

Chelsea Village plc

**Directors' report and consolidated
financial statements**

Registered number 2536231

30 June 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

Principal activity

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, car park management, event organisation, health and fitness club, and property development and management. The travel agency operation was sold in the year.

Review of the business

The results for the year are set out in the profit and loss account and the statement of total recognised gains and losses on page 5.

Directors and directors interests

The Directors who held office during the year are as follows:

B Buck (appointed 25 July 2003)
RJ Creitzman (appointed 7 July 2003, resigned 20 May 2004)
P Kenyon (appointed 4 February 2004)
E Shvidler (appointed 7 July 2003, resigned 11 August 2003)
E Tenenbaum (appointed 7 July 2003)
CI Alexander (resigned 8 July 2003)
SM Arthur (resigned 7 July 2003)
KW Bates (resigned 3 December 2003)
TN Birch (resigned 15 September 2003)
L O'Brien (resigned 7 July 2003)
PJ Murrin (resigned 7 July 2003)
RM Taylor (resigned 7 July 2003)
MJ Woodward (resigned 7 July 2003)

Other than Mr B Buck, who held one ordinary share in trust at 30 June 2004, none of the directors who held office during the year held any interest in the share capital of the Company at year end.

AL Shaw served as Company Secretary throughout the year.

In accordance with the Articles of Association, Mr P Kenyon, having been appointed since the last Annual General Meeting, seeks re-election and Mr B Buck who retires by rotation seeks re-election.

Results and dividends

The net loss for the year, after taxation, was £87,851,000 (2003: £26,510,000). The directors do not recommend the payment of a dividend for the financial year.

Going concern basis

The Company is reliant on its parent undertaking, Chelsea Limited, for its continued financial support. The Company has received confirmation from its parent undertaking that sufficient funds will be provided to finance the business for the foreseeable future. The Directors have therefore adopted the going concern basis in preparing these financial statements.

Directors' report *(continued)*

Fixed assets

The movements in fixed assets during the year are as shown in notes 10 to 12 to the financial statements. The intangible fixed assets include the unamortized portion of the cost of players' registrations.

At 30 June 2004, the directors obtained a depreciated replacement cost valuation of one of its subsidiary's freehold properties, The Chelsea Club. This had previously been valued on an existing use basis (see note 11). The resultant write down in value of £1,515,000 has been charged to the profit and loss account for the period.

The directors do not consider there to be any significant difference between the book value and the market value of land and buildings.

Two officers of Chelsea Football Club Limited have each independently valued the playing staff. The average of their aggregate valuation as at 30 June 2004 was £185,000,000 (2003: £87,100,000). The valuation assumes willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

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 59 days (2003: 67 days) credit based on the total amounts of goods and services invoiced by them.

Employees

The Group recognises the importance of good employee relations and communications and involves employees as appropriate to each company's circumstances. Employees are regularly kept informed of and express their view on activities which are of concern to them or 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. If an existing employee becomes disabled, such steps that are practical are taken, in respect of adjustments to premises or employment arrangements, to retain him/her in employment. Where appropriate, rehabilitation and suitable training are given.

Auditors

During the year Saffrey Champness resigned and KPMG LLP were appointed as auditors of the Company and its subsidiary undertakings. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AL Shaw
Secretary

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

21 January 2005

Statement of 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 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James Square
Manchester
M2 6DS

Independent auditor's report to the members of Chelsea Village plc

We have audited the financial statements on pages 5 to 25.

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 are responsible for preparing the directors' report and, as described on page 3 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and Group as at 30 June 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

