

Chelsea Village plc Annual Report 1999



What a difference six years make...

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EXECUTIVE DIRECTORS

KEN BATES – CHAIRMAN

Age 67. Chairman of the Group since 1992 and of Chelsea Football Club since 1982.

MICHAEL RUSSELL, ACMA

– FINANCE DIRECTOR

Age 42. Appointed March 1995 after four years with London Transport Property as Finance Director.

ALAN SHAW, FCIS

– COMPANY SECRETARY

Age 52. Appointed October 1998. Mr Shaw joined the Group in 1993 after being company secretary of S G Warburg Securities.

NON-EXECUTIVE DIRECTORS

PATRICK MURRIN

Age 47. Appointed July 1996. A Chartered Accountant, he is a director of an international fiduciary services group based in Guernsey. He is also a director of several trust companies.

MARK TAYLOR

Age 39. Appointed May 1996. Joined Jacobsens, solicitors, in 1982 and became a partner in 1986. He formed his own legal firm in 1998.

STEWART THOMPSON

Age 49. Appointed May 1996. Mr Thompson was Chief Executive of Single Service Ltd., which he founded in 1984, until 1998. The company was subsequently acquired by H J Heinz Corporation. Mr Thompson has a number of business interests in the U.S.

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STOCK EXCHANGE

NOMINATED BROKER:

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CHAIRMAN'S STATEMENT

REVIEW OF THE YEAR

We will deal with the results later but first let me bring the last 12 months into focus. Unlike other companies, Chelsea never has a normal year, but given the Group's developments from a dilapidated stadium in 1993 to today's high quality multi-purpose complex, this is hardly surprising. The front cover of this report clearly demonstrates these changes.

Management time has been heavily preoccupied with the planning inquiry that started in October 1998 and finished in July this year which I will explain in more detail later. It does mean that in the last year we have not only been trying to develop our existing businesses but also to win the public inquiry and complete the latest projects on the site which included The Court Hotel, Stamford House and the forecourt entrance.

On the playing side, we have had a successful year. Although we didn't actually win any silverware, we did reach third position in the FA Premiership, which is our highest position ever and thereby qualifying for the UEFA Champions League. We reached the semi-final of the European Cup Winners Cup and the quarterfinals of both the FA and Worthington Cups.

To date the new season has started well although the actual impact of our participation in the European Champions League will be greatly enhanced if we qualify for the second leg of the competition. Attendance at matches have been encouraging thus far, given the team's performance and reflect the excellent facilities we offer to our supporters. In recognition of these facilities, Stamford Bridge has been chosen as the only London venue, apart from Wembley, should England host the 2006 World Cup.

Achievements elsewhere have been somewhat over-shadowed by the problems that came to light at our travel agency EDT. In common with the rest of the market, EDT has been affected by the reduction in airline commission and down-trading by our customers and at a time when we were seeking to greatly expand turnover. These problems were compounded when, unhappy with the quality of management information being delivered by EDT, we discovered that many of the controls that should have been in operation had either broken down or were not in place. After further investigation it was apparent that the expected contribution would not be delivered. As a result of this and other concerns we have taken a realistic view over financial provisions, resulting in a loss of £1million before Group charges. Subsequently, the Managing Director of EDT has left, and much tighter day to day control implemented over the business which is already showing positive results. I am confident that these actions will result in EDT moving into profit soon.

The EDT problems brought into focus the fact that we had outgrown our management structure as a result of the rapid growth of the Group in the last few years. A more disciplined approach was required for the business.

Accordingly, a review of our organisation identified the need for the appointment of a Group Chief Executive. Peter Bewsey joined us on the 23rd August and has responsibility for all trading subsidiaries, other than Chelsea Football Club. Each subsidiary now has a non-executive Director as Chairman, enabling an independent overview to be taken of that operation. Each subsidiary board meets on a regular monthly basis which in turn allows tighter control to be executed. Accounting, Legal and Human Resources report direct to the Board.

CHAIRMAN'S STATEMENT

We have separated the Hotel from the Conference and Banqueting functions and recruited Roger Powell as the General Manager of the Chelsea Village Hotels and Restaurants. Roger was formerly with Marriott for 10 years and brings with him a wealth of industry experience and a detailed knowledge of the London market.

With the departure of Chris Manson as Managing Director of Chelsea Village Merchandising and Communications to run his own business, we took the opportunity to separate these two companies, allowing them to be run independently. We believe that both have a large future to play in the organisation and will benefit from a more focused approach to day-to-day management and closer supervision.

In summary we have made structural and managerial changes that will enable us to better meet the challenges of the future.

Turning now to the results, here are the highlights of the financials, to 30 June 1999:

	1999	1998
	£m	£m
Turnover	91.5	88.3
Gross Profit	20.7	20.4
Operating Profit	4.9	4.8
(Loss)/Profit Before Taxation	(0.5)	2.1
Fixed Assets	140.3	121.9
Shareholders' Funds	69.5	64.7
Earnings Per Share	(0.4)p	1.3p
Adjusted Earnings Per Share	1.3p	3.3p

Our Operating Profit was marginally ahead of last year at £4.9m (£4.8m 1998). However our bottom line has been affected by a number of issues.

The major contributory factor to the loss of £0.5m for the year was the interest charge of £7.0m (£3.9m 1998).

The delay in the granting of planning consent has resulted in us holding Bond monies which incurred a higher rate of interest than we were receiving - nearly a 4% per annum differential - rather than spending it on building assets which will generate future income.

As these assets come on stream and the original Chelsea Village Hotel business matures, their contributions will add to Group income.

Net assets have risen from £64.6m in 1998 to £69.5m, which reflects our spending on bricks and mortar as part of our diversification strategy for future growth.

There should be further asset growth this year with the opening of the Court Hotel. More details are given in the Financial Review on pages 12 to 13.

The necessary disruption, until this August, at the entrance to Chelsea Village, when constructing the Court Hotel and forecourt (completed in August) gave the entrance to the Village the appearance of a building site, which made it difficult for our sales team to fully realise the potential of our Conference and Banqueting facilities.

Turning to our subsidiaries:

CHELSEA FOOTBALL CLUB - The Board took a conscious decision to continue investing in players for the Football Club, taking the view that if we waited for the development to be completed, Chelsea would be left behind by our competitors in the struggle to become part of the European elite.

This decision has paid off and is demonstrated by the success we have enjoyed so far this season, despite some quite serious injuries in the opening weeks.

CHAIRMAN'S STATEMENT

We are committed to pursue success on the field, which will enhance the Village as a whole, as football is our core business. We are satisfied that we have a first class management team behind the scenes. For a Club often criticised in the press for buying foreign players, it is gratifying to note that we have supplied three players - Wise, Le Saux and Sutton, to the senior England squad for the Belgium friendly and, of course, Jody Morris continues to be picked regularly for the Under 21 squad.

The first team, obviously the main centre of interest to the outside world, is actually the tip of the iceberg at Chelsea, and we believe we have strong scouting, exceptionally good youth team players, football academies that are all now coming into their own, and of course, our grass roots Football In The Community operation.

All of this has been built up in a fairly short time since plans for these could only start to be implemented when we gained control of Stamford Bridge in December 1992. We intend to maintain our presence at the highest level and to continue to manage our budget while introducing world class players - despite snide external comments.

During the year we have increased our players' wages by 18% to £26.5m from £22.5m. This represents 29% of Group turnover or 60% of the Football Club's turnover of £44.1m. It should be remembered that this figure of £44.1m does not include merchandising and catering revenues and is before the completion of our West Stand and the additional income it will bring.

THE CHELSEA VILLAGE HOTEL was affected by the late opening because of contractor shortcomings, resulting in the loss of the 1997 Christmas trade.

However, we have overcome the negative goodwill caused by that, as a result both occupancy and room rates have been rising steadily since January 1999. Occupancy for this year is currently running at 70%, despite the off-putting building works at the entrance, thankfully now completed.

Our Restaurants, continue to serve good quality food at reasonable prices and again, whilst hampered in the past by ongoing building works, the current year's performance is encouraging.

CHELSEA VILLAGE CATERING had another good year with an increase of over 25% in turnover and we expect that trend to continue in the current year. On match days we can provide over 2,200 supporters with either a full or light meal, in addition to our normal kiosks and bars. Chelsea Village is an increasingly popular location for all kinds of corporate business, whether it be conferences, seminars or entertaining. In the future, with the additional capacity from the Court Hotel, we will be able to cater for the profitable residential conference market with our 291 bedrooms and multiple conference facilities. Imagine what the increased facilities of the West Stand will bring to this business.

CHELSEA VILLAGE MERCHANDISING had a good result with a 10% increase in turnover compared to the previous year, and the introduction of our own leisurewear under the Blue Flag label has been very well received. In May 1999 our Merchandising company was the first in British soccer to be awarded the prestigious ISO9002 kite-mark, the nationally recognised quality standard, which is indicative of the standards to which we aspire both in this subsidiary and throughout the Group. The opening of the Guildford store has been a great success and our mail order operation continues to grow.

CHAIRMAN'S STATEMENT

We intend to develop our merchandising into a more widely based leisure wear operation. To this end we anticipate more emphasis on quality and keenly priced leisurewear. This shall enable us to greatly increase our sales to our database of supporters, season ticket holders, travellers and CPO shareholders.

CHELSEA VILLAGE COMMUNICATIONS has had an interesting year in as much as we have developed a number of new ventures, each of which has managed to avoid the usual heavy start-up costs.

Our television division produced 40 episodes of *Blue Tomorrow*, a 30-minute television magazine programme broadcast by Cable and Wireless. We have now also sold the broadcast rights to Videonet, a pay per view facility, which will extend the viewing audience to reach in excess of 1.3million households and we are selling advertising as part of the programme package. We are also exploring the possibility of increasing the number of programmes per week, with a view to selling them more widely on a national and international basis.

The Internet continues to gain City attention these days, and according to *The Times* newspaper, our website attracts more visitors than all the other websites in the Premiership put together. Again, advertising and sponsorship is producing useful revenue to offset running costs. We are actively pursuing other avenues with a view to spread the Chelsea message and make it a significant contributor to income in future years.

