

Fulham Football Club (1987) Limited

Financial Statements 30 June 1999
together with directors' and auditors' reports

Registered number: 2114486



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Offices and Advisors

For the year ended 30 June 1999

Registered Office:

Craven Cottage
Stevenage Road
London
SW6 6HH

Auditors:

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

Bankers:

Midland Bank plc
Poultry & Princes
27-32 Poultry
London
EC2P 2BX

Solicitors:

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

Directors' report

For the year ended 30 June 1999

Financial statements

The directors present their report and financial statements for the year ended 30 June 1999.

Business review

During the year, the company continued the 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 was given a boost with the 1998/99 season concluding with the club being promoted as Champions of the 2nd Division. The directors are confident that this success can be consolidated upon in the coming season.

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 changed from GMB to Demon Internet. 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.

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, with our Football Academy now well established.

Our fellow subsidiary company, 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.

A new training ground situated at Motspur Park, New Malden has been leased over a 25 year period, this greatly enhances the facilities available to the first team squad. The retail premises situated at 959/961 Fulham Palace Road is now fully operational and contributes to the overall profile and profitability of the company.

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, this process is in its final phase and will result in a smooth changeover at 31st December 1999. 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.

Directors' report (continued)

For the year ended 30 June 1999

The environment

The company 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 company'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 company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers.

The company takes an average 36 days to pay its creditors. (1998: 33 days.)

Policy on disabled persons

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

Directors' report (continued)

For the year ended 30 June 1999

Directors' responsibilities

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

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

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

Principal activity

The company's principal activity is the operation of a professional Football League club.

Results and dividends

The company made a loss after tax of £8,840,981. The directors are unable to recommend the payment of a dividend (1998: £Nil).

Future developments

The directors continue to actively plan for the future development of the club. Planning permission is now being sought to develop Craven Cottage into a custom built 30,000 capacity all seater stadium, these plans include retaining some aspects of the existing structure which are of historical interest.

Charitable donations

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

H.A.P.A	£19,510
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Post balance sheet events

The directors are not aware of any events since the balance sheet date which would have a material impact in the financial statements.

Directors' report (continued)

For the year ended 30 June 1999

Directors

The directors who served during the year were as follows:

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

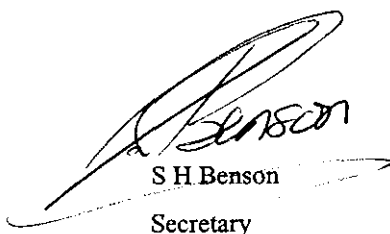
B T Delaney	Appointed 2/7/98
NJ Rodford	Appointed 1/8/98

Directors shareholdings are shown in the accounts of Fulham Football Leisure Limited.

Auditors

The auditors, Pannell Kerr Forster, continued as the Company's auditors. In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of auditors of the company will be put to the Annual General Meeting.

By order of the Board



S H Benson
Secretary

25TH November 1999

Auditors' report to the Shareholders

For the year ended 30 June 1999

We have audited the financial statements on pages 8 to 19 which have been prepared under the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 5 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 and 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 of the financial statements concerning the continuing support that has been indicated by a fellow group company and the consequent adoption of the going concern basis for the preparation of the accounts.

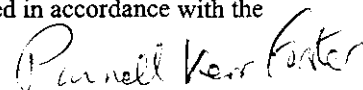
In view of the significance of this matter we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 1999 and the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

2 March 2000


PANNELL KERR FORSTER

Chartered Accountants

Registered Auditors

Profit and loss account

For the year ended 30 June 1999

	Notes	1999	1998
		£	£
Turnover	3	6,372,017	3,742,767
Other operating income		<u>500,000</u>	<u>6,136</u>
		6,872,017	3,748,903
External charges		(5,454,255)	(3,320,119)
Staff costs	4	(7,569,299)	(5,140,078)
Depreciation		(150,904)	(34,768)
Amortisation of player registrations & associated items	5	(2,828,021)	(1,653,033)
Operating loss	6	(9,130,462)	(6,399,095)
Profit on disposal of player registrations		265,111	201,705
Net Interest Receivable	7	24,370	10,922
Loss on ordinary activities before taxation		(8,840,981)	(6,186,468)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss for the year transferred to reserves	16	<u>(8,840,981)</u>	<u>(6,186,468)</u>

Statement of total recognised gains and losses

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

Continuing operations

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

The notes on pages 10 to 19 form a part of these financial statements.

