired from Nancy for £1.9m on 20th July 2001.

J Harley was acquired from Chelsea FC for £3.2m (rising to £3.5m on appearances) on 8th August 2001.

S Legwinski was acquired from FC Girondins De Bordeaux for £3.2m on 22nd August 2001.

S Marlet was acquired from Olympique Lyonnais for £11.3m on 28th August 2001.

On 12 February 2002 the Fulham Football Club (1987) Limited raised £8m of debt finance. This debt is secured on the Basic Award Fund receivable from The Premier League, and is fully repayable by August 2003.

#### **RESULTS AND DIVIDENDS**

The loss for the financial period, amounted to £23,251,000 (2000 : £13,862,000). The directors do not recommend payment of a dividend. The loss of £23,251,000 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.

**FULHAM FOOTBALL LEISURE 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<br/>shares of £1 each<br/>30 June 2001</b> | <b>'B' Ordinary<br/>shares of £1 each<br/>30 June 2001</b> | <b>'A' Ordinary<br/>shares of £1 each<br/>30 June 2000</b> | <b>'B' Ordinary<br/>shares of £1 each<br/>30 June 2000</b> |
|---------------------------------------|--|--|--|--|
| M Al Fayed                            | 4,500,000  | -  | 3,150,000  | -  |
| S H Benson                            | -  | -  | -  | -  |
| A M Muddyman*                         | -  | 750,000  | -  | 525,000  |
| W F Muddyman                          | -  | -  | -  | -  |
| J M Griffiths (resigned 25 July 2001) | -  | -  | -  | -  |
| M J Fiddy (resigned 12 December 2001) | -  | -  | -  | -  |

\* 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 B T Delaney was appointed as a director on the 12 October 2001, Mr M A E Collins was appointed as a director on the 1<sup>st</sup> November 2001 and Mr M S Fayed was appointed as a director on the 1<sup>st</sup> March 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 36 (2000:41) 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.

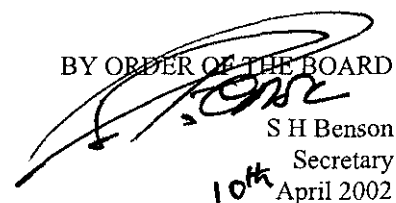
**POLICY ON EMPLOYEE INVOLVEMENT**

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  
10th April 2002

**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 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.

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.

**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 2001 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.

**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 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London  
11 April 2002

PKF

PKF  
Registered Auditors

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 JUNE 2001**

|   | <u>Notes</u> | <u>Year ended</u><br><u>30 June 2001</u><br>£'000 | <u>Year ended</u><br><u>30 June 2000</u><br>£'000 |
|---|--------------|---|---|
| <b>Turnover</b>   | 2            | 8,957   | 7,560   |
| Other operating income                                      |              | 953   | -   |
|   |              | <hr/>   | <hr/>   |
|   |              | 9,910   | 7,560   |
| External charges  |              | (7,242)   | (5,195)   |
| Staff costs   | 3            | (19,308)  | (10,917)  |
| Depreciation  |              | (1,534)   | (1,387)   |
| Deferred income   |              | 157   | 114   |
| Amortisation of goodwill                                    |              | (544)   | (543)   |
| Amortisation of player registration<br>and associated items | 4            | (5,501)   | (3,790)   |
|   |              | <hr/>   | <hr/>   |
| <b>Operating loss</b>                                       | 5            | (24,062)  | (14,158)  |
| Profit on disposal of player registrations                  |              | 1,226   | 325   |
| Interest receivable and similar income                      |              | 65  | 24  |
| Interest payable and similar charges                        | 7            | (480)   | (53)  |
|   |              | <hr/>   | <hr/>   |
| <b>Loss on ordinary activities before<br/>taxation</b>      |              | (23,251)  | (13,862)  |
| Taxation on loss on ordinary activities                     |              | -   | -   |
|   |              | <hr/>   | <hr/>   |
| Retained loss for the financial year                        | 17           | (23,251)  | (13,862)  |
|   |              | <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 2001**