21 January 2005

Consolidated profit and loss account for the year ended 30 June 2004

	Note	Operations excluding player trading 2004 £000	Player trading 2004 £000	Total 2004 £000	2003 £000
Turnover: Group and share of joint venture	2	153,625	-	153,625	109,934
Less: Share of joint venture's turnover		(1,502)	-	(1,502)	(1,327)
Turnover		<u>152,123</u>	<u>-</u>	<u>152,123</u>	<u>108,607</u>
Operating expenses		(172,880)	(55,932)	(228,812)	(126,732)
Group operating loss		<u>(20,757)</u>	<u>(55,932)</u>	<u>(76,689)</u>	<u>(18,125)</u>
Share of operating loss in joint venture		(4,023)	-	(4,023)	-
Total operating loss: Group and share of joint venture		<u>(24,780)</u>	<u>(55,932)</u>	<u>(80,712)</u>	<u>(18,125)</u>
(Loss)/gain on disposal of player registrations		-	(1,944)	(1,944)	655
Loss before interest and taxation		<u>(24,780)</u>	<u>(57,876)</u>	<u>(82,656)</u>	<u>(17,470)</u>
Interest receivable	6	177	-	177	96
Interest payable	7	(5,350)	-	(5,350)	(9,156)
Loss on ordinary activities before taxation	3	<u>(29,953)</u>	<u>(57,876)</u>	<u>(87,829)</u>	<u>(26,530)</u>
Taxation on loss on ordinary activities	8	(51)	-	(51)	-
Loss on ordinary activities after taxation		<u>(30,004)</u>	<u>(57,876)</u>	<u>(87,880)</u>	<u>(26,530)</u>
Minority interest		29	-	29	20
Retained loss for the year		<u>(29,975)</u>	<u>(57,876)</u>	<u>(87,851)</u>	<u>(26,510)</u>

All activities relate to continuing operations apart from the travel operation disposed of in the period (see note 2).

Consolidated statement of total recognised gains and losses For the year ended 30 June 2004

	2004 £000	2003 £000
Loss for the year	<u>(87,851)</u>	<u>(26,510)</u>
Unrealised deficit on revaluation of properties	-	(1,810)
Total recognised losses for the year	<u>(87,851)</u>	<u>(28,320)</u>

Consolidated statement of historical cost profit and losses
for the year ended 30 June 2004

	2004 £000	2003 £000
Loss on ordinary activities before taxation	(87,829)	(26,530)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	1,227	357
	<u>(86,602)</u>	<u>(26,173)</u>
Historical cost loss on ordinary activities before taxation		
	<u>(86,653)</u>	<u>(26,153)</u>
Historical cost loss on ordinary activities after taxation		


Balance sheet

As at 30 June 2004

	Note	Group		Company	
		2004 £000	2003 £000	2004 £000	2003 £000
Fixed assets					
Intangible assets	10	153,236	37,563	-	-
Tangible assets	11	174,394	171,358	1,933	1,339
Investments	12	-	-	285,759	122,327
		<u>327,630</u>	<u>208,921</u>	<u>287,692</u>	<u>123,666</u>
Current assets					
Stocks	13	1,181	1,329	-	-
Debtors: Due in one year	14	15,571	8,471	9,229	1,218
Due after one year	14	8,870	8,976	8,870	8,976
		<u>25,622</u>	<u>18,776</u>	<u>18,099</u>	<u>10,194</u>
Cash at bank and in hand		13,489	3,928	13,437	5,910
		<u>39,111</u>	<u>22,704</u>	<u>31,536</u>	<u>16,104</u>
Creditors: Amounts falling due within one year	15	(127,992)	(84,392)	(12,445)	(5,319)
Net current (liabilities)/assets		<u>(88,881)</u>	<u>(61,688)</u>	<u>19,091</u>	<u>10,785</u>
Total assets less current liabilities		<u>238,749</u>	<u>147,233</u>	<u>306,783</u>	<u>134,451</u>
Creditors: Amounts falling due after one year	16	(167,592)	(92,220)	(150,645)	(74,136)
Provisions for liabilities and charges	18				
Investment in joint venture		1,006	-	-	-
- share of gross assets		(5,029)	-	-	-
- share of gross liabilities		(4,023)	-	-	-
		<u>67,134</u>	<u>55,013</u>	<u>156,138</u>	<u>60,315</u>
Net assets		<u>67,134</u>	<u>55,013</u>	<u>156,138</u>	<u>60,315</u>
Capital and reserves					
Called up share capital	19	1,705	1,695	1,705	1,695
Share premium account	20	155,120	55,130	155,120	55,130
Revaluation reserve	20	35,285	36,512	6,555	6,555
Profit and loss account	20	(140,057)	(53,433)	(7,242)	(3,065)
		<u>52,053</u>	<u>39,904</u>	<u>156,138</u>	<u>60,315</u>
Equity shareholders' funds		<u>52,053</u>	<u>39,904</u>	<u>156,138</u>	<u>60,315</u>
Minority interests		15,081	15,109	-	-
		<u>67,134</u>	<u>55,013</u>	<u>156,138</u>	<u>60,315</u>

