

**FULHAM STADIUM LIMITED**

**(Registered Number 3375418)**

**ANNUAL REPORT**

**YEAR ENDED 30 June 2003**



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## **FULHAM STADIUM LIMITED DIRECTORS' REPORT**

The Directors present their report and financial statements for the year ended 30 June 2003.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is to hold the freehold and develop Craven Cottage, a football stadium.

### **BUSINESS REVIEW AND POST BALANCE SHEET EVENTS**

Fulham Football Club has continued to play football at Loftus Road Stadium in a ground share agreement with QPR. The Craven Cottage site was partially decommissioned during the year to June 2003. A decision was made to apply to the local authority for planning permission for the site to be re-developed in order that Fulham Football Club could return to play at Craven Cottage from the start of the 2004/05 season.

Planning permission was granted on the 16th December 2003 for the re-development of Craven Cottage as a 22,000 all-seater stadium including all-weather cover, new floodlighting and improved hospitality facilities. Work on the project, which will cost £5.4m, commenced in December 2003 and is due for completion in July 2004.

The two-year ground share arrangement at QPR's Loftus Road Stadium will cease at the end of Season 2003/04 and the refurbished Craven Cottage Stadium will be occupied from the start of Season 2004/05 for an initial period of three years.

In the meantime work continues to identify and purchase a site suitable for the development of a larger stadium capable of generating sufficient commercial activity to sustain the club's long-term viability.

In the context of this long term plan on 18 September 2002 the company entered into a conditional agreement whereby a deposit of £15m was received towards the purchase of the Craven Cottage site by a third party, conditional upon appropriate planning permission being granted. The total consideration should the purchase proceed is £50m.

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

### **RESULTS AND DIVIDENDS**

The loss for the period amounted to £1,936,875 (2002: £6,037,298) which has been transferred to reserves.

The Directors do not recommend the payment of a dividend.

## **DIRECTORS' REPORT (CONTINUED)**

**For the year ended 30 June 2003**

### **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;
- 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 ensuring that the directors' 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 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.

### **CURRENT DIRECTORS**

The Directors who served during the year were as follows:

M Al Fayed	(Chairman)
W F Muddyman	resigned 10 <sup>th</sup> October 2003
A M Muddyman	resigned 10 <sup>th</sup> October 2003
S H Benson	
M A E Collins	
B D Langham	resigned 21 <sup>st</sup> December 2003
M S Fayed	resigned 10 <sup>th</sup> September 2002

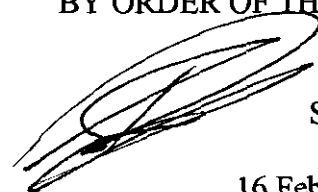
Mr J P Hone was appointed 1<sup>st</sup> December 2003

Directors' shareholdings in the parent company Fulham Football Leisure Limited are shown in the accounts of that company.

### **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

16 February 2004

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FULHAM STADIUM LIMITED**

We have audited the financial statements of Fulham Stadium Limited for the year ended 30 June 2003 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 company's circumstances, consistently applied and adequately disclosed.

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


### **Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the continuing financial support that has been indicated by the ultimate 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 company's affairs as at 30 June 2003 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK  
17 February 2004

  
**PKF**  
Registered Auditors

**FULHAM STADIUM LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 June 2003**

	Notes	2003 £	2002 £
<b>Turnover</b>	3	-	500,000
Administrative expenses		(1,077,933)	(401,371)
Exceptional item – impairment of fixed assets	4	-	(4,989,975)
Depreciation		(1,711)	(1,294,709)
Grant income		-	148,757
<b>Operating loss</b>		<b>(1,079,644)</b>	<b>(6,037,298)</b>
Net interest payable	5	(857,231)	-
<b>Loss on ordinary activities before taxation</b>	6	<b>(1,936,875)</b>	<b>(6,037,298)</b>
Tax on loss on ordinary activities	7	-	-
<b>Loss for the year transferred to reserves</b>	13	<b>(1,936,875)</b>	<b>(6,037,298)</b>

**Statement of total recognised gains and losses**

There are no recognised gains or losses other than the amounts included in the profit and loss account.

**Continuing operations**

All of the above results derive from continuing activities.

The notes on pages 8 to 13 form part of these financial statements.