|  | <u>Notes</u> | <u>2001</u> | <u>2000</u> |
|--|--------------|-------------|-------------|
|  |              | £'000       | £'000       |
| <b>FIXED ASSETS</b>                          |              |             |             |
| Intangible assets                            | 9            | 16,184      | 11,361      |
| Tangible assets                              | 10           | 11,449      | 11,462      |
|  |              | <hr/>       | <hr/>       |
|  |              | 27,633      | 22,823      |
| <b>CURRENT ASSETS</b>                        |              |             |             |
| Stocks                                       |              | 117         | 217         |
| Debtors                                      | 12           | 1,600       | 626         |
| Cash at bank and in hand                     |              | 1,223       | 1,525       |
|  |              | <hr/>       | <hr/>       |
|  |              | 2,940       | 2,368       |
| <b>CREDITORS</b>                             |              |             |             |
| Amounts falling due within one year          | 14           | (18,573)    | (9,289)     |
|  |              | <hr/>       | <hr/>       |
| <b>NET CURRENT LIABILITIES</b>               |              | (15,633)    | (6,921)     |
|  |              | <hr/>       | <hr/>       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              | 12,000      | 15,902      |
| <b>CREDITORS</b>                             |              |             |             |
| Amounts falling due after more than one year | 14           | (57,375)    | (42,129)    |
| <b>DEFERRED INCOME</b>                       | 15           | (3,985)     | (1,682)     |
|  |              | <hr/>       | <hr/>       |
| <b>NET LIABILITIES</b>                       |              | (49,360)    | (27,909)    |
|  |              | <hr/>       | <hr/>       |
| <b>CAPITAL AND RESERVES</b>                  |              |             |             |
| Called up share capital                      | 16           | 6,000       | 4,200       |
| Profit and loss account                      | 17           | (55,360)    | (32,109)    |
|  |              | <hr/>       | <hr/>       |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>            | 18           | (49,360)    | (27,909)    |
|  |              | <hr/>       | <hr/>       |

Approved by the board on 10<sup>th</sup> April 2002

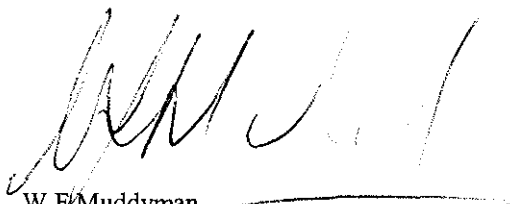
W F Muddyman  
Director

M A E Collins  
Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**BALANCE SHEET**  
**30 JUNE 2001**

|  | <u>Notes</u> | <u>2001</u>     | <u>2000</u>     |
|--|--------------|-----------------|-----------------|
|  |              | £'000           | £'000           |
| <b>FIXED ASSETS</b>                          |              |                 |                 |
| Investments                                  | 11           | 9,119           | 9,933           |
| <b>CURRENT ASSETS</b>                        |              |                 |                 |
| <b>DEBTORS</b>                               |              |                 |                 |
| Amounts falling due                          |              |                 |                 |
| within one year                              | 12           | 5               | 1               |
| after one year                               | 13           | 840             | 3,160           |
| Cash at bank and in hand                     |              | 377             | 245             |
|  |              | <u>1222</u>     | <u>3,406</u>    |
| <b>CREDITORS</b>                             |              |                 |                 |
| Amounts falling due within one year          | 14           | (32)            | (3)             |
|  |              | <u>1190</u>     | <u>3,403</u>    |
| <b>NET CURRENT ASSETS</b>                    |              |                 |                 |
|  |              | <u>10,309</u>   | <u>13,336</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              |                 |                 |
|  |              |                 |                 |
| <b>CREDITORS</b>                             |              |                 |                 |
| Amounts falling due after more than one year | 14           | (57,070)        | (42,125)        |
|  |              | <u>(46,761)</u> | <u>(28,789)</u> |
| <b>NET LIABILITIES</b>                       |              |                 |                 |
|  |              |                 |                 |
| <b>CAPITAL AND RESERVES</b>                  |              |                 |                 |
| Called up share capital                      | 16           | 6,000           | 4,200           |
| Profit and loss account                      | 17           | (52,761)        | (32,989)        |
|  |              | <u>(46,761)</u> | <u>(28,789)</u> |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>            |              |                 |                 |
|  |              |                 |                 |