Balance Sheet

As at 30 June 1999

	Notes	1999	1998
		£	£
Fixed assets			
Tangible assets	9	782,712	188,774
Intangible assets	10	<u>6,538,528</u>	<u>5,805,091</u>
		7,321,240	5,993,865
Current assets			
Stocks		112,553	41,830
Debtors	11	632,016	682,481
Cash at bank and in hand		<u>682,523</u>	<u>305,111</u>
		1,427,092	1,029,422
Creditors: amounts falling due within one year	12	<u>(25,755,128)</u>	<u>(15,959,560)</u>
Net current liabilities		<u>(24,328,036)</u>	<u>(14,930,138)</u>
Total assets less current liabilities		<u>(17,006,796)</u>	<u>(8,936,273)</u>
Creditors: amounts falling due after more than one year	13	(1,152)	(3,184)
Deferred income	14	<u>(1,319,157)</u>	<u>(546,667)</u>
		<u>(1,320,309)</u>	<u>(549,851)</u>
Net Liabilities		<u><u>(18,327,105)</u></u>	<u><u>(9,486,124)</u></u>
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account	16	<u>(18,327,107)</u>	<u>(9,486,126)</u>
Equity shareholders' funds	17	<u><u>(18,327,105)</u></u>	<u><u>(9,486,124)</u></u>

The notes on pages 10 to 19 form part of these financial statements.

The financial statements on pages 8 to 19 were approved by the Board on 25th November 1999.

W F Muddyman
Director

J M Griffiths
Director

Notes to the financial statements

For the year ended 30 June 1999

1 Basis of preparation of financial statements

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are set out below.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operating existence for the foreseeable future. In concluding that it was appropriate to adopt the going concern basis in preparing these financial statements the directors have had regard to the indications received from Fulham Leisure Holdings (BVI) Limited that continued funding will be made available to finance the company's working capital requirements for the foreseeable future. Although there is no legal obligation for Fulham Leisure Holdings (BVI) Limited to provide this continued support, the directors are confident that such funding will be forthcoming.

2 Accounting policies

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Turnover

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

c) Grants

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

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

d) Signing on fees

Signing on fees relating to players' contracts are charged to the profit and loss account in the period in which they become due. Signing on fees are considered to be part of players' emoluments packages and are included in the accounts as part of staff costs.

Notes to the financial statements (continued)

For the year ended 30 June 1999

2 Accounting policies continued

e) Transfer fees

Fees payable to other football clubs on the transfer of players' registrations, are recorded as intangible fixed assets, and are dealt with in accordance with the recommendations of Financial Reporting Standard No. 10. 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 when they occur.

Intangible fixed assets and amortisation

Transfer fees are amortised over the life of a player's contract with the club. Additional transfer fees payable as a result of such things as future appearances are also depreciated over the life of a player's contract with the club.

f) Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, which is reviewed annually. The depreciation rates used are as follows:

Ground equipment and furniture	- 10% - 25% per annum
Motor vehicles	- 25% per annum
Computer equipment	- 25% per annum
Leasehold buildings	- 15 years

g) Leases and hire purchase contracts

Assets acquired under hire or lease purchase agreements are capitalised in the balance sheet as tangible fixed assets and are depreciated in accordance with their classification. The related finance charges are charged to the profit and loss account evenly over the term of the relevant agreement.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

h) Stocks

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

i) Pensions

The pension cost charged in the year represents contributions payable by the company to various pension schemes.

Notes to the financial statements (continued)

For the year ended 30 June 1999

j) *Deferred taxation*

Deferred taxation, calculated on the liability basis, is provided on timing differences to the extent that a liability for the payment of such taxation is expected to arise in the foreseeable future.

k) *Compliance with accounting standards*

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

3 Turnover

	1999	1998
	£	£
Match receipts	2,925,355	1,912,563
Football League and Football Association distribution	561,620	430,415
Revenue from commercial activities	<u>2,885,042</u>	<u>1,399,789</u>
	<u>6,372,017</u>	<u>3,742,767</u>

Included within turnover is a grant of £69,000 (1998:Nil) received from Sport England in respect of the Football Academy.