**FULHAM STADIUM LIMITED**  
**BALANCE SHEET**  
**AT 30 June 2003**

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible assets	8	6,978,024	6,979,735
Investment in subsidiary	9	2	-
		<u>6,978,026</u>	<u>6,979,735</u>
<b>CURRENT ASSETS</b>			
Debtors -amounts due within one year	10	3,943	108,552
-amounts falling due after more than one year	10	10,996,318	-
Cash at bank and in hand		<u>54,700</u>	<u>365,330</u>
		11,054,961	473,882
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(780,466)</u>	<u>(4,372,810)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>10,274,495</u>	<u>(3,898,928)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		17,252,521	3,080,807
<b>Creditors: amounts falling due after more than one year</b>	11	(16,108,589)	-
<b>NET ASSETS</b>		<u>1,143,932</u>	<u>3,080,807</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	11,999,002	11,999,002
Profit and loss account	13	<u>(10,855,070)</u>	<u>(8,918,195)</u>
<b>SHAREHOLDERS' FUNDS</b>	14	<u>1,143,932</u>	<u>3,080,807</u>

The notes on pages 8 to 13 form part of these financial statements.

The financial statements on pages 6 to 13 were approved by the Board on 16 February 2004.



M A E Collins  
Director



S H Benson  
Director

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**1. BASIS OF PREPARATION**

The company has traded at a loss during the year. The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. In concluding that it is appropriate to adopt the going concern basis in preparing these financial statements the Directors have had regard to the written indications received from, the ultimate parent company, Fulham Leisure Holdings Limited and verbal indications received from the ultimate controlling party, Mr M Al Fayed, that continued funding will be made available to finance the company's operations for the foreseeable future. Although there is no legal obligation for Fulham Leisure Holdings Limited or Mr Al Fayed to provide this continued support, the directors are confident that such funding will be forthcoming.

**2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

**a) Accounting convention**

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

**b) Tangible fixed assets and depreciation**

Freehold land is not depreciated.

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

Stands, fixtures, fittings and equipment - between 20 and 50%

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

**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 assets' useful economic life.

**d) Deferred taxation**

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis in accordance with the provisions set out in Financial Reporting Standard No. 19 "Deferred Tax". Deferred tax assets are only recognised when they arise from timing differences where their recoverability in the short-term is regarded as more likely than not.

**e) Group accounts**

Group accounts are not prepared because the company is exempt from doing so under S228 of the Companies Act 1985. The results of the company and its subsidiary are included in the consolidated accounts of Fulham Football Leisure Limited. The financial information in these accounts is presented about the company as an individual undertaking and not about its group.



**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**3. TURNOVER**

All turnover arises in the UK and relates to rental income. Rental income is credited to the profit and loss account in the period to which it relates.

**4. EXCEPTIONAL ITEM**

	2003	2002
	£	£
Impairment of fixed assets	-	<u>4,989,975</u>

This represents a provision for impairment in the carrying value of professional fees relating to the proposed redevelopment of the football stadium at Craven Cottage (note 8).

**5. NET INTEREST PAYABLE**

	2003	2002
	£	£
<b>Interest receivable:</b>		
Bank interest	2,196	-
Other interest	1,620	-
Hire and lease purchase interest	268,460	-
	<u>272,276</u>	-
<b>Interest payable on borrowings repayable within five years:</b>		
Other interest	(1,108,589)	-
Amounts payable to related parties	(20,918)	-
	<u>(1,129,507)</u>	-
<b>Net interest payable</b>	<u>(857,231)</u>	-

**6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2003	2002
	£	£
This is stated after charging the following:		
Auditors' remuneration – audit	2,500	3,100
Depreciation	1,711	<u>1,294,709</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**7. TAXATION**

	2003	2002
	£	£
<b>(a) The tax for the year comprises:</b>		
Current tax:		
Corporation tax at 30% (2002 : 30%)	-	-
	<u>          </u>	<u>          </u>
Total current tax (note 7(b))	-	-
	<u>          </u>	<u>          </u>

**(b) Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:

	£	£
Loss on ordinary activities before tax	(1,936,875)	(6,037,298)
	<u>          </u>	<u>          </u>
Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2002 : 30%)	(581,062)	(1,811,189)
Effects of:		
Expenses not deductible for tax purposes	139,383	1,524,009
Depreciation in excess of capital allowances	513	333,083
Grant income not taxable	-	(44,627)
Losses utilised	-	(35,869)
Losses in year carried forward	441,166	34,593
	<u>          </u>	<u>          </u>
Current tax charge for the year (note 7(a))	-	-
	<u>          </u>	<u>          </u>

**(c) Factors affecting future tax charge and deferred tax**

At the year end Fulham Stadium Limited has a potential deferred tax asset of approximately £729,000 (2002: £288,000), as analysed below. This asset has not been recognised as the company is currently incurring operating losses and recoverability is dependent on there being suitable future profits against which to offset the asset.