Approved by the board on 10<sup>th</sup> April 2002

  
W F Muddyman  
Director

  
M A E Collins  
Director

**FULHAM FOOTBALL LEISURE LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 30 JUNE 2001**

|  | <u>Notes</u> | <u>2001</u><br>£'000 | £'000    | <u>2000</u><br>£'000 |
|--|--------------|----------------------|----------|----------------------|
| Net cash outflow from operating activities                     | 19           |                      | (11,768) | (2,561)              |
| Returns on investment and servicing of finance                 | 20           |                      | (454)    | 23                   |
| Capital expenditure  | 20           |                      | (4,303)  | (8,618)              |
|  |              |                      | <hr/>    | <hr/>                |
| Net cash outflow before use of liquid resources and financing  |              |                      | (16,525) | (11,156)             |
| Financing  | 20           |                      |          |                      |
| Issue of shares  |              | 1,800                |          | 1,200                |
| Increase in debt   |              | 14,423               |          | 10,193               |
|  |              | <hr/>                | <hr/>    |                      |
| Net cash inflow from financing                                 |              |                      | 16,223   | 11,393               |
|  |              |                      | <hr/>    | <hr/>                |
| (Decrease)/increase in cash in the year                        |              |                      | (302)    | 237                  |
|  |              |                      | <hr/>    | <hr/>                |
| <b>Reconciliation Of Net Cash Flow To Movement In Net Debt</b> |              |                      |          |                      |
| (Decrease)/increase in cash in the year                        |              |                      | (302)    | 237                  |
| Cash inflow from increase in debt and lease financing          |              |                      | (14,423) | (10,193)             |
|  |              |                      | <hr/>    | <hr/>                |
| Change in net debt resulting from cash flows                   |              |                      | (14,725) | (9,956)              |
| New finance leases   |              |                      | (6,400)  | -                    |
|  |              |                      | <hr/>    | <hr/>                |
| Movement in net debt in the year                               |              |                      | (21,125) | (9,956)              |
| Net debt at 30 June 2000                                       |              |                      | (40,611) | (30,655)             |
|  |              |                      | <hr/>    | <hr/>                |
| Net debt at 30 June 2001                                       | 21           |                      | (61,736) | (40,611)             |
|  |              |                      | <hr/>    | <hr/>                |

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

**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 2001 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 (BVI) 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 (BVI) 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.

**(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      |

**(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 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.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

**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, 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.

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.

|   | <u>Year ended</u><br><u>30 June 2001</u><br>£'000 | <u>Year ended</u><br><u>30 June 2000</u><br>£'000 |
|---|---|---|
| Match receipts  | 3,764   | 3,270   |
| Football league and football association distribution | 997   | 982   |
| Revenue from commercial activities                    | 4,196   | 3,308   |
|   | <hr/>   | <hr/>   |
|   | 8,957   | 7,560   |
|   | <hr/>   | <hr/>   |

**3 STAFF COSTS**

|  | <u>Year ended</u><br><u>30 June 2001</u><br>£'000 | <u>Year ended</u><br><u>30 June 2000</u><br>£'000 |
|--|---|---|
| Wages and salaries                                     | 17,316  | 9,889   |
| Social security costs                                  | 1,893   | 949   |
| Other pension costs                                    | 99  | 79  |
|  | <hr/>   | <hr/>   |
|  | 19,308  | 10,917  |
|  | <hr/>   | <hr/>   |
| Average numbers employed by the group during the year: |   |   |
|  | <u>Number</u>                                     | <u>Number</u>                                     |
| Administration and ground staff                        | 119   | 97  |
| Players (including Ladies Squad)                       | 52  | 38  |
|  | <hr/>   | <hr/>   |
|  | 171   | 135   |
| Casual and part-time staff                             | 192   | 175   |
|  | <hr/>   | <hr/>   |
|  | 363   | 310   |
|  | <hr/>   | <hr/>   |

