

FULHAM STADIUM LIMITED

(Registered Number 3375418)

ANNUAL REPORT

YEAR ENDED 30 JUNE 2005



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ANNUAL REPORT
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FULHAM STADIUM LIMITED DIRECTOR'S REPORT

The Director present his report and financial statements for the year ended 30 June 2005

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

The re-development of Craven Cottage as a 22,000 all-seater stadium including all-weather cover, new floodlighting and improved hospitality facilities was completed on 9 July 2004.

A lease with Fulham Football Club (1987) Limited to use the facility for the next five years for an annual rental payment of £2million commenced on 1 July 2004.

RESULTS AND DIVIDENDS

The profit for the year amounted to £246,380 (2004: loss £3,326,345) which has been transferred to reserves.

The Director does not recommend the payment of a dividend.

POST BALANCE SHEET EVENTS

Refurbishment of the corporate facilities were completed on 12 August 2005.

On 25 November 2005 the company provided a debenture to Harrods (UK) Limited, a related party, in relation to a loan by that company for £36.6million to Fulham Football Club (1987) Limited. The loan is secured by a fixed and floating third charge over all of the company's assets.

DIRECTOR'S REPORT (CONTINUED)

For the year ended 30 June 2005

DIRECTOR'S RESPONSIBILITIES

Company law requires the Director 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 Director is 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 director is 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 Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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)
S H Benson	resigned 23 November 2005
M A E Collins	resigned 23 November 2005
J P Hone	resigned 10 October 2005

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

BY ORDER OF THE BOARD



S H Benson
Secretary
26 April 2006

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 2005 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 auditors' 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 director's 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 Director's 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 Director's 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 Director's 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.

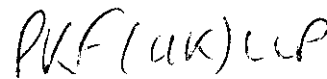
Going concern

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 2005 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK
27 April 2006


PKF (UK) LLP
Registered Auditors

FULHAM STADIUM LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 June 2005

	Notes	2005 £	2004 £
Turnover		2,000,000	-
Administrative expenses		(210,296)	(1,395,818)
Depreciation		(869,509)	(1,711)
Operating profit/(loss)		920,195	(1,397,529)
Net interest payable	3	(673,815)	(1,928,816)
Profit/(loss) on ordinary activities before taxation	4	246,380	(3,326,345)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(loss) for the year transferred to reserves	11	246,380	(3,326,345)

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 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	6	14,074,951	12,203,416
Investment in subsidiary	7	2	2
		<u>14,074,953</u>	<u>12,203,418</u>
CURRENT ASSETS			
Debtors -amounts due within one year	8	193,675	516,642
-amounts falling due after more than one year	8	3,250,898	3,411,725
Bank deposit account - charged		689,191	1,420,000
Cash at bank and in hand		36,949	4,625
		<u>4,170,713</u>	<u>5,352,992</u>
CREDITORS: amounts falling due within one year	9	<u>(20,181,699)</u>	<u>(11,778,823)</u>
NET CURRENT LIABILITIES		<u>(16,010,986)</u>	<u>(6,425,831)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,936,033)</u>	<u>5,777,587</u>
Creditors: amounts falling due after more than one year	9	-	(7,960,000)
NET LIABILITIES		<u>(1,936,033)</u>	<u>(2,182,413)</u>
CAPITAL AND RESERVES			
Called up share capital	10	11,999,002	11,999,002
Profit and loss account	11	(13,935,035)	(14,181,415)
SHAREHOLDERS' FUNDS	12	<u>(1,936,033)</u>	<u>(2,182,413)</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 26 April 2006.

M Al Fayed
 Director

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

1. BASIS OF PREPARATION

The company had a deficit of shareholder funds at 30 June 2005. 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 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 10% and 50%

Depreciation is only charged on assets brought into use during the year.

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) 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 is regarded as more likely than not. Deferred tax balances are not discounted.

d) 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.

e) Turnover

Turnover represents rents receivable for the year.

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

3. NET INTEREST PAYABLE

	2005	2004
	£	£
Interest receivable:		
Bank interest	50,050	6,967
Hire and lease purchase interest	-	244,822
	<u>50,050</u>	<u>251,789</u>
Interest payable on borrowings repayable within five years:		
Bank interest	(717,148)	(63,770)
Other interest	-	(2,116,419)
Amounts payable to related parties	(6,717)	(416)
	<u>(723,865)</u>	<u>(2,180,605)</u>
Net interest payable	<u>(673,815)</u>	<u>(1,928,816)</u>

4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	£	£
This is stated after charging the following:		
Provision against debt due from subsidiary	31,827	403,775
Auditors' remuneration – audit	3,750	3,500
Auditors' remuneration – non-audit	15,120	2,110
Depreciation	<u>869,509</u>	<u>1,711</u>

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

5. TAXATION

	2005	2004
	£	£
(a) The tax for the year comprises:		
Current tax:		
Corporation tax at 30% (2004 : 30%)	-	-
	<hr/>	<hr/>
Total current tax (note 5(b))	-	-
	<hr/>	<hr/>

(b) Factors affecting tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:		
	£	£
Profit/(loss) on ordinary activities before tax	246,380	(3,326,345)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at standard rate of corporation tax in the UK of 30% (2004 : 30%)	73,914	(997,904)
Effects of:		
Expenses not deductible for tax purposes	259,055	164,126
Depreciation in excess of capital allowances	12,331	1,398
Losses group relieved	-	24,273
Losses in year carried forward	-	808,107
Losses utilised	(345,300)	-
	<hr/>	<hr/>
Current tax charge for the year (note 5(a))	-	-
	<hr/>	<hr/>