These financial statements were approved by the board of directors on 21 January 2005 and were signed on its behalf by:

Mr B Buck
Director



Consolidated cash flow statement
For the year ended 30 June 2004

	<i>Note</i>	2004 £000	2003 £000
Cash (outflow)/inflow from operating activities	21	(13,118)	16,694
Returns on investments and servicing of finance	22	(6,994)	(9,060)
Taxation		(51)	-
Capital expenditure and financial investment	22	(141,515)	(2,024)
Acquisition of subsidiary undertaking	22	(17)	-
Financing	22	171,227	(266)
Increase in cash		9,532	5,344

Reconciliation of net cash flow to movement in net debt

	2004 £000	2003 £000
Increase in cash	9,532	5,344
Cash (outflow)/inflow from change in net debt and lease financing	(71,228)	266
Amortisation of Eurobond issue costs	(61,696) (192)	5,610 (192)
Movement in net debt in period	(61,888)	5,418
Net debt at 1 July 2003	(75,297)	(80,715)
Net debt at 30 June 2004	(137,185)	(75,297)

Notes

(forming part of the financial statements)

1 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.

Basis of preparation of financial statements

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention, as modified where applicable to include the revaluation of freehold and long leasehold land and buildings.

Basis of consolidation

The Group financial statements incorporate the financial statements of Chelsea Village plc and all its subsidiary undertakings for the year ended 30 June 2004. Acquisitions are accounted for under the acquisition method of accounting 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 consolidated balance sheet and amortised over its expected useful life, being 20 years.

Entities in which the Group holds an interest on a long-term basis, and which are jointly controlled by the Group and other parties, are treated as joint ventures.

The Group owns 80% of the ordinary share capital of Chelsea Digital Media Limited, the remaining 20% is owned by BSkyB Group Plc. The directors have reviewed the way in which they account for Chelsea Digital Media Limited and now believe that the nature of control is that of a joint venture and as such has been accounted for in accordance with FRS9 'Associates and joint ventures'.

A separate profit and loss account dealing with the results of the Company alone has not been presented as permitted by Section 230 of the Companies Act 1985 (see note 9).

Going concern

The Company is reliant on its parent undertaking, Chelsea Limited, for its continued financial support. The Company has received confirmation from its parent undertaking that sufficient funds will be provided to finance the business for the foreseeable future. The Directors have therefore adopted the going concern basis in preparing these financial statements.

Related party transactions

The directors have taken advantage of the exemption in Financial Reporting Standard Number 8, paragraph 3(a), and have not disclosed transactions or balances between group entities that have been eliminated on consolidation.

Investment in subsidiaries

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold land	Not depreciated
Long leasehold land	Not depreciated
Freehold and long leasehold buildings	50 - 100 years on a straight line basis
Plant and equipment	4 to 10 years on a straight line basis

Leasing and hire purchase commitments

Assets held under hire purchase contracts and finance leases, and the related obligations, are recorded in the balance sheet at the fair value of the assets at the inception of each contract or lease. The amounts by which the payments exceed the recorded obligations are amortised over each contract or lease term to give a constant rate of charge on the remaining balance of the obligation.

Notes (continued)

1 Accounting policies (continued)

Player registrations

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 player's 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.

Players' signing on fees

Players' contracts of employment may include a signing on fee payable in equal instalments over the period of 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.

Taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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 for that project.

Turnover

Turnover represents all income arising from the ordinary activities of the Group excluding transfer fees and excluding Value Added Tax. Principal sources of income include match day, media, commercial and operation of hotel and stadium facilities.

Operating leases

Payments made under leases regarded as operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The Group operates a number of defined contribution schemes. Contributions to these schemes are charged to the profit and loss account as incurred.

Stocks

Stocks, which comprise goods held for resale, are valued at the lower of cost and net realisable value.

Stadium development

The Group capitalises all expenditure incurred for the development of the Stamford Bridge Stadium.

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.

Notes (continued)

1 Accounting policies (continued)

Deferred income

Income from season tickets, sponsorship, broadcasting and other commercial contracts, which has been received prior to the year end in respect of future football seasons is treated as deferred income.