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

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

|                                      | <u>Year ended</u><br><u>30 June 2001</u><br>£'000 | <u>Year Ended</u><br><u>30 June 2000</u><br>£'000 |
|--------------------------------------|---|---|
| Amortisation of player registrations | 5,094   | 3,463   |
| Net transfer levies payable          | 407   | 327   |
|                                      | <hr/> 5,501                                       | <hr/> 3,790                                       |

**5 OPERATING LOSS**

|  | <u>Year ended</u><br><u>30 June 2001</u><br>£'000 | <u>Year Ended</u><br><u>30 June 2000</u><br>£'000 |
|--|---|---|
| This is stated after charging  |   |   |
| Auditors' remuneration - audit   | 25  | 15  |
| - other fees   | 35  | 17  |
| Depreciation of owned fixed assets   | 1,534   | 1,386   |
| Depreciation of assets held under finance leases and hire purchase contracts | 4   | 1   |
| Amortisation of goodwill   | 544   | 543   |
| Amortisation of owned player registrations                                   | 4,449   | 3,463   |
| Amortisation of player registrations under finance leases                    | 645   | -   |
| Operating lease rentals - plant and machinery                                | 75  | 106   |
| -land and buildings  | 141   | 80  |
|  | <hr/> 480   | <hr/> 53  |

**6 DIRECTORS' EMOLUMENTS**

Aggregate directors emoluments during the year totalled £160,174 (2000: £194,150). The highest paid director's emoluments totalled £160,174, including pension contributions of £8,609. Contributions were made to a related company's pension scheme in respect of one director.

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

|                                     | <u>Year ended</u><br><u>30 June 2001</u><br>£'000 | <u>Year Ended</u><br><u>30 June 2000</u><br>£'000 |
|-------------------------------------|---|---|
| Hire and lease purchase obligations | 200   | 1   |
| Amounts payable to related parties  | 280   | 52  |
|                                     | <hr/> 480   | <hr/> 53  |

**8 LOSS FOR THE YEAR**

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 £19,772,000 (2000: £13,317,000).

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

**9 INTANGIBLE FIXED ASSETS**

| <b>Group</b>             | <b>Goodwill</b> | <b>Player registrations</b> | <b>Total</b> |
|--------------------------|-----------------|-----------------------------|--------------|
|                          | <b>£'000</b>    | <b>£'000</b>                | <b>£'000</b> |
| <b>Cost</b>              |                 |                             |              |
| At 1 July 2000           | 2,718           | 17,392                      | 20,110       |
| Additions                | -               | 11,009                      | 11,009       |
| Disposals                | -               | (2,882)                     | (2,882)      |
| At 30 June 2001          | 2,718           | 25,519                      | 28,237       |
| <b>Amortisation</b>      |                 |                             |              |
| At 1 July 2000           | 1,676           | 7,073                       | 8,749        |
| Provided during the year | 544             | 5,094                       | 5,638        |
| Disposals                | -               | (2,334)                     | (2,334)      |
| At 30 June 2001          | 2,220           | 9,833                       | 12,053       |
| <b>Net book amount</b>   |                 |                             |              |
| At 30 June 2001          | 498             | 15,686                      | 16,184       |
| At 30 June 2000          | 1,042           | 10,319                      | 11,361       |

Goodwill arises on the acquisition of Fulham Football Club Limited. The net book value of player registrations above includes £3,799,985 (2000: £NIL) in respect of registrations held under finance leases and hire purchase contracts.