Other aspects of Communications include the *Chelsea Magazine*, match day programme, books and *Onside*, our monthly newspaper with a distribution of 70,000 to our members, all of which continue to make a substantial contribution.

LOOKING FORWARD

Turning now to the planning inquiry, for which we expect to get a positive result this year.

The delay in completing our facilities has meant that on the football side, we have been endeavouring to compete with clubs such as Manchester United, Liverpool and Newcastle, with a much smaller capacity ground. This has the double affect of restricting our support and of course, reducing our income.

Consequently, in the last few years we have been taking on our strongest competitors with one hand tied behind our back.

The fact that we have achieved so much has been a tribute to the tremendous efforts of management to overcome obstacles placed in their way. Additionally, in the past year, top management time has been spent concentrating on winning the public inquiry.

However, on the assumption that we are successful: we will complete the West Stand, bringing the total capacity up to 42,000; build a health club behind the Matthew Harding stand; plus a visitor attraction; and open our new Court Hotel. We will be able to use our state-of-the-art-banqueting suite - the Galleria - to full effect and Bluebells, our nightclub, which has been opened only on match days since it was completed.

The impact on both our business and the bottom line will be dramatic and I summarise as follows:-

CHELSEA FOOTBALL CLUB should significantly increase its match receipts and, since we operate a marginal costing business, most of this additional revenue will go direct to the bottom line.

CHAIRMAN'S STATEMENT

CHELSEA VILLAGE HOTEL will increase its bed capacity from 160 to 291 thus enabling us to enter the residential corporate conference business market which is both lucrative and growing rapidly. Our unique location makes us attractive to conference organisers and will enable our sales team to be far more aggressive in marketing the complex.

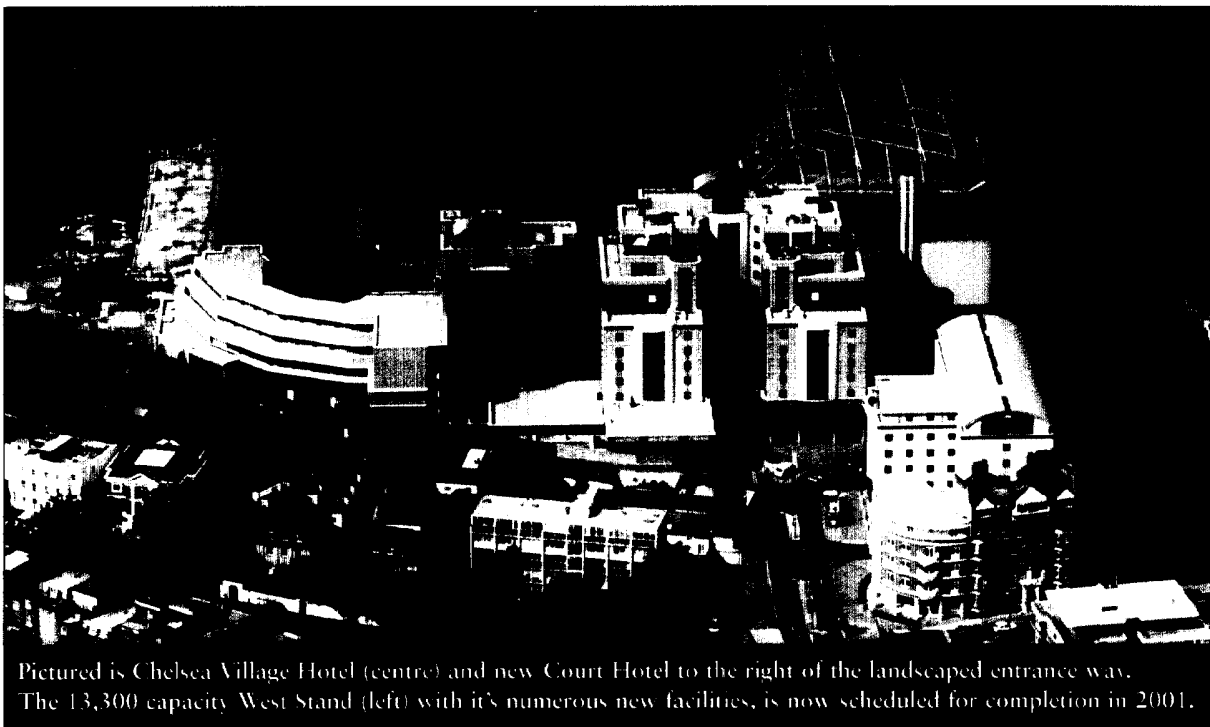
CHELSEA VILLAGE CATERING - with the completion of the West Stand, we will add a large exhibition hall. This will double as a banqueting suite for some 600 people. There will also be six other function rooms, each capable of providing a capacity of up to 250 people, depending on whether they are operated in conference or banqueting mode. You have already seen that Chelsea Village Catering has been growing rapidly and this will enable it to greatly improve both turnover and contribution.

THE HEALTH AND FITNESS CLUB - this club will be located in a prestigious residential area with its customers being able to cycle or walk to use its top quality and innovative facilities.

Once established, it should make a healthy contribution (no pun intended).

VISITOR ATTRACTION - with the design that we have in mind, this should become a major tourist attraction to add to those already available in London.

BLUEBELLS NIGHTCLUB will operate on a full-time basis and will complete the leisure offer at Chelsea Village. There is also a knock-on effect. The more people that visit Chelsea Village, the more customers we will have in the Megastore, the more the car park will be used, and so to will the restaurants and bars.



Pictured is Chelsea Village Hotel (centre) and new Court Hotel to the right of the landscaped entrance way. The 13,300 capacity West Stand (left) with its numerous new facilities, is now scheduled for completion in 2001.

CHAIRMAN'S STATEMENT

THE LILLIE ROAD LINK - the walkway we hope to build alongside the West London Railway line to West Brompton, will enable direct pedestrian access for visitors from Earls Court. As a preferred hotel for a large number of the exhibitions staged there, this increased accessibility should greatly add to our sales opportunities, enabling people to walk directly to the Village, rather than having to fight their way along congested roads.

We have gone some considerable way to accommodate the concerns of our neighbours in the planning process. Hopefully these measures will be seen positively and encourage wide use of our excellent facilities.

Finally, a word on the television scene. Despite the Office of Fair Trading losing its case against the Premier League policy of collective selling, it is clear nevertheless that the next television contract will be of a different format.

Apart from the main contract, it is envisaged that each club will have the ability to exploit its media rights which will include pay-per-view television. Whatever else the future holds, it is certain there will be a continuing explosion of television revenues, with Chelsea being a major beneficiary of any such increases.

We have come a long way in 5 years. Inevitably, as with such rapid expansion, and the added distraction of the planning inquiry process there have been occasions when we have, perhaps, taken our eye off the ball. However it cannot be denied that our achievements have been quite astonishing. With the disruptive building uncertainties behind us, strong business controls in place, the fact that we can now concentrate on running the business, the future is bright and the future is Blue.

Our aim remains unchanged. It is for Chelsea Football Club to be one of the European elite and for the Chelsea family to grow with Chelsea Village as the family home.

No report will be complete without me giving due acknowledgement to my fellow directors, including the non-executives who work without pay. On the whole, one thing that never ceases to surprise visitors is that our staff, whichever category they fall into, have a high degree of enthusiasm, loyalty and excitement for the Chelsea dream. It is they who are making it possible, and it is they who will make Chelsea Village one of the most exciting companies in the leisure sector.

Thank you for investing in Chelsea and thank you for taking the time to read this report. I look forward to meeting you at our Annual General Meeting on 30 November 1999 and of course those of you who will be able to stay for lunch, will be encouraged by the usual special offers that are enclosed elsewhere.

KEN BATES

2 November 1999

MARKETING UPDATE

With its mix of hotel, restaurants, conference and banqueting facilities, publications and other media now clearly established, Chelsea Village offers a unique blend of inter-operation promotional opportunities - each business variously feeding off the links established by others, or providing the fresh customer contacts.

In addition to the on-site offerings, and those expected to be added in the current and next financial year, Chelsea Village Group also embraces, for example, the travel agency EDT and Chelsea Insurance and Financial services companies. These businesses have their own, separate clients who are being introduced to the Village, as well as promoting their individual services to established Chelsea customers.

In this way, the Village has shown the potential for the cross-selling of services and facilities and development of promotional packages extending well beyond that offered by most single-site, leisure-based operations. The fruit of this co-operation between Group companies is already becoming apparent as indicated in the reports following, and is destined to become increasingly powerful.

CHelsea FOOTBALL CLUB

Demand for season tickets substantially outpaces availability; nevertheless the number grew by 10% for 1999/2000 to a record of around 20,000. Similarly, Club membership is again running at high levels.

The popularity of Stamford Bridge continues unabated with all of the corporate entertainment facilities for the current season sold out and long waiting lists established. In two years the seating capacity for such facilities has grown from 420 to 2,000, with the South Stand Galleria being added in 1997 and Canaletto's Restaurant for the 1998/9 season.

Although availability of the new West Stand facilities - including some 50 private Executive Boxes doubling the present supply, and two large executive clubs with first class dining - is still some 18 months away, the Club's Corporate Sales Department already has a long waiting list. Some current corporate clients are expected to upgrade to the West Stand, which in turn will release capacity of the Club's existing corporate facilities in the East Stand.

Only very few matches remain for Match Sponsorship (which offers 24 seats in the Directors Box with full hospitality and advertising), or Matchball Sponsorship (where 6 Galleria seats behind glass, meals, wines and liquors are included in the package). There are opportunities also for advertising in Matchday Programmes and on some sites around the Stamford Bridge ground.

Similarly, the Matchday 'Gold Package' is available for all games offering an excellent seat, pre match dining with drinks, as well as a Celebrity Guest appearance. Prices start from £150 (plus VAT) per person.