Debt

Debt is initially stated at the amount of the net proceeds after deducting any issue costs which are amortised over the life of the debt, in accordance with FRS4.

2 Segmental analysis of turnover

	2004 £000	2003 £000
Football activities	117,873	73,828
Travel agency	9,875	16,789
Property sales/leasing	135	118
Hotel/Catering/Nightclub	13,509	11,064
Merchandising	8,846	5,614
Car parking/Events/Other	687	205
Leisure services	1,198	989
	<u>152,123</u>	<u>108,607</u>
Share of joint venture turnover – digital media	1,502	1,327
	<u>153,625</u>	<u>109,934</u>

All turnover arises in the United Kingdom, and relates to continuing operations, with the exception of the travel agency operations which have been disposed of in the period, as the directors did not consider it to be a core part of the business. The travel agency contributed turnover of £9,875,000 and a loss of £123,000.

3 Loss on ordinary activities before taxation

	2004 £000	2003 £000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets:		
Owned	6,169	5,472
Leased	92	200
Amortisation of intangible assets	55,932	20,547
Provision for impairment in value of goodwill	-	2,952
Operating lease rentals:		
Land and buildings	981	1,087
Plant and equipment	1,247	1,996
Auditor's remuneration - KPMG LLP in respect of audit services	75	-
- KPMG LLP in respect of other services	152	-
- Saffrey Champness in respect of audit services	-	92
- Saffrey Champness in respect of other services	-	31
Loss on disposal of tangible fixed assets	1,245	386
(Loss)/gain on disposal of player registrations	(1,944)	655

Included in auditor's remuneration above is £19,000 (2003: £22,000) relating to the audit of the parent company.

Notes (continued)

4 Staff numbers and costs

The average number of employees of the Group during the year was as follows:

	2004 Number	2003 Number
Playing staff, managers and coaches	100	76
Ground staff	14	9
Administration and commercial	530	488
	<u>644</u>	<u>573</u>

The Group also employed approximately 455 temporary staff on match days (2003: 375)

The aggregate payroll costs of these employees were as follows:

	£000	£000
Wages and salaries	107,453	50,025
Social Security costs	7,591	5,482
Other pension costs	521	358
	<u>115,565</u>	<u>55,865</u>

5 Directors' remuneration

	2004 £000	2003 £000
Aggregate emoluments	3,802	576
Compensation for loss of office	2,407	-
Pension contributions to money purchase schemes	28	58
	<u>6,237</u>	<u>634</u>

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

Number	Number
<u>1</u>	<u>4</u>

The emoluments of the highest paid director were:

	£000	£000
Aggregate emoluments	3,533	321
Money purchase pension contributions	20	32
	<u>3,553</u>	<u>353</u>

Of the total directors' emoluments and the highest paid director's emoluments £3,000,000, was borne by the Company's ultimate parent undertaking.

Notes (continued)

6 Interest receivable

	2004 £000	2003 £000
Bank interest	177	96

7 Interest payable

	2004 £000	2003 £000
Eurobond 2007	4,326	6,656
Bank loan, overdraft and other interest	1,014	2,478
Finance lease charges	10	22
	<u>5,350</u>	<u>9,156</u>

8 Taxation

	2004 £000	2003 £000
Current tax:		
UK corporation tax at 30%	-	-
Share of joint venture	-	-
Adjustment in relation to previous year	51	-
	<u>51</u>	<u>-</u>
Total current tax	<u>51</u>	<u>-</u>
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	(87,829)	(26,530)
	<u>(87,829)</u>	<u>(26,530)</u>
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2003: 30%)	(26,348)	(7,959)
	<u>(26,348)</u>	<u>(7,959)</u>
Effects of:		
Non deductible expenditure	2,283	2,541
Losses available to carry forward	24,051	5,418
Adjustment in respect of prior years	51	-
Chargeable gain	14	-
	<u>26,399</u>	<u>7,959</u>
Current tax charge	<u>51</u>	<u>-</u>
Losses available to carry forward at 30 June	<u>100,181</u>	<u>76,183</u>

Notes (continued)

9 Company result for the financial year

Chelsea Village plc has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The loss for the financial year dealt with in the accounts of Chelsea Village plc was £4,177,000 (2003: £3,326,000).

