

FULHAM STADIUM LIMITED

(Registered Number 3375418)

ANNUAL REPORT

YEAR ENDED 30 June 2002



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FULHAM STADIUM LIMITED
DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 30 June 2002.

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

The Season 2001/2002 was the last in which the company was due to operate the football stadium before the planned construction of an all seated stadium. Fulham Football Club has since temporarily relocated to Loftus Road Stadium in a ground share agreement with QPR and continues to play football at that venue. The Craven Cottage site has been partially decommissioned.

The redevelopment of Craven Cottage has not yet commenced due to legal challenges by local residents and more significantly huge increases in the cost of construction well beyond that envisaged when planning consent was granted in February 2001. Work continues to try and alleviate these problems with the aim of building a stadium which is financially viable and makes sound business sense. As a result and in conjunction with our auditors, the Directors have decided to write off the project costs associated with the original scheme and an exceptional charge of £5m has been made in the accounts.

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 £6,037,298 (2001: £814,419) 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 2002

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:

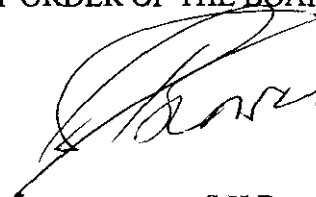
| | |
|---------------|--|
| M Al Fayed | (Chairman) |
| W F Muddyman | |
| A M Muddyman | |
| S H Benson | |
| J M Griffiths | resigned 25 th July 2001 |
| M J Fiddy | resigned 12 th December 2001 |
| M A E Collins | appointed 1 st November 2001 |
| B D Langham | appointed 17 th June 2002 |
| M S Fayed | appointed 1 st March 2002 resigned 10 th September 2002 |

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
22 April 2003

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
FULHAM STADIUM LIMITED**

We have audited the financial statements of Fulham Stadium Limited for the year ended 30 June 2002 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.

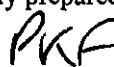
Going concern

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 2002 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 April 2003


PKF
Registered Auditors

FULHAM STADIUM LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 June 2002

| | Notes | 2002 £ | 2001 £ |
|---|-------|-------------|-------------|
| Turnover | 3 | 500,000 | 500,000 |
| Administrative expenses | | (401,371) | (246,574) |
| Exceptional item – impairment of fixed assets | 4 | (4,989,975) | - |
| Depreciation | | (1,294,709) | (1,224,924) |
| Grant income | | 148,757 | 157,079 |
| Operating loss and loss on ordinary activities before taxation | 5 | (6,037,298) | (814,419) |
| Tax on loss on ordinary activities | 6 | - | - |
| Loss for the year transferred to reserves | 12 | (6,037,298) | (814,419) |

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.

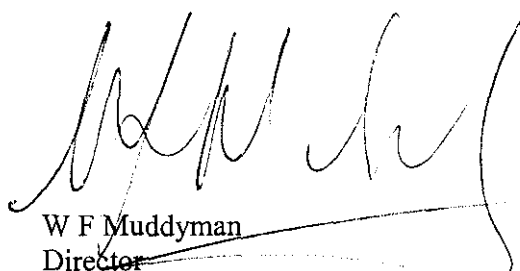
The notes on pages 8 to 13 form part of these financial statements.

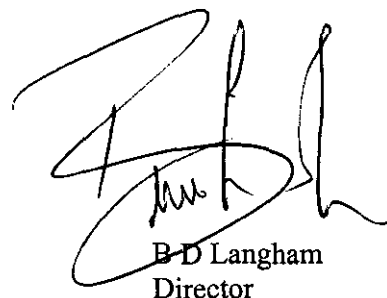
FULHAM STADIUM LIMITED
BALANCE SHEET
AT 30 June 2002

| | Notes | 2002 £ | 2001 £ |
|--|-------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 6,979,735 | 10,386,908 |
| CURRENT ASSETS | | | |
| Debtors | 8 | 108,552 | 43,171 |
| Cash at bank and in hand | | 365,330 | 34,861 |
| | | 473,882 | 78,032 |
| CREDITORS: amounts falling due within one year | 9 | (1,417,810) | (233,201) |
| NET CURRENT LIABILITIES | | (943,928) | (155,169) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 6,035,807 | 10,231,739 |
| Creditors: amounts falling due after more than one year | 9 | (2,955,000) | (839,877) |
| Deferred income | 10 | - | (273,757) |
| NET ASSETS | | 3,080,807 | 9,118,105 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 11,999,002 | 11,999,002 |
| Profit and loss account | 12 | (8,918,195) | (2,880,987) |
| SHAREHOLDERS' FUNDS | 13 | 3,080,807 | 9,118,105 |

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 22 April 2003.


W F Muddyman
Director


B D Langham
Director

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2002

1. BASIS OF PREPARATION

The company had a deficit of shareholder funds at 30 June 2002 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 Fulham Leisure Holdings (BVI) 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 (BVI) 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". This represents a change in accounting policy but no material change arises to the current or previous year's deferred tax provision under the new policy. 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.

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2002

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

| | 2002 £ | 2001 £ |
|----------------------------|-----------|-----------|
| Impairment of fixed assets | 4,989,975 | - |

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 7).