4 Staff numbers and costs

Staff costs during the year (including directors emoluments) amounted to:

	1999	1998
	£	£
Wages and salaries	6,795,611	4,611,517
Social security costs	586,592	368,640
Pension costs	<u>187,096</u>	<u>159,921</u>
	<u>7,569,299</u>	<u>5,140,078</u>

The average monthly number of employees during the year was 236 (1998: 101) made up as follows:

	Number	Number
Administrative and ground staff	70	46
Players	<u>33</u>	<u>29</u>
	103	75
Part-time staff	<u>133</u>	<u>26</u>
	<u>236</u>	<u>101</u>

Aggregate directors emoluments during the year totalled £110,294 (1998:£76,747) Contributions were made to an associated company's pension scheme in respect of 1 director.

Notes to the financial statement (continued)

For the year ended 30 June 1999

5 Amortisation of player registrations and associated items

	1999	1998
	£	£
Amortisation of player registrations	2,725,345	1,403,287
Net transfer levies payable	<u>102,676</u>	<u>249,746</u>
	<u>2,828,021</u>	<u>1,653,033</u>

6 Operating loss

Is stated after charging/(crediting):

	1999	1998
	£	£
Amounts paid under operating leases:		
- Land and Buildings	51,356	500,000
- Other	47,192	43,568
Auditors' remuneration for audit services	9,750	8,500
Auditors' remuneration for non-audit services	2,950	2,000
Depreciation		
- Owned fixed assets	149,751	32,090
- Assets under finance leases	1,153	2,678
- Amortisation of player registrations	2,725,345	1,403,287
- Amortisation of grant	<u>(3,120)</u>	<u>(3,120)</u>

7 Net Interest Receivable

	1999	1998
	£	£
Interest receivable on deposits:		
Bank interest	26,829	12,812
Other interest	<u>2,800</u>	<u>2,216</u>
	29,629	15,028
Interest payable on borrowings repayable within five years:		
Hire and lease purchase loans	(678)	(4,106)
Other interest	<u>(4,581)</u>	<u>-</u>
	<u>(5,259)</u>	<u>(4,106)</u>
	<u>24,370</u>	<u>10,922</u>

Notes to the financial statements (continued)

For the year ended 30 June 1999

8 Taxation

No tax arises on the results for the year (1998: Nil). The company has taxable losses available for offset against future taxable profits.

9 Tangible fixed assets

	Leasehold Improvements £	Motor vehicles £	Equipment £	Total £
Cost				
1 July 1998	30,107	18,100	315,651	363,858
Additions	272,880	-	500,608	773,488
Disposals	-	-	(27,516)	(27,516)
30 June 1999	<u>302,987</u>	<u>18,100</u>	<u>788,743</u>	<u>1,109,830</u>
Depreciation				
1 July 1998	627	14,038	160,419	175,084
Disposals	-	-	(24,066)	(24,066)
Additions	1,023	-	46,737	47,760
Charge for the year	<u>21,284</u>	<u>1,775</u>	<u>105,281</u>	<u>128,340</u>
30 June 1999	<u>22,934</u>	<u>15,813</u>	<u>288,371</u>	<u>327,118</u>
Net book value				
30 June 1999	<u>280,053</u>	<u>2,287</u>	<u>500,372</u>	<u>782,712</u>
30 June 1998	<u>29,480</u>	<u>4,062</u>	<u>155,232</u>	<u>188,774</u>

The net book value of fixed assets includes an amount of £8,364 (1998:£13,329) in respect of assets held under hire and lease purchase contracts.

Notes to the financial statements (continued)

For the year ended 30 June 1999

10 Intangible fixed assets

Player registrations

Cost	£
1 July 1998	7,300,000
Additions	3,591,671
Disposals	<u>(418,000)</u>
30 June 1999	<u>10,473,671</u>

Amortisation

1 July 1998	1,494,909
Disposals	(285,111)
Charge for the year	<u>2,725,345</u>
30 June 1999	<u>3,935,143</u>

Net Book Value

30 June 1999	<u>6,538,528</u>
30 June 1998	<u>5,805,091</u>

11 Debtors	1999	1998
	£	£
Trade debtors	500,819	555,448
Amounts due from other group companies	-	12,607
Other debtors	26,074	27,078
Prepayments and accrued income	<u>105,123</u>	<u>87,348</u>
	<u>632,016</u>	<u>682,481</u>