**10 TANGIBLE FIXED ASSETS**

| <b>Group</b>             | <b>Freehold Land</b> | <b>Leasehold Improvements</b> | <b>Motor Vehicles</b> | <b>Stands, Fixtures, Fittings and Equipment</b> | <b>Total</b> |
|--------------------------|----------------------|-------------------------------|-----------------------|---|--------------|
|                          | <b>£,000</b>         | <b>£,000</b>                  | <b>£,000</b>          | <b>£,000</b>                                    | <b>£,000</b> |
| <b>Cost</b>              |                      |                               |                       |   |              |
| At 1 July 2000           | 6,814                | 335                           | -                     | 7,421   | 14,570       |
| Additions                | -                    | 324                           | 6                     | 1,205   | 1,535        |
| Disposals                | -                    | -                             | -                     | (20)  | (20)         |
| At 30 June 2001          | 6,814                | 659                           | 6                     | 8,606   | 16,085       |
| <b>Depreciation</b>      |                      |                               |                       |   |              |
| At 1 July 2000           | -                    | 46                            | -                     | 3,062   | 3,108        |
| Provided during the year | -                    | 32                            | 2                     | 1,500   | 1,534        |
| Disposals                | -                    | -                             | -                     | (6)   | (6)          |
| At 30 June 2001          | -                    | 78                            | 2                     | 4,556   | 4,636        |
| <b>Net Book Amount</b>   |                      |                               |                       |   |              |
| At 30 June 2001          | 6,814                | 581                           | 4                     | 4,050   | 11,449       |
| At 30 June 2000          | 6,814                | 289                           | -                     | 4,359   | 11,462       |

The net book value of fixed assets above includes an amount of £10,360 (2000: £14,244) in respect of assets held under finance leases and hire purchase contracts.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

**10 TANGIBLE FIXED ASSETS (Continued)**

The amount stated for Stands, Fixtures, Fittings and Equipment includes the sum of £2,119,662 which represents the total amount expended at 30 June 2001 on professional fees etc relating to the proposed redevelopment of the football stadium at Craven Cottage. The fees, and any further such expenditure will be transferred into Construction under Development and in due course form part of the total fixed asset expenditure on the redevelopment, on which depreciation will commence once the redeveloped stadium is completed and opened for business.

The amount stated for Stands, Fixtures, Fittings and Equipment includes the sum of £22,613 which represents the total amount expended at 30 June 2001 on assets under construction.

**11 FIXED ASSET INVESTMENTS**

**Company**

**Investments in subsidiary undertakings:**

|                                       |              |
|---------------------------------------|--------------|
|                                       | <b>£'000</b> |
| At 1 July 2000                        | 9,933        |
| Additions in the period               | -            |
| Provision against diminution in value | (814)        |

|                 |       |
|-----------------|-------|
| At 30 June 2001 | 9,119 |
|-----------------|-------|

At 30 June 2001, 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<br>(by Guarantee) | Dormant                                   | 100% of voting rights              |

**12 DEBTORS**

|  | <u>Group</u><br><u>2001</u><br><u>£'000</u> | <u>Group</u><br><u>2000</u><br><u>£'000</u> | <u>Company</u><br><u>2001</u><br><u>£'000</u> | <u>Company</u><br><u>2000</u><br><u>£'000</u> |
|--|---|---|---|---|
| <b>Amounts falling due in one year</b> |   |   |   |   |
| Trade debtors                          | 849   | 388   | -   | -   |
| Related party debtors                  | 3   | -   | -   | -   |
| Other debtors                          | 80  | 101   | 5   | 1   |
| Prepayments and accrued income         | 668   | 137   | -   | -   |
|  | <u>1,600</u>                                | <u>626</u>                                  | <u>5</u>                                      | <u>1</u>                                      |

**13 DEBTORS**

**Amounts falling due after more than one year**

|                                    |   |   |     |       |
|------------------------------------|---|---|-----|-------|
| Amounts owed by group undertakings | - | - | 840 | 3,160 |
|------------------------------------|---|---|-----|-------|