10 Intangible fixed assets

Group	Cost of players' registrations £000
<i>Cost</i>	
At 1 July 2003	99,676
Additions	175,084
Disposals	(71,129)
At 30 June 2004	203,631
<i>Amortisation</i>	
At 1 July 2003	62,113
Charge for the year	55,932
Disposals	(67,650)
At 30 June 2004	50,395
<i>Net book value</i>	
At 30 June 2004	153,236
At 30 June 2003	37,563

11 Tangible fixed assets

Group	Land and buildings £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
<i>Cost or valuation</i>				
At 1 July 2003	165,885	14,032	37	179,954
Additions	934	3,976	6,783	11,693
Disposals	(2,623)	(5,272)	-	(7,895)
At 30 June 2004	164,196	12,736	6,820	183,752
<i>Depreciation</i>				
At 1 July 2003	265	8,331	-	8,596
Charge for the year	4,307	1,954	-	6,261
On Disposals	(350)	(5,149)	-	(5,499)
At 30 June 2004	4,222	5,136	-	9,358
<i>Net book value</i>				
At 30 June 2004	159,974	7,600	6,820	174,394
At 30 June 2003	165,620	5,701	37	171,358

Finance costs capitalised included in the value of tangible fixed assets amount to £2,003,000 (2003: £2,003,000).

Notes (continued)

11 Tangible fixed assets (continued)

	2004	2003
	£000	£000
The net book value of land and buildings comprises:		
Freehold	48,163	51,572
Long leasehold	111,801	113,996
Short leasehold	10	51
	<u>159,974</u>	<u>165,619</u>

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

Group	2004	2003
	£000	£000
Net book value	4	449
Depreciation charged in year	<u>92</u>	<u>200</u>

Company	Plant and Equipment £000
Cost or valuation	
At 1 July 2003	2,741
Additions	1,083
Disposals	(1,001)
	<u>2,823</u>
At 30 June 2004	
Depreciation	
At 1 July 2003	1,402
Charge for the year	489
Eliminated on disposals	(1,001)
	<u>890</u>
At 30 June 2004	
Net book value	
At 30 June 2004	<u>1,933</u>
At 30 June 2003	<u>1,339</u>

Notes (continued)

11 Tangible fixed assets (continued)

Valuations

At 30 June 2004, the directors obtained a depreciated replacement cost valuation of one of the subsidiary's freehold properties (The Chelsea Club) by Rawley & Co. surveyors, valuers and property consultants in accordance with the statement of asset valuation practice and guidance notes issued by the Royal Institute of Chartered Surveyors. The value of the land and buildings was £8.4m. This had previously been valued at £9.9m on an open market value basis. The difference of £1.5m has been charged to the profit and loss account in the period.

The remainder of the Group's freehold land and leasehold interests in the hotel, car park and stadium were valued by Chesterton International Plc, as at 30 June 2003 in the sum of £152,335,000 on the basis of their existing use to the Group and their depreciated replacement cost value and in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

The Group's freehold and leasehold residential and retail units were valued by Rawley & Co. Surveyors, Valuers and Property Consultants as at 30 June 2003 in the sum of £1,900,000 on an existing use basis.

The value of land and buildings determined according to the historical cost accounting rules is as follows:

Group	2004 £000	2003 £000
Cost		
Freehold property	44,179	46,571
Long leasehold property	92,417	95,134
	<hr/>	<hr/>
	136,596	141,705
	<hr/>	<hr/>
Depreciation		
Freehold property	1,658	2,065
Long leasehold property	3,123	2,198
	<hr/>	<hr/>
	4,781	4,263
	<hr/>	<hr/>
Net book value		
Freehold property	42,521	44,506
Long leasehold property	89,294	92,936
	<hr/>	<hr/>
	131,815	137,442
	<hr/>	<hr/>

Notes (continued)

12 Fixed asset investments

				Joint Venture £000
Group				
Cost				
At 1 July 2003				-
Share of loss of joint venture				(4,023)
Transfer to provision for liabilities and charges				4,023
				<hr/>
At 30 June 2004				-
				<hr/>
Net book value				
At 30 June 2004 and 30 June 2003				-
				<hr/>
	Subsidiary undertakings	Loan to group undertaking	Total	
Company	£000	£000	£000	
Cost				
At 1 July 2003	12,220	114,391	126,611	
Additions	100,005	63,427	163,432	
	<hr/>	<hr/>	<hr/>	
At 30 June 2004	112,225	177,818	290,043	
	<hr/>	<hr/>	<hr/>	
Amortisation				
At 1 July 2003 and 30 June 2004	2,922	1,362	4,284	
	<hr/>	<hr/>	<hr/>	
Net book value				
At 30 June 2004	109,303	176,456	285,759	
	<hr/>	<hr/>	<hr/>	
At 30 June 2003	9,298	113,029	122,327	
	<hr/>	<hr/>	<hr/>	