**For information and bookings,
telephone 020 7385 7809.**

CHelsea VILLAGE HOTELS

In the financial year under review, occupancy levels at the 4-star Chelsea Village Hotel grew by 38%, such that in summer months the occupancy stood at an average 71% helped by a series of international back-to-back bookings. This progress is satisfying given that the hotel is located in south-west London, and particularly by comparison with that being achieved by other similarly rated and well-established hotels usually with the backing of a marketing brand nationwide chain. As a result, the Chelsea Village Hotel made a useful contribution to the Group.

News Just In...

*Our fame is spreading
and merits recognition.
Chelsea Village has
been shortlisted by
the Leisure Property
Forum for two
prestigious awards:*

- Best Original Concept
- Best Mixed Use Scheme

MARKETING UPDATE

The Hotel has been successful in being nominated as the headquarters hotel for several events and exhibitions at nearby Earls Court and Olympia, such as the prestigious World Travel Market in November. Again this is expected to open up the wider Chelsea Village facilities to a national and international audience.

The new 131-bedroom Court Hotel on the forecourt is expected to be operational early in the year 2000 and has been furnished to the same 4-star standard as its sister Chelsea Village Hotel. The Court Hotel includes a new Chelsea Village restaurant, Le Bistro.



Pictured above are the two Chelsea hotels, Chelsea Village Hotel and The Court Hotel, which is expected to open early in 2000.

The paved way from the Fulham Road providing the entrance to both hotels, as well as other Chelsea Village facilities, will be lined with trees and subtle period-style street lanterns as part of a landscaping project that provides top class 'Village' ambience to the area.

Sales activity includes various conference and travel agent familiarisation evenings, where guests can view the facilities and hear of the new combined football and accommodation packages.

For Hotel bookings and information, telephone 020 7565 1400.

CHELSEA VILLAGE RESTAURANTS

The food quality and service levels at the Groups public restaurants - Kings Brasserie and Arkles - are constantly praised. Having been operational for a complete financial year, the restaurants have sought to extend their client base beyond their initial markets.

In June for example, *What's on in London* advised "you cannot do better than to try Arkles at Chelsea Village", which it also described as "London's newest and most exciting hotel and restaurant destination." And even overseas publications extol the eating opportunities for visitors - the influential *Canada Post*, described "a truly satisfying meal" at Kings Brasserie and declared: "You can't go wrong."

The 'Summer Madness' promotion during August, when diners were offered a 2-course meal with a glass of wine in any of the three restaurants for just £10, more than doubled the number of customers at that time. Many were first-time visitors and such was the success of this approach, that another, similar offer is planned for early next year.

Corporate bookings have also taken off; companies have begun hiring the various restaurants for in-house events and taken over the entire dining areas - again extending the Chelsea Village reach.

At the start of the current football season, a new Match day package was developed utilising Kings Brasserie, and which includes a champagne reception, pre-match meal, match programme and ticket, and drinks after the game.

In yet another way, the culinary delights of Chelsea Village restaurants have been introduced to a wider audience through a series of charity fashion shows for a second year at Chelsea Village Hotel.

MARKETING UPDATE

The first was a sell-out in October with guests enjoying a champagne reception and 3-course dinner. Shirley Conran, author of the famous *Superwoman* book, was amongst models of day and evening wear by Alice & Co of Bloomsbury.

With the Millennium fast approaching, Christmas and New Year bookings are being taken for events in each of the restaurants, with add-on packages to stay at the Chelsea Village Hotel.

**For restaurant bookings,
telephone 020 7565 1435.**

CHELSEA VILLAGE CONFERENCE & BANQUETING

The year-on-year sales growth was 30%, principally through development of the conference and meetings business that grew by 80% in the year accounting for nearly one half of this operation's revenue.

The South Stand's Galleria has attracted numerous Blue Chip companies for large conference events, dinner dances and exhibitions, with several providing repeat bookings.

With full views of the pitch, competitive day delegate rates together with benefits of tours behind the scenes of the Football Club and provision of memorabilia have formed a winning combination.

Another innovation has been the launch in November of the membership-based Chelsea Village Sporting Club, offering a minimum of three Boxing Dinner Nights with a pre-match meal, a programme and entertainment, such as a comedian. The second will be early in the New Year.

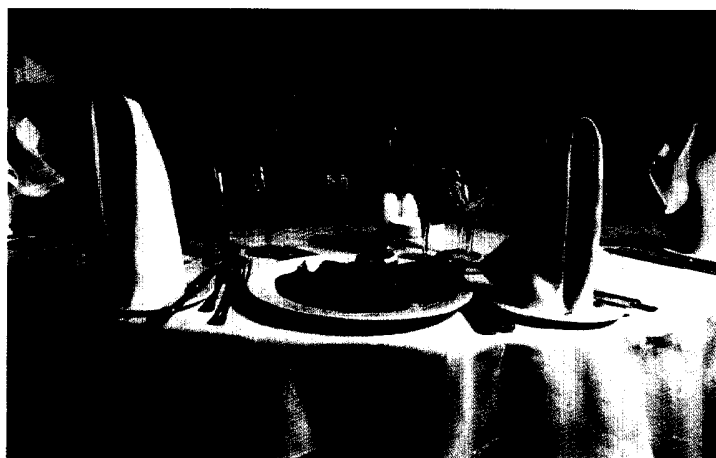
Bentleys and the Trophy Room have both benefited from refurbishment in the past year and have proved popular for small meetings and party clients. Larger events in the new Canaletto's Venetian Restaurant also in the East Stand have included those for foreign dignitaries as well as high profile visitors.

Usage of Drakes in the North Stand following cessation of Club Nights has been successfully replaced by a large number of weddings with a new Licence to perform marriage ceremonies. Various training companies regularly utilised Dixons and Tamblings for their training programmes.

For the second successive year, Chelsea Village Conference & Banqueting in conjunction with Exclusive Events hosted events on Chelsea Football Club's superb pitch in the weeks prior to re-seeding in mid-summer. The novelty of playing football and organising family fun days on the pitch appealed to many large companies, which are keen to re-book for next year thus ensuring a continued income stream.

Earlier in the season however, the pitch was invaded by stars more used to the 'pop' and showbiz world.

*Dining splendour in
the glass-fronted
Galleria (pictured
below) overlooking
the pitch at Chelsea
Village.*



MARKETING UPDATE

Over the May Bank Holiday weekend, Stamford Bridge hosted the Music Industry's charity 'Soccer Six' tournament with the likes of Robbie Williams, Simply Red's Mick Hucknall and E17 'performing' with Angus Deayton and others before more than 10,000 fans, many of whom were first time Chelsea Village visitors. It is another event to be repeated next year.

For more information on conferences and banqueting, telephone 020 7915 1962.

CHelsea VILLAGE COMMUNICATIONS

Provision of a professional media pack - giving details of the Chelsea reach and spread of support - was sent to the top 50 advertising agencies and businesses in the UK, with the result that major companies such as Midland Mainline Railway and Calvin Klein joined those taking up advertising opportunities.

On Chelsea's own Internet site - still regarded as the best Web soccer site - newcomers to advertise were Sea France, KLM and Virgin as well as product offerings as diverse as Nivea, the *Daily Mail* and *Hello* magazine. Now there are more than 30 blue chip advertisers associated with Chelsea Internet, a three fold increase over last year.

Reciprocal deals were struck with Teletext (ITV page 417, C4 page 177) and BSkyB (page 214) to promote Chelsea Village and its facilities in exchange for advertising in Village publications.

During the year, *Chelsea Magazine* was sold to Future Publishing, the country's fourth largest magazine publisher producing titles such as *Total Football* and *Playstation Magazine*. The sale is expected to double circulation in the current year. Chelsea's own monthly title, *Onside*, continues to grow.

The expanding audience base - already at 1.3m viewers - of the exclusive Chelsea television programmes, Channel Chelsea and Blue Tomorrow, is expected to produce a rise in their advertising revenue. Blue Tomorrow is broadcast by Cable & Wireless and Telewest, as well as new video-on-demand network Videonet over large parts of London and the south east.

Stadium tours provide a unique opportunity for face-to-face communication and to spread the 'Village' message. The tours programme was upgraded in February with sound and video to enhance the experience, and the number of tours has been expanded ten fold to at least 20 per week. In a separate development, schools will be able to book formal educational tours from January 2000 as part of their National Curriculum studies.

Chelsea Village Car Rental in association with National Car Rental - the largest in the UK - has been launched to provide an added value service, for hotel guests and Chelsea Football Club members and supporters.

For information on advertising opportunities, telephone 020 7565 1478; for Stadium Tours telephone 0870 603 0005; and for Chelsea Car Rental, telephone 07000 284 267.

CHelsea VILLAGE MERCHANDISING

The Megastore continues to attract still more customers with the number of people visiting the giant retail facility currently running at the rate of a third more than during the 1997/8 financial year. Some 17,500 new Home Shirts were sold in the first two months, making it the most popular in the Club's history.

The football club's Guildford store, opened in November, is also proving to be more successful than anticipated with sales some 25% more than expected.

MARKETING UPDATE

To maximise sales and profile, Chelsea Village Merchandising has sought to capture information from its supporters and worked in conjunction with *The Daily Telegraph*, on a Lifestyle questionnaire that was distributed to some 65,000 people.

The aim was to ensure that the store stocks what supporters demand, and to provide data that will be enable other Village operations - such as the hotels and restaurants - to more closely target their promotional campaigns.

Already, the Camberley-based telephone Mail Order operation has worked to foster Chelsea brand loyalty by cross-selling Village opportunities. The database has grown by 5,000 since the third catalogue was launched early in September, building on the number of active mail order customers placing repeat orders which increased by over 10,000 in the year.

After little more than two years trading, Chelsea Village Merchandising became the first merchandising arm of any football club to receive the prestigious British Standards Institute ISO9002 certificate, that recognises training standards and processes and the involvement of all staff in the development of the business.

Early next year, the team will strive to also gain the Investors In People certificate as the first in a succession of Chelsea operations to adopt a programme that helps improve staff performance and encourages excellence in developing people as a winning team for customers.

For a Mail Order catalogue or to place an order, telephone 0870 603 0005.