**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

| 14 CREDITORS                         | <u>Group</u><br><u>2001</u><br>£'000 | <u>Group</u><br><u>2000</u><br>£'000 | <u>Company</u><br><u>2001</u><br>£'000 | <u>Company</u><br><u>2000</u><br>£'000 |
|--------------------------------------|--------------------------------------|--------------------------------------|--|--|
| <b>Due within one year:</b>          |                                      |                                      |  |  |
| Trade creditors                      | 5,729                                | 3,794                                | 2                                      | -                                      |
| Amounts due to related parties       | 3,660                                | 4,185                                | -                                      | -                                      |
| Other taxation and social security   | 1,547                                | 522                                  | -                                      | -                                      |
| Finance lease obligations            | 5,889                                | 7                                    | -                                      | -                                      |
| Accruals and deferred income         | 1,748                                | 781                                  | 30                                     | 3                                      |
|                                      | <hr/> 18,573 <hr/>                   | <hr/> 9,289 <hr/>                    | <hr/> 32 <hr/>                         | <hr/> 3 <hr/>                          |
| <b>Due after more than one year:</b> |                                      |                                      |  |  |
| Amounts owed to group undertakings   | 57,070                               | 42,125                               | 57,070                                 | 42,125                                 |
| Finance lease obligations            | -                                    | 4                                    | -                                      | -                                      |
| Accruals                             | 305                                  | -                                    | -                                      | -                                      |
|                                      | <hr/> 57,375 <hr/>                   | <hr/> 42,129 <hr/>                   | <hr/> 57,070 <hr/>                     | <hr/> 42,125 <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 (BVI) 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 2001, the total loaned by Fulham Leisure Holdings (BVI) Limited was £55,500,000 by Loan Notes and £1,570,000 by other advances.

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

| 15 DEFERRED INCOME                           | <u>Group</u><br><u>2001</u><br>£'000 | <u>Group</u><br><u>2000</u><br>£'000 |
|--|--------------------------------------|--------------------------------------|
| Season ticket sales in advance               | 2,553                                | 1,020                                |
| Commercial income and sponsorship            | 1,283                                | 434                                  |
| Grants in respect of fixed asset expenditure | 149                                  | 228                                  |
|  | <hr/> 3,985 <hr/>                    | <hr/> 1,682 <hr/>                    |

The Company has no deferred income (2000: nil)

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

**16 SHARE CAPITAL**

|  | <u>2001</u><br>£ | <u>2000</u><br>£ |
|--|------------------|------------------|
| <b>Authorised</b>  |                  |                  |
| 23,062,500 "A" Ordinary shares of £1 each                  | 23,062,500       | 23,062,500       |
| 7,687,500 "B" Ordinary Shares of £1 each                   | 7,687,500        | 7,687,500        |
|  | <hr/>            | <hr/>            |
|  | 30,750,000       | 30,750,000       |
|  | <hr/>            | <hr/>            |
| <b>Allotted, called up and fully paid</b>                  |                  |                  |
| 4,500,000 (2000: 3,150,000) "A" Ordinary shares of £1 each | 4,500,000        | 3,150,000        |
| 1,500,000 (2000: 1,050,000) "B" Ordinary Shares of £1 each | 1,500,000        | 1,050,000        |
|  | <hr/>            | <hr/>            |
|  | 6,000,000        | 4,200,000        |
|  | <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.

During the year 1,350,000 "A" Ordinary shares of £1 each were allotted for cash at par, and 450,000 "B" Ordinary shares were allotted for cash at par.

**17 PROFIT AND LOSS ACCOUNT**

|                            | <u>Group</u><br>£'000 | <u>Company</u><br>£'000 |
|----------------------------|-----------------------|-------------------------|
| At 1 July 2000             | (32,109)              | (32,989)                |
| Retained loss for the year | (23,251)              | (19,772)                |
|                            | <hr/>                 | <hr/>                   |
| At 30 June 2001            | (55,360)              | (52,761)                |
|                            | <hr/>                 | <hr/>                   |

**18 SHAREHOLDERS' FUNDS**

|  | <u>Group</u><br><u>2001</u><br>£'000 | <u>Group</u><br><u>2000</u><br>£'000 |
|--|--------------------------------------|--------------------------------------|
| The reconciliation of movements in equity shareholders' funds is as follows: |                                      |                                      |
| Opening shareholders' funds  | (27,909)                             | (15,247)                             |
| Issue of shares  | 1,800                                | 1,200                                |
| Loss for the year  | (23,251)                             | (13,862)                             |
|  | <hr/>                                | <hr/>                                |
| Closing shareholders' funds  | (49,360)                             | (27,909)                             |
|  | <hr/>                                | <hr/>                                |

