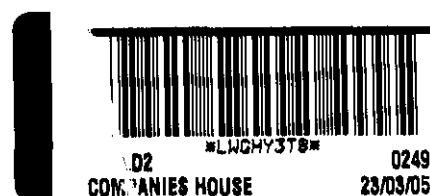


**FULHAM STADIUM LIMITED**

**(Registered Number 3375418)**

**ANNUAL REPORT**

**YEAR ENDED 30 JUNE 2004**



**FULHAM STADIUM LIMITED**  
**(Registered Number 3375418)**  
**ANNUAL REPORT**  
**YEAR ENDED 30 JUNE 2004**

**CONTENTS**

<b>DIRECTORS' REPORT</b>	<b>3</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>5</b>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>6</b>
<b>BALANCE SHEET</b>	<b>7</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>8-13</b>

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

The Directors present their report and financial statements for the year ended 30 June 2004.

### **PRINCIPAL ACTIVITY**

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

### **BUSINESS REVIEW**

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.

### **RESULTS AND DIVIDENDS**

The loss for the period amounted to £3,326,345 (2003: £1,936,875) which has been transferred to reserves.

The Directors do not recommend the payment of a dividend.

### **POST BALANCE SHEET EVENTS**

The Stadium, Craven Cottage, was completed on 9 July 2004 and a lease with Fulham Football Club (1987) Limited to use the facility for the next five years for £2million per annum commenced on 1 July 2004.

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

**For the year ended 30 June 2004**

### **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:

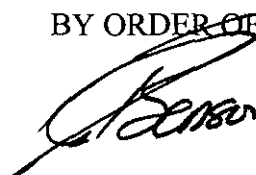
M Al Fayed	(Chairman)
W F Muddyman	resigned 10 October 2003
A M Muddyman	resigned 10 October 2003
S H Benson	
M A E Collins	
B D Langham	resigned 21 December 2003
Mr J P Hone	appointed 1 December 2003

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

24 February 2005

## **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 2004 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.

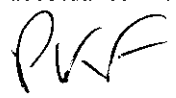
### **Going concern**

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 2004 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  
24 February 2005

  
**PKF**  
Registered Auditors

**FULHAM STADIUM LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 June 2004**

	Notes	2004 £	2003 £
<b>Turnover</b>		-	-
Administrative expenses		(1,395,818)	(1,077,933)
Depreciation		(1,711)	(1,711)
<b>Operating loss</b>		(1,397,529)	(1,079,644)
Net interest payable	3	(1,928,816)	(857,231)
<b>Loss on ordinary activities before taxation</b>	4	(3,326,345)	(1,936,875)
Tax on loss on ordinary activities	5	-	-
Loss for the year transferred to reserves	11	(3,326,345)	(1,936,875)

**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 2004**

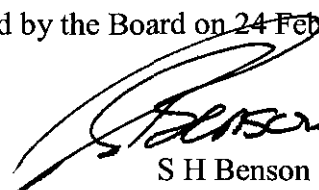
	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	6	12,203,416	6,978,024
Investment in subsidiary	7	2	2
		<u>12,203,418</u>	<u>6,978,026</u>
<b>CURRENT ASSETS</b>			
Debtors -amounts due within one year	8	516,642	3,943
-amounts falling due after more than one year	8	3,411,725	10,996,318
Bank deposit account - charged		1,420,000	-
Cash at bank and in hand		4,625	54,700
		<u>5,352,992</u>	<u>11,054,961</u>
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(11,778,823)</u>	<u>(780,466)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(6,425,831)</u>	<u>10,274,495</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,777,587	17,252,521
<b>Creditors: amounts falling due after more than one year</b>	9	(7,960,000)	(16,108,589)
<b>NET (LIABILITIES)/ASSETS</b>		<u>(2,182,413)</u>	<u>1,143,932</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	11,999,002	11,999,002
Profit and loss account	11	(14,181,415)	(10,855,070)
<b>SHAREHOLDERS' FUNDS</b>	12	<u>(2,182,413)</u>	<u>1,143,932</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 24 February 2005.



M A E Collins  
Director

  
S H Benson  
Director

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**1. BASIS OF PREPARATION**

The company had a deficit of shareholder funds at 30 June 2004 and has traded at a loss. 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%

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.

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**3. NET INTEREST PAYABLE**

	2004	2003
	£	£
<b>Interest receivable:</b>		
Bank interest	6,967	2,196
Other interest	-	1,620
Hire and lease purchase interest	244,822	268,460
	<u>251,789</u>	<u>272,276</u>
<b>Interest payable on borrowings repayable within five years:</b>		
Bank interest	(63,770)	-
Other interest	(2,116,419)	(1,108,589)
Amounts payable to related parties	(416)	(20,918)
	<u>(2,180,605)</u>	<u>(1,129,507)</u>
<b>Net interest payable</b>	<u>(1,928,816)</u>	<u>(857,231)</u>

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

	2004	2003
	£	£
This is stated after charging the following:		
Provision against debt due from subsidiary	403,775	-
Auditors' remuneration – audit	3,500	2,500
Depreciation	1,711	1,711
	<u>408,986</u>	<u>4,211</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**5. TAXATION**