EDT

This long-established travel company exceeded its target of building its already substantial database by at least 15%.

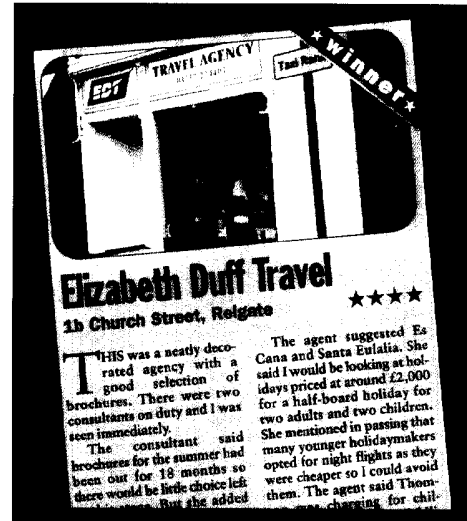
Recognising the progressive shift within the travel industry - particularly amongst leading airlines - away from commission-based bookings to net price only fares, EDT has for the past two years been working with corporate customers to represent its service on a cost-plus basis.

The EDT promise of best and/or cheapest fares to suit individual corporate needs has brought savings of between 15 and 20 per cent for clients in exchange for payment of an agreed travel consultancy fee. Consequently, two-thirds of EDT's major corporate customers have now adopted the new travel consultancy basis for business. Smaller corporate clients are being introduced to the concept by paying for add-on services, such as provision of rail tickets, passports and visas.

The EDT retail travel centre at Reigate again gained industry recognition when in August staff won the *Travel Weekly* local leisure travel award for high service standards in travel agency.

EDT travel transactions are growing at a rate of 20% per annum and expects further expansion of the customer base through Telesales and the Internet.

For travel enquiries and holiday bookings, telephone 01737 646440.



Travel Weekly chose EDT's Reigate agency as the best for customer service standards.

FINANCIAL REVIEW

Analysis of Results

GROUP FINANCIAL HIGHLIGHTS

	1999	1998
	£m	£m
TURNOVER	91.5	88.3
OPERATING PROFIT	4.9	4.8
(LOSS) / PROFIT before TAX	(0.5)	2.1
SHAREHOLDERS' FUNDS	69.5	64.7
EARNINGS PER SHARE	(0.4p)	1.3p
ADJUSTED EARNINGS PER SHARE	1.3p	3.3p

Overall turnover for the Group in 1999 increased by 3.6% to £91.5m in 1999 (£88.3m - 1998) however we produced a small loss of £0.5m in 1999 (1998 profit £2.1m) as the impact of declining

interest rates increased the differential between the cost of our Eurobond interest, which is fixed, and the interest we received for our funds on deposit. EDT's difficulties have been dealt with in the Chairman's Statement.

At the same time net worth grew 7.4% to £69.5m (1998 - £64.6m) as Shareholders benefited from the revaluation of the assets completed in previous years (see Chart 3).

An analysis of turnover is detailed in Chart 1. With the exception of EDT and ignoring property sales all companies increased turnover. At the same time tangible fixed assets have continued their growth pattern with an £11.6m increase over 1998 to £112.4m (see Chart 4).

MAJOR SUBSIDIARY CONTRIBUTORS

Chelsea Football Club increased turnover by 18.8% to £44.1m (1998 - £37.1m) having had the benefit of a 35,000 capacity stadium for the whole season.

F.A. Premier League match day receipts, including season ticket holders, increased 20% to £13.5m (1998 - £11.2m), and as the Club succeeded in winning the UEFA Super Cup, other match receipts were in line with the previous season (see Chart 2). The appeal of Chelsea helped to increase the number of live matches covered by television to 21 games last season, which partially explains the 23.7% increase in television receipts to £11.5m (1998 - £9.3m).

Corporate Sales Department advertising and sponsorship income increased 21.6% to £9.0m (1998 - £7.4m) and the increase in Membership numbers from 54,904 in 1998 to 58,572 in 1999 resulted in 27.3% improvement in Membership and *Onside* subscriptions to £1.4m (1998 - £1.1m).

During the year the Club continued to invest in world class players by acquiring the registrations of four players and releasing four from their contracts at a net cost of £8.6m. Player trading generated a gain of £5.7m in the year (1998 - £2.9m), whilst the investment in the playing squad resulted in an increase in the amortization charge in 1999 to £8.5m (1998 - £5.9m).

The investment in world class players resulted in a net increase in the cost of running the senior squad of £4.0m or 18%, which was more than adequately covered by the £7.0m increase in turnover.

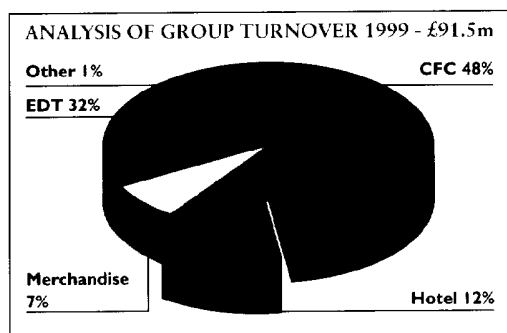


Chart 1

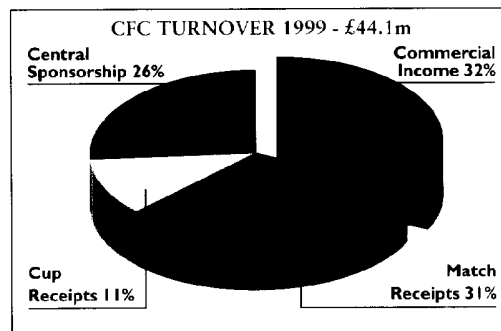


Chart 2

FINANCIAL REVIEW

Analysis of Results

The increase in the cost of running the senior squad will always appear high in relation to turnover until the West Stand has been completed. At present the cost of operating the senior squad represents 60.1% of turnover (1998 - 60.5%).

Chelsea Village Merchandising continued to trade well in the year with turnover up £0.5m to £6.7m (1998 - £6.2m). This improved performance was generated from the opening of our first satellite store in Guildford. Improved capture of information and better use of the mail order database enabled this part of the business to increase turnover by 20% to £1.2m (1998 - £1.0m).

Chelsea Village Hotel had a reasonable first full operating year with turnover up £3.2m to £4.2m (1998 - £1.0m) which is a good base on which to build for the future. The first half of the year was disappointing as the Hotel was adjusting to the problems caused by the four month delayed opening. The second half produced a much more encouraging performance though the full year performance figures were held back by the disappointing first half. The Hotel operated at 47.7% occupancy for the full year and sold each room at an average room rate of £80.40.

The Company also completed the sale of the remaining ten apartments for a total £3.0m.

Chelsea Village Catering produced its fourth year of continuous growth with turnover up £630k or 22.3% at £3.5m (1998 - £2.8m) with £2.0m coming from stadium catering and £1.5m from conference and banqueting. It is the non-football related revenue which we are developing with the introduction of more conference space and the completion of the forecourt entrance, ensuring the site becomes the destination venue intended.

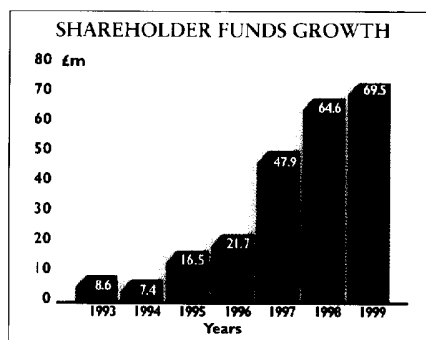


Chart 3

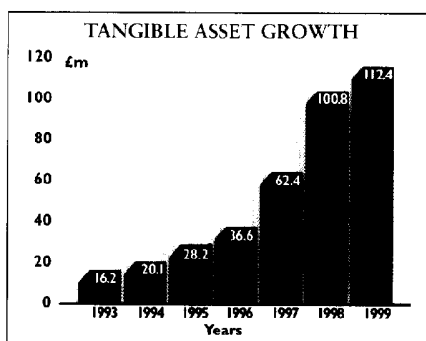


Chart 4

EDT had a poor year in which turnover declined by £4.0m to £29.1m (1998 - £33.1m) as clients downgraded their requirements - for example from Business Class to Economy - airlines reduced their commission rates and there was a general downturn in business in the middle part of the year. The difficulty over the collectability of airline rebates and the recent movement in commission rates has led to a strategic shift in the way business travel agents operate.

EDT is at the forefront of the shift in moving its major clients onto a professional charging basis and sharing all savings generated with the client. This action, plus those mentioned in the Chairman's Statement are intended to move this Company back into profit.

M I Russell
Group Finance Director
2 November 1999

DIRECTORS' REPORT

for the year ended 30 June 1999

The Directors present their annual report and financial statements for the year ended 30 June 1999.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the operation of a professional football club, the provision of catering and function facilities, hoteliers, retailing and media activities, travel agency, car park management, event organisation and operation and property development and management.

REVIEW OF THE BUSINESS

A review of the activities of the Group is set out in the Chairman's Statement. The results for the year are set out in the profit and loss account on page 18.

DIRECTORS

The Directors of the Company during the year and the interest of those serving as at 30 June 1999 in the share capital of the Company, which were all beneficial, were as follows:

	30 June 1999	30 June 1998 or date of subsequent appointment
	No. of shares	No. of shares
Executive		
K.W. Bates	30,000,000	30,000,000
M.I. Russell	3,000	3,000
G.J. Pinchen (appointed 28 August 1998) (resigned 31 August 1999)	1,455,742	1,286,776
A.L. Shaw (appointed 16 October 1998)	5,100	5,100
Non executive		
P.J. Murrin	100	100
R.M. Taylor	Nil	Nil
S.O. Thompson	2,811,743	2,811,743

Mr Shaw served as Company Secretary throughout the year.

In accordance with the Articles of Association K.W. Bates and P.J. Murrin retire by rotation. Members are invited to re-elect these Directors.