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| This is stated after charging the following: | | |
| Auditors' remuneration – audit | 3,100 | 2,000 |
| Depreciation | 1,294,709 | 1,224,924 |

6. TAXATION

| | 2002 £ | 2001 (as restated) £ |
|---|-------------|----------------------------|
| (a) The tax for the year comprises: | | |
| Current tax: | | |
| Corporation tax at 30% (2001 : 30%) | - | - |
| Total current tax (note 6(b)) | - | - |
| (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 | (6,037,298) | (814,419) |
| Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2001 : 30%) | (1,811,189) | (244,326) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,524,009 | 237,185 |
| Depreciation in excess of capital allowances | 333,083 | 74,854 |
| Grant income not taxable | (44,627) | (47,124) |
| Losses utilised | (35,869) | (20,589) |
| Losses in year carried forward | 34,593 | - |
| Current tax charge for the year (note 6(a)) | - | - |

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2002

6. TAXATION (Continued)

(c) Factors affecting future tax charge and deferred tax

At the year end Fulham Stadium Limited has a potential deferred tax asset of approximately £287,000, as analysed below. This asset has not been recognised as the company is currently incurring operating losses and recoverability is dependent on there being future taxable trading profits against which to offset the asset.

The potential deferred tax asset is analysed below:

| | £ | £ |
|--|----------------|-----------------|
| Depreciation in excess of capital allowances | 186,000 | (140,000) |
| Tax losses carried forward | 101,000 | 103,000 |
| | <u>287,000</u> | <u>(37,000)</u> |

7. TANGIBLE FIXED ASSETS

| | Freehold Land £ | Stands, Fixtures Fittings and Equipment £ | Total £ |
|---------------------------------|-----------------------|---|-------------------|
| Cost | | | |
| At 1 July 2001 | 6,975,428 | 7,214,023 | 14,189,451 |
| Additions | - | 2,877,511 | 2,877,511 |
| | <u>6,975,428</u> | <u>10,091,534</u> | <u>17,066,962</u> |
| At 30 June 2002 | | | |
| Accumulated depreciation | | | |
| At 1 July 2001 | - | 3,802,543 | 3,802,543 |
| Charge for the year | - | 1,294,709 | 1,294,709 |
| Impairment | - | 4,989,975 | 4,989,975 |
| | <u>-</u> | <u>10,087,227</u> | <u>10,087,227</u> |
| At 30 June 2002 | | | |
| Net book value | | | |
| At 30 June 2002 | <u>6,975,428</u> | <u>4,307</u> | <u>6,979,735</u> |
| At 30 June 2001 | <u>6,975,428</u> | <u>3,411,480</u> | <u>10,386,908</u> |

The impairment represents provision against the carrying value of professional fees relating to the proposed redevelopment of the football stadium at Craven Cottage. In the opinion of the directors the fees incurred relate to plans which are now out dated and in light of the conditional sale agreement entered into after the year end (note 16), may never be brought into use.

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2002

8. DEBTORS

| | 2002 £ | 2001 £ |
|------------------------------|----------------|---------------|
| Amounts due within one year: | | |
| Other debtors | <u>108,552</u> | <u>43,171</u> |

9. CREDITORS

| | 2002 £ | 2001 £ |
|--------------------------------------|------------------|----------------|
| Amounts falling due within one year: | | |
| Trade creditors | 854,005 | 205,280 |
| Accruals and deferred income | 282,994 | 27,921 |
| Amounts due to related parties | <u>280,811</u> | <u>-</u> |
| | <u>1,417,810</u> | <u>233,201</u> |

Amounts due after more than one year:

| | | |
|-----------------------------------|------------------|----------------|
| Amounts due to parent undertaking | <u>2,955,000</u> | <u>839,877</u> |
|-----------------------------------|------------------|----------------|

10. DEFERRED INCOME

| | 2002 £ | 2001 £ |
|---|-----------|----------------|
| Grants received in respect of fixed asset expenditure | <u>-</u> | <u>273,757</u> |

11. SHARE CAPITAL

| | 2002 Number | 2001 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.

12. PROFIT AND LOSS ACCOUNT

| | 2002 £ | 2001 £ |
|-------------------------------|--------------------|--------------------|
| Loss at 1 July 2001 | (2,880,897) | (2,066,478) |
| Loss for the financial period | <u>(6,037,298)</u> | <u>(814,419)</u> |
| Loss at 30 June 2002 | <u>(8,918,195)</u> | <u>(2,880,897)</u> |

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2002

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2002 £ | 2001 £ |
|-------------------------------|--------------------|------------------|
| Opening shareholders' funds | 9,118,105 | 9,932,524 |
| Loss for the financial period | <u>(6,037,298)</u> | <u>(814,419)</u> |
| Closing shareholders' funds | <u>3,080,807</u> | <u>9,118,105</u> |

14. CAPITAL COMMITMENTS

Amounts contracted for but not provided for in the accounts amounted to £ nil (2001: £ nil).

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 2002 is as follows:

| | <u>2002</u> <u>Purchases</u> £ | <u>2002</u> <u>Sales</u> £ | <u>2001</u> <u>Purchases</u> £ | <u>2001</u> <u>Sales</u> £ |
|------------------------|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| Harrods (UK) Ltd | 311,762 | - | - | - |
| Harrods Estates Ltd | 20,000 | - | - | - |
| Liberty Publishing Ltd | 22 | - | - | - |
| Total | <u>331,784</u> | <u>-</u> | <u>-</u> | <u>-</u> |

At 30 June 2002 a total of £280,789 (2001: £nil) was owed to Harrods (UK) Ltd and £22 (2001: £nil) to Liberty Publishing Ltd.

During the year to 30 June 2002, interest charges of £2,526 (2001: £nil) were payable to Harrods Ltd.

16. POST BALANCE SHEET EVENTS

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 of The Training Ground, Motspur Park which is leased to Fulham Football Club (1987) Limited.

FULHAM STADIUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2002

17. 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.