- (c) Factors affecting future tax charge and deferred tax**
At the year end Fulham Stadium Limited has a potential deferred tax asset of approximately £1.1m (2004: £1.5m), as analysed below. This asset has not been recognised as the company has recently incurred 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:

	£	£ restated
Depreciation in excess of capital allowances	263,000	251,000
Tax losses carried forward	888,700	1,234,000
	<hr/>	<hr/>
	<u>1,151,700</u>	<u>1,485,000</u>

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

6. TANGIBLE FIXED ASSETS

	Assets in the course of construction £	Freehold Land £	Stands, Fixtures Fittings and Equipment £	Total £
Cost				
At 1 July 2004	5,227,103	6,975,428	10,091,534	22,294,065
Additions	2,741,044	-	-	2,741,044
Disposals	-	-	(4,989,975)	(4,989,975)
Transfers	(7,896,580)	-	7,896,580	-
	<u>71,567</u>	<u>6,975,428</u>	<u>12,998,139</u>	<u>20,045,134</u>
At 30 June 2005				
Accumulated depreciation				
At 1 July 2004	-	-	10,090,649	10,090,649
Charge for the year	-	-	869,509	869,509
Disposals	-	-	(4,989,975)	(4,989,975)
	<u>-</u>	<u>-</u>	<u>5,970,183</u>	<u>5,970,183</u>
At 30 June 2005				
Net book value				
At 30 June 2005	<u>71,567</u>	<u>6,975,428</u>	<u>7,027,956</u>	<u>14,074,951</u>
At 30 June 2004	<u>5,227,103</u>	<u>6,975,428</u>	<u>885</u>	<u>12,203,416</u>

7. INVESTMENT IN SUBSIDIARY

Cost

At 1 July 2004	<u>2</u>
At 30 June 2005	<u>2</u>

At 30 June 2005, 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%

8. DEBTORS

	2005 £	2004 £
Amounts due within one year:		
Trade debtors	6,155	-
Other debtors	38,422	511,688
Prepayments and accrued income	149,098	4,954
Amounts due after more than one year:		
Amounts due from group undertakings	3,250,898	3,411,725
	<u>3,444,573</u>	<u>3,928,367</u>

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

9. CREDITORS

	2005 £	2004 £
Amounts falling due within one year:		
Bank loan	8,120,738	1,945,000
Trade creditors	178,900	207,905
Accruals and deferred income	11,076	1,875,918
Amounts due to parent undertaking	11,745,000	7,750,000
Amounts due to related parties	125,985	-
	<u>20,181,699</u>	<u>11,778,823</u>
Amounts due after more than one year:		
Bank loan	<u>-</u>	<u>7,960,000</u>

The bank loan is interest bearing at 2.5% over LIBOR and is secured by a first legal charge on the company's land and buildings and the bank deposit account. In addition, Harrods Holdings Limited, a related party, has provided a guarantee for the loan, the guarantee is secured by a second charge on the company's land and buildings and a charge over the bank deposit account.

10. SHARE CAPITAL

	2005 Number	2004 Number
Authorised		
Ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>11,999,002</u>	<u>11,999,002</u>

There were no shares issued during the year.

11. PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
Loss at 1 July 2004	(14,181,415)	(10,855,070)
Profit/(loss) for the financial year	<u>246,380</u>	<u>(3,326,345)</u>
Loss at 30 June 2005	<u>(13,935,035)</u>	<u>(14,181,415)</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Opening shareholders' funds	(2,182,413)	1,143,932
Profit/(loss) for the financial year	<u>246,380</u>	<u>(3,326,345)</u>
Closing shareholders' funds	<u>(1,936,033)</u>	<u>(2,182,413)</u>

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2005

13. 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 are under the control of the company's ultimate controlling party. The value of these transactions during the year to 30 June 2005 is as follows:

	<u>2005</u> <u>Purchases</u> <u>£</u>	<u>2005</u> <u>Sales</u> <u>£</u>	<u>2004</u> <u>Purchases</u> <u>£</u>	<u>2004</u> <u>Sales</u> <u>£</u>
Harrods (UK) Ltd	-	-	17	-
Harrods Ltd	101,504	-	399	-
Harrods Estates Ltd	-	-	56	-
Total	101,504	-	472	-

During the year to 30 June 2005, Harrods Ltd project management charges of £101,504 (2004: £Nil) were capitalised as part of the Stadium redevelopment works. In addition, interest charges of £6,717 (2004: £416) were payable to Harrods Ltd. At 30 June 2005 a total of £125,985 (2004: £Nil) was owed to Harrods Ltd.

Harrods Holdings Limited has provided a guarantee to the lender in respect of the bank loan.

14. 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.

15. CAPITAL COMMITMENTS

Amounts contracted for but not provided for in the accounts amounted to £549,000 (2004: £2,363,478).

16. POST BALANCE SHEET EVENTS

Refurbishment of the corporate facilities were completed on 12 August 2005.

On 25 November 2005 the company provided a debenture to Harrods (UK) Limited, a related party, in relation to a loan by that company for £36.6million to Fulham Football Club (1987) Limited. The loan is secured by a fixed and floating third charge over all of the company's assets.