RESULTS AND DIVIDENDS

The net loss for the year, after taxation, was £0.714m (1998 £2.069m - profit), and has been transferred to reserves. The Directors do not recommend the payment of a dividend for the financial year.

FIXED ASSETS

The movements in fixed assets during the year are as shown in notes 13 to 15 to the financial statements. The intangible fixed assets includes the unamortised portion of the cost of players' registrations.

Two Directors and a senior member of the player management of Chelsea Football Club Limited have each independently valued the playing staff. The average of their aggregate valuation as at 30 June 1999 was £71,570,000.

The valuation assumes willing buyers for the relevant player's registrations on normal contractual terms and an orderly disposal over a period of time.

The Group's freehold, long and short leasehold land and buildings were valued at 30 June 1999 by Chesterton International plc. These valuations as detailed in note 14 have been incorporated in these financial statements.

DONATIONS

During the year the Group made no charitable donations in the United Kingdom (1998 £nil). There were no political donations during the year (1998 £nil).

DIRECTORS' REPORT

for the year ended 30 June 1999

SUPPLIERS

The Company agrees terms and conditions for its goods and services with suppliers and seeks to abide by these payment terms subject to the agreed terms and conditions being met by the supplier.

Amounts due to the Company's suppliers at the Balance Sheet date represent approximately 50 days credit based on the total amounts of goods and services invoiced by them.

ACQUISITION

In October 1998, the Group acquired the remaining 20% of the share capital of the Bidgleam Group (principal trading company Elizabeth Duff Travel Ltd.), a travel agency based in the South East of England. Payment for the above was made by cash and the issue of 447,429 ordinary shares in the Company.

POST BALANCE SHEET EVENTS

Since the year end the Group has acquired the registration of 6 players, and sold 4 at a net cost of £13.9m.

SIGNIFICANT SHAREHOLDINGS

Apart from the interests of the Directors referred to above, the Company has received the following notifications of holdings of more than 3% of the share capital of the Company as at the date of this report:

Swan Management Ltd	32.0%
N Y Nominees Ltd	22.5%
Havering Ltd	4.7%

CORPORATE GOVERNANCE

The Directors take the view that it should comply with the Combined Code of Best Practice.

The Board consists of three executive and three non executive Directors. It meets regularly throughout the year.

The Board has established independent Audit and Remuneration Committees both of which consist of the three non executive Directors, one of whom acts as Chairman.

Each Committee has formal terms of reference approved by the Board.

The Audit Committee meets at least quarterly and has responsibility to monitor controls established to ensure the integrity of the financial information reported to the Shareholders.

The Remuneration Committee advises executive Directors and the Board on the remuneration of senior executives of the Group.

A Nominations Committee has not been established because the approval and appointment of Directors is considered to be a matter for the entire Board.

INTERNAL FINANCIAL CONTROL

The Directors acknowledge that they have overall responsibility for the Group's system of internal financial control, the main components of which are summarised as follows:

There is a comprehensive budgeting system for all items of expenditure, with the annual budget approved by the Board. Actual results are compared to budget on a monthly basis and reported to the Board with revised financial forecasts for the year.

Whilst the system can provide only reasonable, not absolute assurance against material misstatement or loss, the system is designed to ensure the Group's assets are safeguarded against material loss.

DIRECTORS' REPORT

for the year ended 30 June 1999

The Group's control procedures require all transactions to be properly authorised and recorded and that the Group's financial position and performance are fairly reported.

GOING CONCERN BASIS

After making enquiries, the Directors have a reasonable expectation that the Company and the Group has adequate resources to enable the Directors to adopt the going concern basis in preparing the financial statements.

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 the Group and of the profit or loss of the Group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group 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 Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMPLOYEES

The Group recognises the importance of good employee relations and communications. Employee participation practices are appropriate to each company's needs. Employees are regularly kept informed of and express their views on activities which are of concern to them or which are likely to affect their interests.

Disabled persons are given full and fair consideration in all applications for employment. Equal consideration is also given for training, career development and opportunities for promotion.

YEAR 2000 DATE CHANGE

The Group has undertaken a review of its computer systems to ensure that they are able to operate effectively after 31 December 1999. The review also covered third parties from whom the Group receives services. The immaterial cost of this review has been taken to the profit and loss account.

AUDITORS

The auditors Saffery Champness have indicated their willingness to accept re-appointment, under Section 385(2) of the Companies Act 1985.

Signed on behalf of the
Board of Directors

A.L. Shaw
Director
2 November 1999

AUDITORS' REPORT

for the year ended 30 June 1999

AUDITORS' REPORT TO THE MEMBERS OF CHELSEA VILLAGE plc

We have audited the financial statements on pages 18 to 37.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 16, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with 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 circumstances of the Company and the Group, 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 of the state of affairs of the Company and of the Group as at 30 June 1999 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness
Chartered Accountants and
Registered Auditor
London
2 November 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1999

			1999		1998
	Note	£'000	£'000	£'000	£'000
TURNOVER	2		91,531		88,307
Direct operating costs			(70,879)	–	(67,877)
GROSS PROFIT			20,652		20,430
Administrative expenses			(12,891)		(12,567)
			7,761		7,863
PLAYER AMORTISATION	3		(2,875)		(3,085)
OPERATING PROFIT	4		4,886		4,778
Interest receivable and similar income	8	1,567		1,219	
Interest payable and similar charges	9	(6,960)		(3,896)	
			(5,393)		(2,677)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(507)		2,101
Taxation	10		(207)		–
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			(714)		2,101
Minority interests			–		(32)
RETAINED (LOSS)/PROFIT FOR THE YEAR	25		(714)		2,069
Retained profit brought forward			4,111		2,042
RETAINED PROFIT CARRIED FORWARD			3,397		4,111
EARNINGS PER SHARE	12		(0.4)p		1.3p
ADJUSTED EARNINGS PER SHARE	12		1.3p		3.3p

The notes numbered 1 to 32 form part of these financial statements.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES *for the year ended 30 June 1999*

	1999 £'000	1998 £'000
(Loss)/profit for the financial year	(714)	2,069
Unrealised (deficit) on revaluation of short leasehold properties	-	-
Unrealised surplus on revaluation of freehold properties	5,139	11,961
Total recognised gains and losses for the financial year	<u>4,425</u>	<u>14,030</u>

The notes numbered 1 to 32 form part of these financial statements.

BALANCE SHEETS

as at 30 June 1999

		Group		Company	
	Note	1999 £'000	1998 £'000	1999 £'000	1998 £'000
FIXED ASSETS					
Intangible assets	13	27,875	21,128	–	–
Tangible assets	14	112,388	100,790	2,896	3,772
Investments	15	–	–	102,776	74,077
		140,263	121,918	105,672	77,849
CURRENT ASSETS					
Stocks	16	1,002	1,118	–	–
Debtors: Due in one year	17	9,474	12,755	211	778
Due after one year	17	9,685	11,151	9,685	11,151
Short term development	18	13,066	5,591	–	–
Cash at bank and in hand		14,463	35,198	15,292	35,669
		47,690	65,813	25,188	47,598
CREDITORS					
Amounts falling due within one year	19	(18,351)	(28,845)	(4,387)	(4,792)
Income in advance	19	(12,956)	(11,270)	–	–
		(31,307)	(40,115)	(4,387)	(4,792)
NET CURRENT ASSETS					
		16,383	25,698	20,801	42,806
TOTAL ASSETS LESS CURRENT LIABILITIES					
		156,646	147,616	126,473	120,655
CREDITORS					
Amounts falling due after one year	20	84,030	79,942	73,796	73,757
Football Trust grants	22	3,100	3,100	–	–
CAPITAL AND RESERVES					
Called up share capital	24	1,588	1,584	1,588	1,584
Share premium account	25	37,762	37,375	37,762	37,375
Revaluation reserve	25	26,769	21,630	7,072	2,884
Profit and loss account	25	3,397	4,111	6,255	5,055
SHAREHOLDERS' FUNDS					
Minority interests	25	–	(126)	–	–
		156,646	147,616	126,473	120,655

These financial statements were approved by the Board of Directors on 2 November 1999.
K.W. Bates M.I. Russell

The notes numbered 1 to 32 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 1999

	Note	£'000	1999 £'000	1998 £'000
CASH FLOW FROM OPERATING ACTIVITIES	26.1		11,374	1,278
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26.2		(5,393)	(2,677)
Taxation			(192)	(147)
Capital expenditure and financial investment	26.2		(24,936)	(36,415)
Acquisitions and disposals	26.2		(208)	(1,781)
Cash outflow before use of liquid resources and financing			(19,355)	(39,742)
Management of liquid resources	26.2		19,180	(29,583)
FINANCING				
Issue of shares	26.2	—		650
(Reduction)/Increase in debt	26.2	(1,380)		69,142
			(1,380)	69,792
			(1,555)	467
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	26.3			
(Decrease)/Increase in cash in year		(1,555)		467
Cash outflow/(inflow) from change in debt and lease financing		1,380		(69,142)
Cash (inflow)/outflow from increase/(decrease) in liquid resources		(19,180)		29,583
Change in net debt resulting from cash flows			(19,355)	(39,092)
New hire purchase and finance leases			—	(257)
Amortisation of Eurobond issue costs			(192)	—
Movement in net debt in period			(19,547)	(39,349)
Net debt at 1 July 1998			(46,351)	(7,002)
NET DEBT AT 30 JUNE 1999			(65,898)	(46,351)

The notes numbered 1 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

I. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention with the exception that certain land and buildings have been revalued.

b) Consolidation

The Group financial statements incorporate the financial statements of Chelsea Village plc and all its subsidiary undertakings for the year ended 30 June 1999. Acquisitions are accounted for under the acquisition method with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised in the Balance Sheet and amortised over its expected useful life.

A separate profit and loss account dealing with the results of the Company only has not been presented as permitted by Section 230 of the Companies Act 1985.

c) Investment in subsidiaries

Subsidiary companies are valued in the parent company balance sheet at cost. Where a diminution in value occurs and is considered to be permanent, the diminution below the cost of the investment, including loans, is written off to the profit and loss account

d) Depreciation

Land and Buildings

Freehold and leasehold properties are maintained by a programme of repair and refurbishment such that the residual value is at least equal to its book value. Having regard to this, it is the opinion of the Directors that the depreciation of any such property as required by the Companies Act 1985 and accounting standards would not be material.