The directors believe it to be appropriate to account for Chelsea Digital Media Limited, of which the Group owns 80% of the ordinary share capital, as a joint venture in accordance with FRS9 'Associates and joint ventures'. Chelsea Digital Media Limited is currently funded by way of preference share capital subscribed for by BSkyB Group Plc.

In accordance with FRS9, 'Associates and joint ventures', the Group's share of losses from its investment in the joint venture of £4,023,000 has been calculated by reference to the proportion of ordinary shares it owns. The Group's cash investment is £1,000, of which £1,000 has been paid at 30 June 2004. The cumulative losses of the Company are financed 100% by BSkyB Group Plc through preference shares to a limit of £7m at which point the losses will then be financed in proportion to shareholdings held.

Notes (continued)

13 Stocks

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Merchandising	984	1,125	-	-
Food and beverages	197	204	-	-
	<u>1,181</u>	<u>1,329</u>	<u>-</u>	<u>-</u>

14 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	9,400	3,391	8,118	25
Other debtors	3,794	3,433	244	286
Prepayments and accrued income	2,377	1,647	867	907
	<u>15,571</u>	<u>8,471</u>	<u>9,229</u>	<u>1,218</u>
Due after one year:				
Other debtors	<u>8,870</u>	<u>8,976</u>	<u>8,870</u>	<u>8,976</u>

As part of the Eurobond issue in 1997 the Company made a loan to Chelsea Pitch Owners plc of £11,151,000, which is interest free and has an unspecified repayment date. This was used to acquire the share capital of Chelsea Stadium Limited (previously Stardust Investments Limited) and discharge the debts of that Company in order to leave the freehold interest in the stadium site unencumbered.

On the same date, Chelsea Stadium Limited (previously Stardust Investments Limited) 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. The balance outstanding at 30 June 2004 was £8,870,000 (2003: £8,976,000). The directors believe that the balance outstanding will be ultimately recovered.

15 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loans and overdrafts	30	5,000	8	-
Trade creditors	63,475	28,263	4,553	524
Other taxes and social security	9,531	6,883	175	35
Hire purchase and finance lease obligations	-	86	-	-
Other creditors	5,365	16,854	194	37
Accruals and deferred income	49,591	27,306	7,515	4,723
	<u>127,992</u>	<u>84,392</u>	<u>12,445</u>	<u>5,319</u>

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade creditors	10,603	8,898	-	-
Amounts owed to group undertakings	114,882	651	114,882	-
Other loans	35,763	74,136	35,763	74,136
Hire purchase and finance lease obligations	-	3	-	-
Other creditors	92	643	-	-
Deferred income	6,252	7,889	-	-
	<u>167,592</u>	<u>92,220</u>	<u>150,645</u>	<u>74,136</u>

17 Borrowings and secured liabilities

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
The aggregate borrowings amounted to:				
Bank loans and overdrafts	30	-	8	-
Hire purchase and finance lease obligations	-	89	-	-
Eurobond 2007	35,763	74,136	35,763	74,136
	<u>35,793</u>	<u>74,225</u>	<u>35,771</u>	<u>74,136</u>

Borrowings are repayable as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Repayable within one year or on demand:				
Bank loans and overdrafts	30	-	8	-
Hire purchase and finance leases	-	86	-	-
	<u>30</u>	<u>86</u>	<u>8</u>	<u>-</u>
Repayable between one and five years:				
Hire purchase and finance leases	-	3	-	-
Eurobond 2007	35,763	74,136	35,763	74,136
	<u>35,763</u>	<u>74,139</u>	<u>35,763</u>	<u>74,136</u>

Notes (continued)

17 Borrowings and secured liabilities (continued)

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 acquired either freehold or long leasehold interests in the entire Stamford Bridge site (see note 14). The Trustee of the issue holds a first mortgage debenture over the Group's assets. Following the change in ownership of Chelsea Village plc in 2003, the Company made an offer to the bondholders to redeem the £75,000,000 8.875% First Mortgage Debenture Bonds due 2007 as required under the trust deed. £38,565,000 has been redeemed in the period.