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

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

|  | <b>Year ended<br/>30 June 2001<br/>£'000</b> | <b>Year ended<br/>30 June 2000<br/>£'000</b> |
|--|--|--|
| Operating loss                             | (24,062)                                     | (14,158)                                     |
| Depreciation charges                       | 1,534  | 1,387  |
| Amortisation of goodwill                   | 544  | 543  |
| Amortisation of players' registrations     | 5,094  | 3,463  |
| Decrease/(increase) in stocks              | 100  | (104)  |
| (Increase)/decrease in debtors             | (974)  | 119  |
| Increase in creditors                      | 3,746  | 6,303  |
| Increase/(decrease) in deferred income     | 2,250  | (114)  |
|  | <hr/>  | <hr/>  |
| Net cash outflow from operating activities | <b>(11,768)</b>                              | <b>(2,561)</b>                               |
|  | <hr/>  | <hr/>  |

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

**Returns on investment and servicing of finance**

|  |              |           |
|--|--------------|-----------|
| Interest received  | 65           | 24        |
| Interest paid  | (239)        | -         |
| Interest element of finance lease rental payments                                | (280)        | (1)       |
|  | <hr/>        | <hr/>     |
| Net cash (outflow)/inflow from returns on<br>investment and servicing of finance | <b>(454)</b> | <b>23</b> |
|  | <hr/>        | <hr/>     |

**Capital expenditure**

|  |                |                |
|--|----------------|----------------|
| Purchase of players' registrations       | (4,609)        | (7,380)        |
| Sale of players' registrations           | 1,774          | 462            |
| Purchase of tangible fixed assets        | (1,536)        | (1,773)        |
| Sale of tangible fixed assets            | 15             | (6)            |
| Capital grants received                  | 53             | 79             |
|  | <hr/>          | <hr/>          |
| Net cash outflow for capital expenditure | <b>(4,303)</b> | <b>(8,618)</b> |
|  | <hr/>          | <hr/>          |

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

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

|  | <u>Year ended</u><br><u>30 June 2001</u> |        | <u>Year ended</u><br><u>30 June 2000</u> |        |
|--|--|--------|--|--------|
|  | £000                                     | £000   | £000                                     | £000   |
| <b>Financing</b>                                 |  |        |  |        |
| Issue of shares                                  |  | 1,800  |  | 1,200  |
| Debt due beyond a year                           |  |        |  |        |
| - advances from group companies                  | 14,945                                   |        | 10,186                                   |        |
| Capital element of finance lease rental payments | (522)                                    |        | 7  |        |
|  |  | 14,423 |  | 10,193 |
| <b>Net cash inflow from financing</b>            |  | 16,223 |  | 11,393 |

**21 ANALYSIS OF CHANGES IN NET DEBT**

|                          | <u>At 30 June</u><br><u>2000</u><br>£'000 | <u>Cash</u><br><u>flows</u><br>£'000 | <u>Non-cash</u><br><u>changes</u><br>£'000 | <u>At 30 June</u><br><u>2001</u><br>£'000 |
|--------------------------|---|--------------------------------------|--|---|
| Cash at bank and in hand | 1,525                                     | (302)                                | -  | 1,223                                     |
| Debt due after one year  | (42,125)                                  | (14,945)                             | -  | (57,070)                                  |
| Finance leases           | (11)                                      | 522                                  | (6,400)                                    | (5,889)                                   |
|                          | (40,611)                                  | (14,725)                             | (6,400)                                    | (61,736)                                  |

**22 FINANCIAL COMMITMENTS**

**Operating leases**

At 30 June 2001, the group had annual commitments under non-cancellable operating leases of £91,000 (2000:£94,000) expiring within one year, and £79,000 (2000 : £163,000) expiring within 2-5 years relating to plant and machinery.

In addition, the company had an annual commitment under a non-cancellable operating lease of £141,000 (2000:£104,000) expiring after five years relating to land and buildings.

The company had no other operating lease commitments.

**Other commitments**

Signing on fees of £1,382,167 (2000: £1,756,159) 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 £925,000 (2000: £875,000).

**23 CAPITAL COMMITMENTS**

Amounts contracted for but not provided for in the accounts amounted to £Nil (2000 : £81,000) for the group and £Nil (2000:Nil) for the company.