Fixtures and Fittings

The group maintains a policy of replacing and renewing its fixed assets in order to sustain its level of service. These costs are then charged to the profit and loss account as and when they arise. Depreciation is therefore not charged on the Group's fixtures and fittings.

Other Assets

Depreciation is provided on other tangible fixed assets in equal instalments over their estimated useful lives. The following rates apply: Plant and equipment 10% – 25%

e) Deferred taxation

Deferred taxation is provided using the liability method to take account of all material timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

f) Transfer fees

All costs associated with the acquisition of a player's registration are capitalised as intangible fixed assets and are amortised evenly over the period of the player's initial contract of employment with the group. In the event that the initial contract is renegotiated prior to expiry, the written down value at the date of renegotiation is amortised over the extended period. Fees receivable are set off against the players' net book value at the date of sale, plus any payments made in settlement of the contracts, and the difference is treated as a profit or loss on disposal.

g) Players' signing on fees

Players' contracts of employment may include a signing on fee payable in equal instalments over the period of the contract. The Group's policy is to charge such fees to the profit and loss account as they fall due under the terms of the contract.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

- h) Capitalised interest**
Separately identifiable borrowing costs and interest incurred on the development of specific projects are capitalised as part of the Group's development costs.
- i) Grants**
Grants relating to assets which are not depreciated are deducted from the cost of fixed assets. This is not in accordance with schedule 4 to the Companies Act 1985, which requires fixed assets to be shown at their purchase price or production cost and hence grants and contributions would be presented as deferred income. This departure from the requirements of the Act is, in the opinion of the directors, necessary for the accounts to give a true and fair view as no provision is made for depreciation and any grants and contributions relating to such assets would not be taken to the profit and loss account.
- j) Turnover**
Turnover represents all income arising from the ordinary activities of the Group excluding transfer fees and excluding Value Added Tax.
- k) Hire purchase and leasing commitments**
Assets held under hire purchase contracts and finance leases are included in the fixed assets at total rental cost less finance charges. Finance charges are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.
- l) Pensions**
The Group operates a number of defined contribution schemes. Contributions to these schemes are charged to the profit and loss account as incurred.
- m) Stocks**
Stocks, which comprise goods held for resale and food and beverages, are valued at the lower of cost and net realisable value.
- n) Stadium development**
The Group capitalises all expenditure incurred for the development of the Stamford Bridge Stadium.
- o) Foreign Currencies**
Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the transaction date. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

2. SEGMENTAL INFORMATION

	Turnover 1999 £'000	Profit/(Loss) 1999 £'000	Turnover 1998 £'000	Profit/(Loss) 1998 £'000
Football activities	44,076	3,499	37,109	3,067
Travel agency	29,103	(1,298)	33,047	(76)
Property sales/leasing	3,336	768	7,778	1,167
Hotel, catering	7,664	(2,162)	3,813	(855)
Merchandising	6,688	(806)	6,128	(454)
Publications/Licencing	369	(423)	377	(424)
Car parking/Events/Other	295	(85)	55	(324)
	91,531	(507)	88,307	2,101

All turnover arises in the United Kingdom, excludes value added tax and relates to continuing operations.

The net assets of the football and travel agency segments were £34,401,000 (1998 £31,770,000) and £1,796,000 liabilities (1998 £361,000 liabilities) respectively.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

3. PLAYER AMORTISATION

	1999 £'000	1998 £'000
Amortisation of cost of players' registrations	8,544	5,945
Gain on disposal of players' registrations	(5,669)	(2,860)
	<u>2,875</u>	<u>3,085</u>

4. OPERATING PROFIT

This is stated after charging:

Depreciation of tangible fixed assets:

Owned	1,207	428
Leased	265	238

Amortisation of intangible assets

8,942	6,433
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Operating lease rentals:

Land and buildings	203	93
Other	1	4

Auditors remuneration and expenses

Audit	90	90
Other	20	17

5. STAFF NUMBERS AND COSTS

	1999 No.	1998 No.
The average number of employees of the Group during the year was as follows:		

Playing staff, managers and coaches	55	58
Ground staff	8	8
Administration and commercial	442	297
	<u>505</u>	<u>363</u>

The aggregate payroll costs of these employees were as follows:

	£'000	£'000
Wages and salaries	28,466	24,207
Social Security costs	3,056	2,528
Other pension costs	276	247
	<u>31,798</u>	<u>26,982</u>

6. DIRECTORS' EMOLUMENTS

Aggregate emoluments	142	85
Pension contributions to money purchase schemes	14	8
	<u>156</u>	<u>93</u>

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

6. DIRECTORS' EMOLUMENTS (continued)

The number of directors to whom retirement benefits are accruing is:

	1999	1998
Money purchase schemes	2	1

The emoluments of the highest paid director were:

	1999	1998
	£'000	£'000
Aggregate emoluments	100	85
Money purchase pension contributions	10	8
Money purchase schemes	110	93

7. RELATED PARTY TRANSACTIONS

A company beneficially owned by K W Bates has contracted with a subsidiary undertaking for construction works to be carried out on an apartment held on long leasehold terms. The value of work to be undertaken, which has not yet been completed, is estimated at around £450,000.

During the year, in the normal course of business, R M Taylor, through his legal firm Mark Taylor & Co., was paid £63,488 in legal fees by the Company or its subsidiary undertakings.

In October 1998, the Company acquired the remaining 20% interest in the equity of the Bidgleam Group of Companies from G J Pinchen by the issue of 447,429 ordinary shares in Chelsea Village plc and £208,000 in cash.

At 30 June 1999 a subsidiary undertaking was owed £45,295 by a company controlled by G J Pinchen in respect of travel and other services and the settlement of a warranty claim (in part) by a former employee.

8. INTEREST RECEIVABLE

	1999	1998
	£'000	£'000
Bank interest	1,567	1,219
	1,567	1,219

9. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable on bank loans and overdrafts:

Repayable within five years	455	358
Eurobond 2007	6,044	3,126
Other loans	181	10
Finance lease charges	280	402
Eurobond 2007 issue costs	—	1,939
Less: amounts capitalised	—	(1,939)
	6,960	3,896

10. TAXATION

UK Corporation Tax
Payment in respect of prior years

	207	—
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11. PROFIT FOR THE FINANCIAL YEAR

The loss for the financial year of the Group includes a result of nil (1998 loss £239,145) dealt with in the individual accounts of Chelsea Village plc.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

12. EARNINGS PER SHARE

The calculation of earning per share is based on the loss for the year of £713,378 (1998 Profit £2,068,810) and on 158,835,012 (1998 158,387,583) ordinary shares in issue. The Directors believe that in order to provide a more useful guide to the underlying performance of the Group an additional adjusted earning per share figure should be included together with the traditional calculation. The adjusted figure excludes player trading and is considered to reflect the Groups operating performance.

	1999 £'000	1998 £'000
(Loss)/ profit after taxation	(714)	2,069
Player trading	2,875	3,085
Adjusted profit after player trading	<u>2,161</u>	<u>5,154</u>
Weighted average number of shares in issue	158,835,012	158,387,583
(Loss)/ earnings per share	(0.4)p	1.3p
Adjusted earnings per share	1.3p	3.3p

13. INTANGIBLE FIXED ASSETS

Group	Cost of Players' Registrations £'000	Goodwill £'000	Other Intangibles £'000	Total £'000
Cost				
At 1 July 1998	32,828	2,952	1,028	36,808
Additions	14,884	1,037	254	16,175
Disposals	(1,840)	—	(26)	(1,866)
At 30 June 1999	<u>45,872</u>	<u>3,989</u>	<u>1,256</u>	<u>51,117</u>
Amortisation				
At 1 July 1998	14,693	145	842	15,680
Charge for the year	8,544	177	221	8,942
Disposals	(1,371)	—	(9)	(1,380)
At 30 June 1999	<u>21,866</u>	<u>322</u>	<u>1,054</u>	<u>23,242</u>
Net Book Value				
At 30 June 1999	<u>24,006</u>	<u>3,667</u>	<u>202</u>	<u>27,875</u>
At 30 June 1998	18,135	2,807	186	21,128

Goodwill is amortised over its estimated useful life of 20 years.

14. TANGIBLE FIXED ASSETS

Group	Land and Buildings £'000	Plant and Equipment £'000	Site Development Costs £'000	Total £'000
Cost/valuation				
At 1 July 1998	76,783	5,490	19,690	101,963
Additions	5,811	1,433	905	8,149
Revaluation	5,215	—	—	5,215
Disposals	—	(102)	—	(102)
Transfers	17,391	1,694	(19,085)	—
Transferred to current assets	—	—	(270)	(270)
At 30 June 1999	<u>105,200</u>	<u>8,515</u>	<u>1,240</u>	<u>114,955</u>

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

14. TANGIBLE FIXED ASSETS (continued)

Depreciation

At 1 July 1998	60	1,113	–	1,173
Charge for the year	54	1,418	–	1,472
Disposals	–	(78)	–	(78)
At 30 June 1999	114	2,453	–	2,567

Net Book Value

At 30 June 1999	105,086	6,062	1,240	112,388
At 30 June 1998	76,723	4,377	19,690	100,790

Cost or valuation comprises:

At cost	33,313	8,515	1,240	43,068
At 30 June 1999 valuation	71,887	–	–	71,887
At 30 June 1999	105,200	8,515	1,240	114,955

The net book value of land and buildings comprises:

	1999	1998
	£'000	£'000
Freehold land and buildings	32,130	9,343
Long leasehold building	72,946	67,370
Short leasehold land and buildings	10	10
	105,086	76,723

Company

	Land and Buildings £'000	Plant and Equipment £'000	Site Development Costs £'000	Total £'000
Cost/valuation				
At 1 July 1998	2,729	1,237	–	3,966
Additions	–	104	905	1,009
Revaluation	5,465	–	–	5,465
Group transfers	(7,209)	–	–	(7,209)
At 30 June 1999	985	1,341	905	3,231

Depreciation

At 1 July 1998	–	194	–	194
Charge for the year	–	141	–	141
At 30 June 1999	–	335	–	335

Net Book Value

At 30 June 1999	985	1,006	905	2,896
At 30 June 1998	2,729	1,043	–	3,772

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

14. TANGIBLE FIXED ASSETS (continued)

Cost or valuation comprises:

At cost	500	1,341	905	2,746
At 30 June 1999 valuation	485	–	–	485
At 30 June 1999	985	1,341	905	3,231

The net book value of land and buildings comprises:

	1999	1998
	£'000	£'000
Freehold land and buildings	985	2,729
Long leasehold building	–	–
Short leasehold land and buildings	–	–
	985	2,729

VALUATIONS**Group**

The open market value of the Group's freehold and leasehold interest in the hotel, car park and stadium were valued by Chesterton plc, International Property Consultants as at 30 June 1999 in the sum of £103,736,000 in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Included within this valuation are:

- 1) The stadium was valued at £68,520,000 calculated on a depreciated replacement cost basis.
- 2) The club shop and hotel have been valued to existing use value.
- 3) The sports and leisure and additional hotel site have been valued to future development value.
- 4) The Group's freehold and leasehold residential units have not been re-valued at the year end as it is the Directors' opinion there has been no material change since the last year end.
- 5) The re-development of Stamford Gate House has been included within short term developments.