18 Provisions for liabilities and charges

Deferred taxation

No deferred tax asset has been recognised in either year for the Company or the Group due to the uncertainty over the ability to utilise losses against future profits.

The elements of deferred tax are as follows:

	Group 2004 £000	2003 £000
Accelerated capital allowances	2,618	3,029
Other timing differences	(2,618)	(3,029)
	<u>-</u>	<u>-</u>

The Group and the Company have unrecognised deferred tax (liabilities)/assets as follows:

	Group 2004 £000	2003 £000	Company 2004 £000	2003 £000
Accelerated capital allowances	(2,618)	(3,029)	142	204
Short term timing differences	1,510	52	1,400	531
Tax losses	30,054	22,117	140	-
	<u>28,946</u>	<u>19,140</u>	<u>1,683</u>	<u>735</u>

Investment in joint ventures

	Group 2004 £000
Loss for the year transferred from fixed asset investment	4,023
As at 30 June 2004	<u>4,023</u>

Notes (continued)

19 Called up share capital

	Company		Company	
	2004	2003	2004	2003
	Number	Number	£000	£000
<i>Authorised</i>				
Ordinary shares of 1p each	200,000,000	200,000,000	2,000	2,000
<i>Allotted, issued and fully paid</i>				
Ordinary shares of 1p each	170,500,000	169,500,000	1,705	1,695

Allotment during the year

The Company made an allotment of 1,000,000 ordinary shares of £0.01 each at £100 per share. The difference between the total consideration of £100,000,000 and the total nominal value of £10,000 has been credited to the share premium account (£99,990,000).

20 Reconciliation of movement in equity shareholders' funds

	Share capital	Share premium account	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
Group					
At 30 June 2003	1,695	55,130	36,512	(53,433)	39,904
Loss for the financial year	-	-	-	(87,851)	(87,851)
Difference on depreciation	-	-	(1,227)	1,227	-
Issues of shares	10	99,990	-	-	100,000
Equity shareholders' fund at 30 June 2004	1,705	155,120	35,285	(140,057)	52,053
Company					
At 30 June 2003	1,695	55,130	6,555	(3,065)	60,315
Loss for the financial year	-	-	-	(4,177)	(4,177)
Issues of shares	10	99,990	-	-	100,000
Equity shareholders' funds at 30 June 2004	1,705	155,120	6,555	(7,242)	156,138

Notes (continued)

21 Reconciliation of operating loss to net cash inflow from operating activities

	2004 £000	2003 £000
Operating loss	(76,689)	(18,125)
Depreciation	4,746	4,396
Loss on disposal of tangible fixed assets	1,245	386
Revaluation of property	1,515	1,276
Write down of goodwill	-	2,951
Amortisation of Eurobond issue costs	192	192
Amortisation of intangible fixed assets	55,931	20,547
Decrease/(increase) in stocks	148	(595)
(Increase)/decrease in debtors	(7,122)	730
Increase in creditors	6,916	4,936
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(13,118)	16,694
	<hr/>	<hr/>

22 Analysis of cash flows for headings netted in the cash flow statement

	2004 £000	2003 £000
Returns on investments and servicing of finance		
Interest received	177	96
Interest paid	(7,163)	(9,134)
Interest elements of finance lease rental payments	(8)	(22)
	<hr/>	<hr/>
	(6,994)	(9,060)
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(11,616)	(4,709)
Sale of tangible fixed assets	1,150	2,331
Purchase of intangible fixed assets	(132,582)	(1,208)
Sale of intangible fixed assets	1,533	1,562
	<hr/>	<hr/>
	(141,515)	(2,024)
	<hr/>	<hr/>
Acquisitions and disposals		
Acquisition of subsidiary	(17)	-
Net cash/(overdraft) acquired with subsidiary	-	-
	<hr/>	<hr/>
	(17)	-
	<hr/>	<hr/>
Financing		
Issue of shares	100,000	-
Capital elements of finance lease repayments	(39)	(266)
Repayment of loans	(143,565)	-
Receipt from borrowings	214,881	-
	<hr/>	<hr/>
	171,277	(266)
	<hr/>	<hr/>