	2004	2003
	£	£
<b>(a) The tax for the year comprises:</b>		
Current tax:		
Corporation tax at 30% (2003 : 30%)	-	-
	<hr/>	<hr/>
Total current tax (note 7(b))	-	-
	<hr/>	<hr/>

<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:		
	£	£
Loss on ordinary activities before tax	(3,326,345)	(1,936,875)
	<hr/>	<hr/>
Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2003 : 30%)	(997,904)	(581,062)
	<hr/>	<hr/>
Effects of:		
Expenses not deductible for tax purposes	164,126	139,383
Depreciation in excess of capital allowances	1,398	513
Losses group relieved	24,273	-
Losses in year carried forward	808,107	441,166
	<hr/>	<hr/>
Current tax charge for the year (note 7(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 £1,539,000 (2003: £729,000), 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	251,000	249,000
Tax losses carried forward	1,288,000	480,000
	<hr/>	<hr/>
	<u>1,539,000</u>	<u>729,000</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**6. TANGIBLE FIXED ASSETS**

	Assets in the course of construction £	Freehold Land £	Stands, Fixtures Fittings and Equipment £	Total £
<b>Cost</b>				
At 1 July 2003	-	6,975,428	10,091,534	17,066,962
Additions	5,227,103	-	-	5,227,103
At 30 June 2004	-	6,975,428	10,091,534	22,294,065
<b>Accumulated depreciation</b>				
At 1 July 2003	-	-	10,088,938	10,088,938
Charge for the year	-	-	1,711	1,711
At 30 June 2004	-	-	10,090,649	10,090,649
<b>Net book value</b>				
At 30 June 2004	5,227,103	6,975,428	885	12,203,416
At 30 June 2003	-	6,975,428	2,596	6,978,024

**7. INVESTMENT IN SUBSIDIARY**

<b>Cost</b>	
At 1 July 2003	2
At 30 June 2004	2

At 30 June 2004, 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**

	2004 £	2003 £
<b>Amounts due within one year:</b>		
Other debtors	511,688	3,943
Prepayments and accrued income	4,954	-
<b>Amounts due after more than one year:</b>		
Amounts due from group undertakings	3,411,725	10,996,318
	<u>3,928,367</u>	<u>11,000,261</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**9. CREDITORS**

	2004 £	2003 £
<b>Amounts falling due within one year:</b>		
Bank loan	1,945,000	-
Trade creditors	207,905	35,114
Accruals and deferred income	1,875,918	195,105
Amounts due to parent undertaking	7,750,000	493,109
Amounts due to group undertaking	-	48,631
Amounts due to related parties	-	8,507
	<u>11,778,823</u>	<u>780,466</u>
<b>Amounts due after more than one year:</b>		
Bank loan	7,960,000	-
Other creditors	-	15,000,000
Accruals and deferred income	-	1,108,589
	<u>7,960,000</u>	<u>16,108,589</u>

The bank loan is repayable within 2 years and is interest bearing at 2.5% over LIBOR. The bank loan is secured by a charge on the company's land and buildings.

**10. SHARE CAPITAL**

	2004 Number	2003 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**

	2004 £	2003 £
Loss at 1 July 2002	(10,855,070)	(8,918,195)
Loss for the financial period	<u>(3,326,345)</u>	<u>(1,936,875)</u>
Loss at 30 June 2003	<u>(14,181,415)</u>	<u>(10,855,070)</u>

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

	2004 £	2003 £
Opening shareholders' funds	1,143,932	3,080,807
Loss for the financial period	<u>(3,326,345)</u>	<u>(1,936,875)</u>
Closing shareholders' funds	<u>(2,182,413)</u>	<u>1,143,932</u>

**FULHAM STADIUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2004**

**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 have directors in common with the company. The value of these transactions during the year to 30 June 2004 is as follows:

	<u>2004</u> <u>Purchases</u> <u>£</u>	<u>2004</u> <u>Sales</u> <u>£</u>	<u>2003</u> <u>Purchases</u> <u>£</u>	<u>2003</u> <u>Sales</u> <u>£</u>
Harrods (UK) Ltd	17	-	15,086	-
Harrods Ltd	399	-	472,990	-
Harrods Estates Ltd	56	-	53,944	-
Liberty Publishing Ltd	-	-	87	-
<b>Total</b>	<b>472</b>	<b>-</b>	<b>542,107</b>	<b>-</b>

At 30 June 2004 a total of £Nil (2003: £544) was owed to Harrods (UK) Ltd, £Nil (2003 : £1,350) owed to Harrods Estates , £Nil (2003 : £6,613) owed to Harrods Ltd , and £Nil (2003: £Nil) to Liberty Publishing Ltd.

During the year to 30 June 2004, interest charges of £416 (2003: £20,918) were payable to Harrods Ltd.

Harrods Holdings Limited have 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 £2,363,478 (2003: £Nil).

**16. POST BALANCE SHEET EVENTS**

The Stadium, Craven Cottage, was completed on 9 July 2004 and a lease with Fulham Football Club (1987) Limited to use the facility for the next five years for £2million per annum commenced on 1 July 2004.