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

**24 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>2001</b>      |               | <b>2000</b>      |              |
|---------------------------------|------------------|---------------|------------------|--------------|
|                                 | <b>Purchases</b> | <b>Sales</b>  | <b>Purchases</b> | <b>Sales</b> |
|                                 | <b>£</b>         | <b>£</b>      | <b>£</b>         | <b>£</b>     |
| Harrods Estates Limited         | 12,000           | -             | 26,000           | -            |
| Harrods UK Limited              | 500,174          | -             | 24,623           | -            |
| Harrods Limited                 | 168,814          | 247           | 256,782          | 24           |
| Metro Business Aviation Limited | 11,820           | -             | 49,637           | 2,408        |
| Liberty Publishing Limited      | -                | -             | 660              | -            |
| Hyde Park Residence Limited     | -                | 2,169         | 800              | 1,021        |
| Ruxley Holdings Limited         | -                | 5,756         | -                | 749          |
| FL Property Management Limited  | 137,493          | 10,875        | 80,000           | 1,492        |
| Liberty Radio Limited           | -                | -             | 778              | 964          |
| ACF Sevenoaks Limited           | -                | -             | -                | 749          |
| Air Harrods                     | -                | -             | 3,160            | -            |
|                                 | <b>830,301</b>   | <b>19,047</b> | <b>442,440</b>   | <b>7,407</b> |

As at 30th June 2001 a total of £3,571,905 (2000:£3,905,756) was owed to Harrods Ltd, £89,564 (2000:£272,351) was owed to Harrods UK Ltd and £NIL (2000: £7,588) was owed to Harrods Estates Ltd. These amounts were fully repaid on the 29th January 2002. In addition an amount of £2,901 was due from Harrods Ltd (2000: NIL).

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.

**25 PENSION SCHEME**

Payments are made into a number of defined contribution schemes. Total contributions charged during the year amounted to £98,729 (2000: £ 79,165).

**FULHAM FOOTBALL LEISURE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2001**

**26 POST BALANCE SHEET EVENTS**

With regard to Players Registrations in Fulham Football Club (1987) Limited the following material acquisitions have taken place since the 30<sup>th</sup> June 2001.

E Van Der Sar was acquired from Juventus FC for £7m on 31st July 2001.

S Malbranque was acquired from Olympique Lyonnais for £5.2m on 30th July 2001

A Quaddou was acquired from Nancy for £1.9m on 20th July 2001.

J Harley was acquired from Chelsea FC for £3.2m (rising to £3.5m on appearances) on 8th August 2001.

S Legwinski was acquired from FC Girondins De Bordeaux for £3.2m on 22nd August 2001.

S Marlet was acquired from Olympique Lyonnais for £11.3m on 28th August 2001.

On 12 February 2002 Fulham Football Club (1987) Limited raised £8m of debt finance. This debt is secured on the Basic Award Fund receivable from The Premier League, and is fully repayable by August 2003.

**27 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's immediate and 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.

**FULHAM FOOTBALL LEISURE LIMITED  
COMPANY PROFIT AND LOSS ACCOUNT  
YEAR ENDED 30 JUNE 2001**

**FOR CONSOLIDATION PURPOSES ONLY**

|  | <u>2001</u><br>£'000 | <u>2000</u><br>£'000 |
|--|----------------------|----------------------|
| Turnover   | -                    | 40                   |
| Other operating income                                 | -                    | -                    |
|  | <hr/>                | <hr/>                |
|  | -                    | 40                   |
| External charges                                       | (76)                 | (90)                 |
| Staff costs  | -                    | -                    |
| Provision against debts due from subsidiaries          | (19,710)             | (13,276)             |
|  | <hr/>                | <hr/>                |
| Operating loss   | (19,786)             | (13,326)             |
| Interest receivable and similar income                 | 14                   | 9                    |
|  | <hr/>                | <hr/>                |
| <b>Loss on ordinary activities before<br/>taxation</b> | <b>(19,772)</b>      | <b>(13,317)</b>      |
|  | <hr/> <hr/>          | <hr/> <hr/>          |