

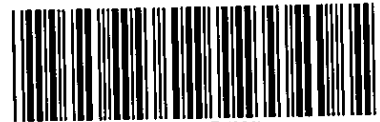
**FULHAM STADIUM LIMITED**

**(Registered Number 3375418)**

**ANNUAL REPORT**

**YEAR ENDED 30 JUNE 2006**

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**FULHAM STADIUM LIMITED**  
**(Registered Number 3375418)**  
**ANNUAL REPORT**  
**YEAR ENDED 30 JUNE 2006**

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## **FULHAM STADIUM LIMITED DIRECTOR'S REPORT**

The Director presents his report and financial statements for the year ended 30 June 2006.

### **PRINCIPAL ACTIVITY**

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

### **BUSINESS REVIEW**

Refurbishment of the corporate facilities was completed in August 2005. Further development of Craven Cottage to increase capacity to 24,000 commenced during the close season.

### **RESULTS AND DIVIDENDS**

The profit for the year amounted to £203,451 (2005 £246,380) which has been transferred to reserves

The Director does not recommend the payment of a dividend.

### **POST BALANCE SHEET EVENTS**

Further development of Craven Cottage to increase capacity to 24,000 was completed in August 2006. Planning permission for further increases in seating capacity was granted in March 2007.

Following the year end the £36.6million loan made by Harrods (UK) Limited to Fulham Football Club (1987) Limited, was fully repaid. This loan was secured by a fixed and floating third charge given to Harrods (UK) Limited over all of Fulham Stadium Limited's assets. Accordingly this debenture has also been released.

### **DIRECTOR'S RESPONSIBILITIES**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to 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 these 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 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

**FULHAM STADIUM LIMITED  
DIRECTOR'S REPORT (CONTINUED)**

**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

**DISCLOSURE OF INFORMATION TO AUDITORS**

The director has confirmed that:

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

**SPECIAL PROVISIONS**

The directors' report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

BY ORDER OF THE BOARD



S H Benson  
Secretary

19<sup>th</sup> April 2007

# 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 2006 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 ('United Kingdom Generally Accepted Accounting Practice') 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 International Standards on Auditing (UK and Ireland).

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 consistent with the financial statements.

In addition we report to you, if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we required for our audit, or if information specified by law regarding directors' remuneration and other transactions 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 International Standards on Auditing (UK and Ireland) 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.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

## Emphasis of matter - Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to 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 financial statements. The company has accumulated a significant deficit of shareholders' funds. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

London, UK  
April 23 2007

PKF(UK)LLP  
PKF (UK) LLP  
Registered Auditors

**FULHAM STADIUM LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 June 2006**

	Notes	2006 £	2005 £
<b>Turnover</b>		<b>2,000,000</b>	<b>2,000,000</b>
Administrative expenses		(1,236,758)	(1,079,805)
<b>Operating profit</b>		<b>763,242</b>	<b>920,195</b>
Net interest payable	3	(559,791)	(673,815)
<b>Profit on ordinary activities before taxation</b>	4	<b>203,451</b>	<b>246,380</b>
Tax on profit on ordinary activities	5	-	-
<b>Profit for the year transferred to reserves</b>	11	<b>203,451</b>	<b>246,380</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.

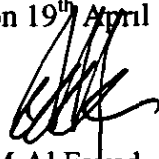
The notes on pages 8 to 14 form part of these financial statements.