Group	1999	1998
	£'000	£'000
Included in revalued land and buildings are:		
Finance arrangement costs	190	190
Interest payable	1,120	1,120
	1,310	1,310

The value of land and buildings (included at cost or valuation) determined according to the historical cost accounting rules is as follows:

	Group		Company	
Cost	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Freehold property	30,121	9,942	594	1,219
Long leasehold property	48,310	41,598	–	–
	78,431	51,540	594	1,219

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

14. TANGIBLE FIXED ASSETS (continued)

Depreciation

Freehold property	1,420	874	64	49
Long leasehold property	445	208	—	—
	1,865	1,082	64	49

Net book value

Freehold property	28,701	9,068	530	1,170
Long leasehold property	47,865	41,390	—	—
	76,566	50,458	530	1,170

Included in fixed assets are assets which are held under finance leases and hire purchase contracts as follows:

Net book value	5,932	6,197	845	938
Depreciation charged in the year	265	318	93	71

15. FIXED ASSET INVESTMENTS

Company

	Shares £'000	Loan Accounts £'000	Total £'000
Investment in subsidiary undertakings			
Cost/valuation			
At 1 July 1998	11,571	63,652	75,223
Additions	601	—	601
Movement during the year	—	28,098	28,098
At 30 June 1999	12,172	91,750	103,922
Provision for diminution			
At 1 July 1998 and at 30 June 1999	1	1,145	1,146
Net Book Value			
At 30 June 1999	12,171	90,605	102,776
At 30 June 1998	11,570	62,507	74,077

In October 1998 the company acquired the remaining 20% of the ordinary share capital of Bidgleam Limited. The consideration for the purchase was £208,000 in cash and £391,500 in the form of ordinary shares issued by Chelsea Village plc.

Details of the Company's subsidiary undertakings are shown in Note 32.

16. STOCKS

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Merchandising	895	1,020	—	—
Food and beverages	107	98	—	—
	1,002	1,118	—	—

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

17. DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade debtors	6,820	8,377	–	9
Other debtors	653	635	69	133
Prepayments and accrued income	2,001	3,743	142	636
	9,474	12,755	211	778
Due after one year:				
Other debtors	9,685	11,151	9,685	11,151
	9,685	11,151	9,685	11,151

As part of the Eurobond issue (see note 21), the Group made a loan to Chelsea Pitch Owners plc of £11,150,751, which is interest free and with repayment date unspecified. This was used to acquire the share capital of Stardust Investments Limited and discharge the debts of that Company in order to leave the freehold interest in the stadium site unencumbered. Contemporaneously, Stardust Investments Limited sold to the Company the common parts of the freehold site and granted a long leasehold interest over the stadium site at a peppercorn rent to Chelsea Football Club Limited. Chelsea Pitch Owners plc is obliged to repay the debt in full.

18. CURRENT ASSET INVESTMENTS

Short term development	13,066	5,591	–	–
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The property development held for resale includes the development of the Court Hotel and a number of residential apartments which will be sold on long term leases.

19. CREDITORS

Amounts falling due within one year:

Bank loans and overdrafts	–	24	–	24
Trade creditors	6,879	13,289	303	259
Corporation tax	15	–	–	–
Other loans	–	25	–	–
Other creditors	682	1,798	159	–
Other tax and social security	2,762	2,866	17	9
Accruals and deferred income	7,327	8,722	3,790	4,328
Hire purchase and finance lease obligations	686	2,121	118	172
	18,351	28,845	4,387	4,792
Payments received in advance	12,956	11,270	–	–
	31,307	40,115	4,387	4,792

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

20. CREDITORS

Amounts falling due after one year:

	1999	Group	1999	Company
	£'000	1998	£'000	1998
		£'000		£'000
Bank loans and overdrafts	5,000	5,054	–	54
Payments received in advance	41	32	–	–
Other loans	73,369	73,177	73,369	73,177
Other creditors	4,315	506	–	–
Hire purchase and finance lease obligations	1,305	1,173	427	526
	84,030	79,942	73,796	73,757

Other loans represent the net proceeds from the £75,000,000 Eurobond issue after deducting the issue costs of £1,938,842, which are being amortised over 10 years.

21. BORROWINGS AND SECURED LIABILITIES

The aggregate borrowings amounted to:

Bank loans and overdrafts	5,000	5,078	–	78
Hire purchase and finance lease obligations	1,991	3,294	545	698
Eurobond 2007	73,369	73,177	73,369	–
Other loans	–	25	–	–
	80,360	81,574	73,914	776

Which are repayable as follows:

Within one year or on demand

Bank loans and overdrafts	–	24	–	24
Hire purchase and finance lease obligations	686	2,121	118	172
Other loans	–	25	–	–
	686	2,170	118	196

Between two and five years

Bank loans	–	54	–	54
Hire purchase and finance lease obligations	1,305	1,173	427	526
	1,991	3,397	545	776

After five years

Eurobond 2007	73,369	73,177	73,369	–
Bank loan	5,000	5,000	–	–
	80,360	81,574	73,914	776

On 17 December 1997 Chelsea Village plc issued a £75,000,000 Eurobond. The coupon rate is 8.875% payable annually on the anniversary of the issue. As a condition of the issue the Group repaid all existing bank borrowings and the Group acquired either freehold or long leasehold interests in the entire Stamford Bridge site. (see note 17). The Trustee of the Issue holds a first mortgage debenture over the Group's assets.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

21. BORROWINGS AND SECURED LIABILITIES (continued)

Obligations under finance leases and hire purchase contracts are secured by the related leased assets. Liabilities under hire purchase agreements amounting to £626,492 are further secured by an assignment and floating legal and equitable charges over all rights and monies due to the Group under a sponsorship agreement dated 30 November 1995.

The bank overdraft is secured by a fixed second charge on the freehold owned by the Company and its subsidiaries.

Loans due after five years

Included in amounts due after one year are amounts repayable in instalments, some of which fall due after five years:

	1999 £'000	Group 1998 £'000	1999 £'000	Company 1998 £'000
Due within five years:				
Hire purchase and finance lease liabilities	—	539	—	539
	—	539	—	539
Due after five years:				
Bank loan	5,000	5,000	—	—
Hire purchase and finance lease liabilities	—	—	—	—
	5,000	5,000	—	—

Chelsea Football Club Limited received an interest only 10 year bank loan of £5,000,000 repayable in full on 31 July 2007. The loan is guaranteed by the Estate of the late Matthew Harding and interest is payable at a rate of 0.5% over LIBOR.

22. FOOTBALL TRUST GRANTS

Grants receivable	3,100	3,100	—	—
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The grants receivable from the Football Trust are in respect of the completed North Stand Development at the stadium and are repayable in the event of Chelsea Football Club Limited ceasing to use the Stamford Bridge ground.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

23. DEFERRED TAXATION

No provision for deferred taxation has been made. An analysis of the deferred taxation (assets)/liabilities unprovided, calculated at 31%, is as follows:

	1999 £'000	Group 1998 £'000	1999 £'000	Company 1998 £'000
Accelerated capital allowances	4,738	4,977	—	—
Other timing differences	—	(13)	—	—
Taxation losses	(2,427)	(1,812)	—	—
	2,311	3,152	—	—
Property and investment revaluations	9,883	9,402	169	1,358
	12,194	12,554	169	1,358

24. SHARE CAPITAL

	Number	1999 £'000	Number	1998 £'000
Ordinary shares of 1p each				
Authorised	170,000,000	1,700	170,000,000	1,700
Allotted, issued and fully paid	158,835,012	1,588	158,387,583	1,584

447,429 ordinary shares were issued during the year to acquire the remaining 20% interest in the equity of the Bidgleam Group of Companies.

25. MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss £'000	Total shareholders funds £'000
Balance at 30 June 1998	1,584	37,375	21,630	4,111	64,700
Loss for the financial year	—	—	—	(714)	(714)
Unrealised surplus on revaluation of property	—	—	5,139	—	5,139
Issue of share capital	4	387	—	—	391
Equity shareholders funds at 30 June 1999	1,588	37,762	26,769	3,397	69,516
Company					
Balance at 30 June 1998	1,584	37,375	2,884	5,055	46,898
Unrealised surplus on revaluation of property	—	—	5,388	—	5,388
Transfer	—	—	(1,200)	1,200	—
Issue of share capital	4	387	—	—	391
Equity shareholders funds at 30 June 1999	1,588	37,762	7,072	6,255	52,677

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

26. NOTES TO THE CASH FLOW STATEMENT

	1999 £'000	1998 £'000
26.1 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS		
Operating profit	4,886	4,778
Depreciation charges	1,472	666
Loss on sale of tangible fixed assets	20	—
Profit on sale of intangible fixed assets	(5,669)	(2,860)
Amortisation of Eurobond issue costs	192	—
Amortisation of players' registrations	8,544	5,945
Amortisation of commercial rights	221	343
Amortisation of goodwill	177	145
Decrease/(Increase) in stocks	116	(1,086)
Decrease/(Increase) in debtors	4,745	(14,817)
Decrease/(Increase) in creditors	(3,330)	8,164
Net cash inflow from operating activities	11,374	1,278
26.2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT		
Returns on investments and servicing of finance		
Interest received	1,567	1,219
Interest paid	(6,680)	(3,494)
Interest element of finance lease rental payments	(280)	(402)
	(5,393)	(2,677)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(7,706)	(26,601)
Cost of short term development	(7,205)	(4,481)
Purchase of intangible fixed assets	(16,175)	(8,293)
Grants received	—	100
Sale of intangible fixed assets	6,145	2,860
Sale of tangible fixed assets	5	—
	(24,936)	(36,415)
Acquisitions and disposals		
Acquisition of subsidiary	(208)	(219)
Net overdraft acquired with subsidiary	—	(1,562)
Net cash outflow for acquisitions and disposals	(208)	(1,781)
Management of liquid resources		
Cash withdrawn/(deposited) on deposits of less than one year	19,180	(29,583)
Net cash inflow/(outflow) from management of liquid resources	19,180	(29,583)

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

26.2 ANALYSIS OF CASH FLOWS FOR HEADINGS

NETTED IN THE CASH FLOW STATEMENT (continued)

	1999 £'000	1998 £'000
Financing		
Issue of ordinary share capital	-	650
Expenses on issuing share capital	-	-
Debt due within one year		
Increase in short term borrowings	-	-
Repayment of short term borrowings	(24)	(724)
Debt due after one year		
New secured loan	-	75,000
Expenses of raising new secured loan	-	(1,823)
Repayment of secured loan	(54)	(1,974)
Hire purchase and capital element of finance lease rental payments	(1,302)	(1,337)
	(1,380)	69,142
	(1,380)	69,792

26.3 ANALYSIS OF NET DEBT

	At 1 July 1998 £'000	Cash flow £'000	Other non cash changes £'000	At 30 June 1999 £'000
Cash at bank and in hand	580	(580)	-	-
Bank overdrafts	-	(975)	-	(975)
	580	(1,555)	-	(975)
Debt due within one year	(24)	24	-	-
Debt due after one year	(78,231)	54	(192)	(78,369)
Hire purchase and finance leases	(3,294)	1,302	-	(1,992)
Money market deposits	34,618	(19,180)	-	15,438
	(46,351)	(19,355)	(192)	(65,898)

26.4 PURCHASE OF SUBSIDIARY UNDERTAKINGS

	1999 £'000	1998 £'000
Tangible fixed assets	-	230
Debtors	-	2,476
Cash at bank	-	21
Creditors	-	(1,897)
Bank overdrafts	-	(1,583)
Loans and finance leases	-	(25)
Minority shareholders' interests	-	156
	-	(622)
Goodwill	-	2,941
	-	2,319

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

27. OPERATING LEASE AND CAPITAL COMMITMENTS

The annual commitments under non-cancellable operating leases are:

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Land and buildings:				
Leases expiring within one year	12	12	—	—
Leases expiring within two to five years	262	71	—	—
Leases expiring in more than five years	54	193	—	—
	328	276	—	—
Other				
Leases expiring within two to five years	1	4	—	—

Capital expenditure commitments were as follows:

Contracted for but not provided:

Tangible	4,200	11,711	—	—
Intangible	13,620	12,200	—	—
	17,820	23,911	—	—

28. CONTINGENT LIABILITIES

- The Company has guaranteed overdrafts of its subsidiary undertakings. The amount covered by this guarantee at 30 June 1999 was £1,102,469.
- The Company has guaranteed a hire purchase liability of a subsidiary undertaking. The amount covered by this guarantee at 30 June 1999 was £196,729.

29. PENSION COMMITMENTS

A subsidiary undertaking contributes to pension schemes providing benefits based both upon contributions made and upon final salary. Both schemes are administered by the Football League Limited. The Group also contributes to other schemes providing benefits based upon contributions made. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge of £276,000 (1998 £247,000) is payable to these funds.

30. POST BALANCE SHEET EVENTS

Since 30 June 1999 the Group has acquired the registrations of 6 professional football players and sold 4 others. The net expenditure of these transfers was £13.9m.

31. FINANCIAL INSTRUMENTS

At 30 June 1999 there were no material differences between the book value and the fair value of the Group's financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 1999

32. SUBSIDIARY UNDERTAKINGS

The Company has the following subsidiary undertakings:

Trading	Nature of business
Chelsea Football Club Limited	Professional football club
Chelsea Car Parks Limited	Car park management
Chelsea Village Communications Limited	Publications, Television, Radio and Internet operations
Chelsea Village Contractors Limited	Property development
Chelsea Village Catering Limited	Catering services
Chelsea Village Hotel Limited	Hotel management
Chelsea Village Merchandising Limited	Merchandising and Mail Order
Chelsea Village Management Limited	Group utilities and facilities
Chelsea Financial Consultants Limited	Insurance
Chelsea Leisure Services Limited	Property development
Chelsea Limited	Holding company of Chelsea Football Club Limited
Chelsea Pacific Limited	Nightclub
Bidleam Limited	Holding Company of travel agency
Elizabeth Duff Travel Limited	Travel Agency
Fulham Securities Limited	Property lessors and development
Stamford Bridge Properties Limited	Property lessors
Stamford Bridge Securities Limited	Property lessors and development

Dormant

Arkles Limited
 Chelsea Caterers Limited
 Chelsea Events Limited
 Chelsea Garden Village Limited
 Chelsea Pensioner Limited
 Chelsea Village Television Limited
 Chelsea T.V. Limited
 Chelsea Vintners Limited
 Chelsea Worldwide Travel Limited
 London Voice Limited
 The Chelsea Style Limited
 Chelsea Exclusive Events Limited
 Midnight at Chelsea Limited
 Chelsea Village Car Rentals Limited
 Chelsea Village Radio Limited
 Chelsea Village Dot Com Limited
 Chelsea Football Club Dot Com Limited

All of the above companies are incorporated in Great Britain and registered in England and Wales.

The entire share capital and control of 100% of the voting rights of all the subsidiary undertakings is held by the Company, with the exception of Chelsea Village Radio Limited and Chelsea Exclusive Events Limited both of which are 50% owned.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Chelsea Village plc will be held in Drakes, Chelsea Football Club, Stamford Bridge, Fulham Road, London, SW6 1HS at 11.30am on Tuesday 30 November 1999, for the purpose of transacting the following business of the Company:

1. To receive the accounts for the year ended 30 June 1999, together with the reports of the Directors and Auditors thereon.
2. To re-elect the following Directors of the Company who retire by rotation at the Annual General Meeting in accordance with the Articles of Association:
 - a) Mr K W Bates
 - b) Mr P J Murrin
3. To re-appoint Saffery Champness as auditors of the Company and to authorise the directors to determine their remuneration.
4. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

That the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £111,649 during the period expiring at the end of 5 years from date of the passing of this Resolution save that the Company may before such expiry make an offer or offers which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or offers as if the authority conferred hereby had not expired provided that the authority hereby given shall be a substitution for any previous authority granted to the Directors.

5. To consider and, if thought fit, pass the following resolution as a Special Resolution:

To empower the Directors to make all allotments of equity securities (as defined for the purposes of Section 95 of the Companies Act 1985 (the Act) pursuant of the authority confirmed upon them by Resolution 4 above to allot relevant securities (as defined by Section 80(2) of the Act) of the Company pursuant to Section 80 of the Act as if Section 89 (1) of the Act does not apply to any such allotment provided that this power shall be limited to the allotment of equity securities which are to be wholly paid up in cash to an aggregate nominal amount of £111,649 and this power shall be valid from the date of passing this Resolution until the date of the next Annual General Meeting save that the Company may before such expiry make an offer or offers or an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or offers of an agreement as if the power confirmed hereby had not expired. The authority hereby given shall be a substitution for any previous authority granted to the Directors.

NOTICE OF MEETING

NOTE

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. To be valid, the instrument of proxy must be signed by the appointer, or his or her attorney duly authorised in writing, or duly executed in the case of a corporation, and deposited, together with any power of attorney or other such authority, or a notorially certified copy of either, at the office of the Company's registrars, Park Circus Registrars Ltd, James Sellar's House, 144/146 West George Street, Glasgow, G2 2HG, not less than 48 hours before the time appointed for holding the meeting.
2. Completion or return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment thereof.
3. Only those members whose name appears on the register of members at 11.30am on Friday 26 November 1999 shall be entitled to attend and vote at the Meeting and the number of ordinary shares then registered in their respective names shall determine the number of votes which may be cast in the event of a poll.

By order of the Board
A L Shaw
Secretary
2 November 1999

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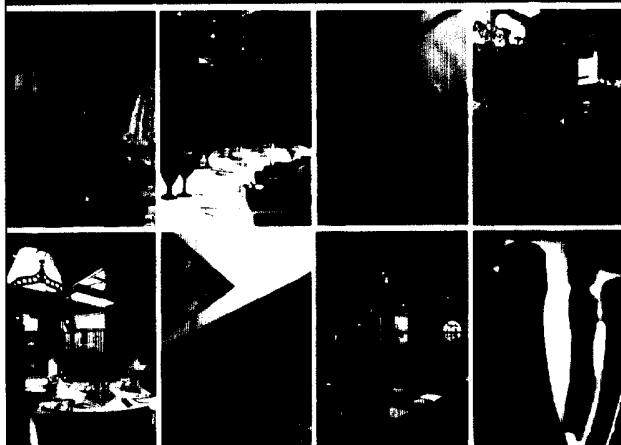
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For more information contact Carole Phair • Michelle Macdonald
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