The potential deferred tax asset is analysed below:

	£	£
Depreciation in excess of capital allowances	249,000	249,000
Tax losses carried forward	480,000	39,000
	<u>          </u>	<u>          </u>
	<u>729,000</u>	<u>288,000</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**8. TANGIBLE FIXED ASSETS**

	Freehold Land £	Stands, Fixtures Fittings and Equipment £	Total £
<b>Cost</b>			
At 1 July 2002	6,975,428	10,091,534	17,066,962
	<hr/>	<hr/>	<hr/>
At 30 June 2003	6,975,428	10,091,534	17,066,962
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 July 2002	-	10,087,227	10,087,227
Charge for the year	-	1,711	1,711
	<hr/>	<hr/>	<hr/>
At 30 June 2003	-	10,088,938	10,088,938
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2003	6,975,428	2,596	6,978,024
	<hr/>	<hr/>	<hr/>
At 30 June 2002	6,975,428	4,307	6,979,735
	<hr/>	<hr/>	<hr/>

**9. INVESTMENT IN SUBSIDIARY**

<b>Cost</b>	
At 1 July 2002	-
Additions	2
At 30 June 2003	2

On 20 September 2002, the company purchased for cash, 100% of the £1 ordinary shares of FL Property Management Ltd.

At 30 June 2003, the Company owned the following principal subsidiary which is incorporated in Great Britain and operates in the United Kingdom.

Company	Principal Activity	Interest in Ordinary Shares
FL Property Management Limited	Hold freehold and develop Motspur Park	100%

**10. DEBTORS**

	2003 £	2002 £
<b>Amounts due within one year:</b>		
Other debtors	3,943	108,552
<b>Amounts due after more than one year:</b>		
Amounts due from group undertakings	10,996,318	-
	<hr/>	<hr/>
	11,000,261	108,552

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**11. CREDITORS**

	2003 £	2002 £
<b>Amounts falling due within one year:</b>		
Trade creditors	35,114	854,005
Accruals and deferred income	195,105	282,994
Amounts due to parent undertaking	493,109	2,955,000
Amounts due to group undertaking	48,631	-
Amounts due to related parties	8,507	280,811
	<u>780,466</u>	<u>4,372,810</u>
<b>Amounts due after more than one year:</b>		
Other creditors	15,000,000	-
Accruals and deferred income	1,108,589	-
	<u>16,108,589</u>	<u>-</u>

Other creditors are interest bearing.

**12. SHARE CAPITAL**

	2003 Number	2002 Number
<b>Authorised</b>		
Ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>11,999,002</u>	<u>11,999,002</u>

There were no shares issued during the year.

**13. PROFIT AND LOSS ACCOUNT**

	2003 £	2002 £
Loss at 1 July 2002	(8,918,195)	(2,880,897)
Loss for the financial period	<u>(1,936,875)</u>	<u>(6,037,298)</u>
Loss at 30 June 2003	<u>(10,855,070)</u>	<u>(8,918,195)</u>

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Opening shareholders' funds	3,080,807	9,118,105
Loss for the financial period	<u>(1,936,875)</u>	<u>(6,037,298)</u>
Closing shareholders' funds	<u>1,143,932</u>	<u>3,080,807</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2003**

**15. 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 year to 30 June 2003 is as follows:

	<u>2003</u> <u>Purchases</u> <u>£</u>	<u>2003</u> <u>Sales</u> <u>£</u>	<u>2002</u> <u>Purchases</u> <u>£</u>	<u>2002</u> <u>Sales</u> <u>£</u>
Harrods (UK) Ltd	15,086	-	311,762	-
Harrods Ltd	472,990	-	-	-
Harrods Estates Ltd	53,944	-	20,000	-
Liberty Publishing Ltd	87	-	22	-
<b>Total</b>	<b>542,107</b>	<b>-</b>	<b>331,784</b>	<b>-</b>

At 30 June 2003 a total of £544 (2002: £280,789) was owed to Harrods (UK) Ltd, £1,350 (2002 : nil) owed to Harrods Estates , £6,613 (2002 :nil) owed to Harrods Ltd , and £nil (2002: £22) to Liberty Publishing Ltd.

During the year to 30 June 2003, interest charges of £20,918 (2002: £2,526) were payable to Harrods Ltd.

**16. PARENT UNDERTAKING AND CONTROLLING PARTY**

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

The immediate parent undertaken is Fulham Football Leisure Limited, which is incorporated in Great Britain. It is also the parent company of the largest and smallest group for which group accounts have been prepared. Copies of the consolidated accounts may be obtained from Companies House, Cardiff, CF4 3UZ.

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.

**17. POST BALANCE SHEET EVENTS**

Planning permission was granted on the 16th December 2003 for the re-development of Craven Cottage as a 22,000 all-seater stadium including all-weather cover, new floodlighting and improved hospitality facilities. Work on the project, which will cost £5.4m, commenced in December 2003 and is due for completion in July 2004.