**FULHAM STADIUM LIMITED**  
**BALANCE SHEET**  
**AT 30 June 2006**

	Notes	2006 £	2005 £
<b>FIXED ASSETS</b>			
Tangible assets	6	15,687,514	14,074,951
Investment in subsidiary	7	2	2
		<u>15,687,516</u>	<u>14,074,953</u>
<b>CURRENT ASSETS</b>			
Debtors -amounts due within one year	8	148,332	193,675
-amounts falling due after more than one year	8	3,181,044	3,250,898
Bank deposit account - charged		1,442,089	689,191
Cash at bank and in hand		208,316	36,949
		<u>4,979,781</u>	<u>4,170,713</u>
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(14,354,358)</u>	<u>(20,181,699)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(9,374,577)</u>	<u>(16,010,986)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,312,939</b>	<b>(1,936,033)</b>
<b>CREDITORS: amounts falling due after more than one year</b>	9	<b>(8,045,521)</b>	-
<b>NET LIABILITIES</b>		<u><b>(1,732,582)</b></u>	<u><b>(1,936,033)</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	11,999,002	11,999,002
Profit and loss account	11	(13,731,584)	(13,935,035)
<b>SHAREHOLDERS' FUNDS</b>	12	<u><b>(1,732,582)</b></u>	<u><b>(1,936,033)</b></u>

The notes on pages 8 to 14 form part of these financial statements.

The financial statements on pages 6 to 14 were approved and authorised for issue by the Board on 19<sup>th</sup> April 2007.

  
M Al Fayed  
Director

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2006**

**1. BASIS OF PREPARATION AND GOING CONCERN**

The company had a deficit of shareholder funds at 30 June 2006. 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**

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.



**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2006**

**3. NET INTEREST PAYABLE**

	2006	2005
	£	£
<b>Interest receivable:</b>		
Bank interest	23,289	50,050
<b>Interest payable on borrowings repayable within five years:</b>		
Bank interest	(572,987)	(717,148)
Amounts payable to related parties	(10,093)	(6,717)
	<u>(583,080)</u>	<u>(723,865)</u>
<b>Net interest payable</b>	<u>(559,791)</u>	<u>(673,815)</u>

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2006	2005
	£	£
This is stated after charging the following		
Provision against debt due from subsidiary	29,857	31,827
Auditors' remuneration – audit	4,000	3,750
Auditors' remuneration – non-audit	5,505	15,120
Depreciation	<u>1,085,768</u>	<u>869,509</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2006**

**5. TAXATION**

	2006	2005
	£	£
<b>(a) The tax for the year comprises:</b>		
Current tax:		
Corporation tax at 30% (2005: 30%)	-	-
	<u>          </u>	<u>          </u>
Total current tax (note 5(b))	-	-
	<u>          </u>	<u>          </u>
 <b>(b) Factors affecting tax charge for the year</b>		
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:		
	£	£
Profit on ordinary activities before tax	203,451	246,380
	<u>          </u>	<u>          </u>
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2005: 30%)	61,035	73,914
	<u>          </u>	<u>          </u>
Effects of:		
Expenses not deductible for tax purposes	343,571	259,055
Depreciation (less than)/in excess of capital allowances	(111,383)	12,331
Losses utilised	(293,223)	(345,300)
	<u>          </u>	<u>          </u>
Current tax charge for the year (note 5(a))	-	-
	<u>          </u>	<u>          </u>
 <b>(c) Factors affecting future tax charge and deferred tax</b>		
At the year end Fulham Stadium Limited has a potential deferred tax asset of approximately £0.75m (2005: £1.15m), as analysed below. This asset has not been recognised as the company has in recent years 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		
	£	£
Depreciation in excess of capital allowances	148,500	263,000
Tax losses carried forward	597,000	888,700
	<u>          </u>	<u>          </u>
	<u>745,500</u>	<u>1,151,700</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2006**

**6. TANGIBLE FIXED ASSETS**

	Assets in the course of construction £	Freehold Land £	Stands, Fixtures Fittings and Equipment £	Total £
<b>Cost</b>				
At 1 July 2005	71,567	6,975,428	12,998,139	20,045,134
Additions	1,472,351	-	1,225,980	2,698,331
Transfers	(71,567)	-	71,567	-
	<u>1,472,351</u>	<u>6,975,428</u>	<u>14,295,686</u>	<u>22,743,465</u>
<b>At 30 June 2006</b>				
<b>Accumulated depreciation</b>				
At 1 July 2005	-	-	5,970,183	5,970,183
Charge for the year	-	-	1,085,768	1,085,768
	<u>-</u>	<u>-</u>	<u>7,055,951</u>	<u>7,055,951</u>
<b>At 30 June 2006</b>				
<b>Net book value</b>				
At 30 June 2006	<u>1,472,351</u>	<u>6,975,428</u>	<u>7,239,735</u>	<u>15,687,514</u>
At 30 June 2005	<u>71,567</u>	<u>6,975,428</u>	<u>7,027,956</u>	<u>14,074,951</u>