12 Creditors: amounts falling due within one year

	1999	1998
	£	£
Amounts due to Fulham Football Leisure Limited	22,200,000	11,908,161
Amounts due to Fulham Stadium Limited	1,000,000	500,000
Hire and lease purchase (note 18)	2,226	6,208
Trade creditors	1,426,530	2,755,827
Other taxes and social security	405,822	433,600
Accruals	<u>720,550</u>	<u>355,764</u>
	<u>25,755,128</u>	<u>15,959,560</u>

Notes to the financial statements (continued)

For the year ended 30 June 1999

13 Creditors: amounts falling due after more than one year

	1999	1998
	£	£
Hire and lease purchase (note 18)	<u>1,152</u>	<u>3,184</u>

14 Deferred income

	1999	1998
	£	£
Season ticket sales in advance for 1999/2000 season	883,586	423,672
Commercial Income and Sponsorship	432,963	117,267
Football Trust Grant to cover cost of specific costs	<u>2,608</u>	<u>5,728</u>
	<u>1,319,157</u>	<u>546,667</u>

15 Share capital

	1999	1998
	Number	Number
Authorised		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	£	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

16 Profit and loss account

	1999
	£
1 July 1998	(9,486,126)
Loss for the year	<u>(8,840,981)</u>
30 June 1999	<u>(18,327,107)</u>

Notes to the financial statements (continued)

For the year ended 30 June 1999

17 Reconciliation of movement in shareholders' funds

	1999	1998
	£	£
Opening shareholders' funds (as previously stated)	(9,486,124)	(3,544,829)
Value of restatement of losses	-	245,173
As restated	(9,486,124)	(3,299,656)
Loss for the financial year	(8,840,981)	(6,186,468)
Closing shareholders' funds	<u>(18,327,105)</u>	<u>(9,846,124)</u>

The value of restatement of losses relates to the change in accounting policy regarding player transfer fees during the year 1997/98.

18 Hire and lease purchase creditors

	1999	1998
	£	£
Amounts payable		
Within one year	2,226	6,208
Two to five years	<u>1,152</u>	<u>3,184</u>
	<u>3,378</u>	<u>9,392</u>

19 Financial commitments

a) Operating leases

At 30 June 1999, the company had an annual commitment of £1,000,000 (1998: £500,000) in respect of its 25 year lease at Craven Cottage. In addition there is an annual commitment of £80,000 (1998: Nil) in respect of the 30 year lease of Motspur Park training ground, and also a commitment of £25,000 (1998 : Nil) in respect of the shop premises at 959-961 Fulham Palace Road.

There were other annual commitments under non-cancellable operating leases of £ Nil (1997: Nil) expiring within one year, and £17,508 (1998: £69,878) expiring within 2-5 years.

b) Other commitments

Signing on fees of £1,724,000 (1998: £2,482,000) 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 £303,250 (1998: £477,500)

Notes to the financial statements (continued)

For the year ended 30 June 1999

20 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 £187,096.

21 Contingent liabilities

A claim has been lodged by an ex-employee for unfair dismissal. The directors are confident of a satisfactory outcome, and have made an appropriate provision for settlement and costs.

22 Related party information

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 year to 30 June 1999 is as follows:

	1999	1999	1998	1998
	Purchases	Sales	Purchases	Sales
	£	£	£	£
Harrods Estates Ltd	£47,109	-	£38,550	-
Harrods (UK) Ltd	£391,127	-	£100,885	-
Harrods Ltd	£111,909	£8,628	£165,527	£3,045
Metro Business Aviation Ltd	£38,629	£2,134	£23,723	£3,708
Liberty Publishing Ltd	£70,469	-	£179,038	£10,481
Punch Ltd	£171	-	£13,935	-
F.L.Property Management Ltd	£79,235	£119	-	-
Liberty Radio	£500	£5,825	-	-
Hyde Park Residence	-	-	£368	£5,168
Brompton Press	-	-	-	£49
Ruxley Holdings Ltd	£886	-	£250	-
Total	£740,035	£16,706	£522,276	£22,451

Notes to the financial statements (continued)

For the year ended 30 June 1999

23 Inter Group Transactions

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.

24 Parent Undertaking

The company's immediate parent undertaking is Fulham Football Leisure Limited, a company registered in England and Wales which is the ultimate UK parent undertaking, being both the smallest and largest group which consolidates the results of the company. The accounts for Fulham Football Leisure Limited are available from Companies House.

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