**7. INVESTMENT IN SUBSIDIARY**

<b>Cost</b>	
At 1 July 2005	<u>2</u>
At 30 June 2006	<u>2</u>

At 30 June 2006, the Company owned the following principal subsidiary which is incorporated in Great Britain and operates in the United Kingdom.

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

**8. DEBTORS**

	2006 £	2005 £
<b>Amounts due within one year:</b>		
Trade debtors	6,155	6,155
Other debtors	100,901	38,422
Prepayments and accrued income	41,276	149,098
	<u>148,332</u>	<u>193,675</u>
<b>Amounts due after more than one year:</b>		
Amounts due from group undertakings	3,181,044	3,250,898
	<u>3,329,376</u>	<u>3,444,573</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2006**

**9. CREDITORS**

	2006 £	2005 £
<b>Amounts falling due within one year:</b>		
Bank loan	2,000,000	8,120,738
Trade creditors	423,737	178,900
Accruals and deferred income	986,603	11,076
Amounts due to parent undertaking	10,680,000	11,745,000
Amounts due to related parties	264,018	125,985
	<u>14,354,358</u>	<u>20,181,699</u>

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

Bank loan	<u>8,045,521</u>	<u>-</u>
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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**

	2006 Number	2005 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.

**11. PROFIT AND LOSS ACCOUNT**

	2006 £	2005 £
Loss at 1 July 2005	(13,935,035)	(14,181,415)
Profit for the financial year	<u>203,451</u>	<u>246,380</u>
Loss at 30 June 2006	<u>(13,731,584)</u>	<u>(13,935,035)</u>

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

	2006 £	2005 £
Opening shareholders' funds	(1,936,033)	(2,182,413)
Profit for the financial year	<u>203,451</u>	<u>246,380</u>
Closing shareholders' funds	<u>(1,732,582)</u>	<u>(1,936,033)</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2006**

**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 2006 is as follows:

	<u>2006</u> <u>Purchases</u> <u>£</u>	<u>2006</u> <u>Sales</u> <u>£</u>	<u>2005</u> <u>Purchases</u> <u>£</u>	<u>2005</u> <u>Sales</u> <u>£</u>
Harrods (UK) Ltd	696	-	-	-
Harrods Ltd	73,885	-	101,504	-
Harrods Estates Ltd	35,000	-	-	-
<b>Total</b>	<b>109,581</b>	<b>-</b>	<b>101,504</b>	<b>-</b>

During the year to 30 June 2006, Harrods Ltd project management charges of £ 73,885 (2005: £101,504) were capitalised as part of the Stadium redevelopment works. In addition, interest charges of £10,093 (2005: £6,717) were payable to Harrods Ltd. At 30 June 2006 a total of £222,893 (2005: £125,985) was owed to Harrods Ltd and a total of £41,125 (2005: £Nil) was owed to Harrods Estates Ltd.

The ultimate controlling party has provided a guarantee to the lender in respect of the bank loan.

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 was secured by a fixed and floating third charge over all of the company's assets. This debenture has been released since the year end (see note 16 below).

**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 £1,307,116 (2005: £549,000).

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2006**

**16. POST BALANCE SHEET EVENTS**

Further development of Craven Cottage to increase capacity to 24,000 was completed in August 2006. Planning permission for further increases in seating capacity was granted in March 2007

Following the year end the £36.6million loan made by Harrods (UK) Limited to Fulham Football Club (1987) Limited, was fully repaid. This loan was secured by a fixed and floating third charge given to Harrods (UK) Limited over all of Fulham Stadium Limited's assets. Accordingly this debenture has also been released.