Notes (continued)

23 Analysis of net debt

	At 1 July 2003 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2004 £000
Cash movements				
Cash at bank and in hand	3,928	9,561	-	13,489
Bank loans and overdrafts	-	(29)	(1)	(30)
	<u>3,928</u>	<u>9,532</u>	<u>(1)</u>	<u>13,459</u>
Debt due within one year	(5,000)	5,000	-	-
Debt due after one year	(74,136)	(76,317)	(192)	(150,645)
Hire purchase and finance leases	(89)	89	-	-
	<u>(79,225)</u>	<u>(71,228)</u>	<u>(192)</u>	<u>(150,645)</u>
Debt and finance leasing	<u>(75,297)</u>	<u>(61,696)</u>	<u>(193)</u>	<u>(137,186)</u>

24 Pension Commitments

a) Defined Benefit Scheme

Certain employees of the Group are members of The Football League Limited Pension and Life Assurance Scheme ('the scheme'). Accrual of benefits under a final salary basis was suspended with effect from 31 August 1999 following an actuarial review which revealed a substantial deficit.

As one of a number of participating employers, the Group is advised only of its share of the deficit in the scheme and was advised that its contributions to make good the deficit amounted to £272,000 and this has been charged to the profit and loss account in previous years. The latest actuarial valuation was at 31 August 2002 and the Group was advised that the deficit has increased and further contributions amounting to £54,000 were required. This amount was charged to the profit and loss account in full in the prior period as it is principally attributable to employees who have left the Group or retired. The revised deficit is being paid off over a period of 10 years from April 2003.

b) Defined Contribution Schemes

The Group also contributes to other schemes providing benefits based upon contributions made. The assets of these other schemes are held separately from those of the Company in independently administered funds. The pension charge for the year was £521,000 (2003: £357,500)

Notes (continued)

25 Operating leases and capital commitments

The annual commitments under non-cancellable operating leases are as follows for the Group:

	2004 £000	2003 £000
Land and buildings:		
Leases expiring within one year	-	630
Leases expiring between two to five years	280	235
Leases expiring in more than five years	280	148
	<u>560</u>	<u>1,013</u>
Other		
Leases expiring within one year	559	463
Leases expiring between two and five years	-	1,660
	<u>559</u>	<u>2,123</u>
Capital expenditure commitments were as follows:		
Contracted for but not provided:		
Tangible	3,473	1,027
	<u>3,473</u>	<u>1,027</u>

There are no operating leases or capital commitments in the Company.

26 Contingent liabilities

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Group if certain conditions are met. The maximum amount that could be payable is £2,860,000 (2003: £nil).

27 Control

The directors consider Chelsea Limited to be the ultimate parent company of the Group, and the ultimate controlling party is Mr R Abramovich. The largest group of undertakings for which Group accounts have been drawn up is that headed by Chelsea Limited.

The consolidated accounts of this Company and its parent company may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

28 Related party transactions

During the year, in the normal course of business, Mr B Buck, a director of Chelsea Village Plc, through his legal firm, Skadden, Arps, Slate, Meagher & Flom (UK) LLP, invoiced £159,000 in legal fees to the Company or its subsidiary undertakings. The balance owing to Skadden, Arps, Slate, Meagher & Flom (UK) LLP at the year end was £nil (2003: £nil).

29 Post balance sheet events

Since the year end the Group has acquired the registrations of several football players at a cost of £81.7m and disposed of the registrations of two players at a loss of £0.1m.

Post year end Mr A Mutu's employment contract has been terminated. Mr A Mutu's player registration had a net book value of £13,700,000 at 30 June 2004.

Notes (continued)

30 Principal subsidiary undertakings

The Company has the following subsidiary undertakings:

Trading	Nature of Business
Chelsea Car Parks Limited	Car park management
Chelsea Digital Media Limited	Television and Internet broadcasters
Chelsea Football Club Limited	Professional football club
Chelsea Village Hotels Limited	Hotel management and catering services
Chelsea Village Management Limited	Group utilities and facilities
Chelsea Village Merchandising Limited	Merchandising, mail order and publications
Chelsea Village Radio Limited	Radio broadcaster
Chelsea Village Travel Limited	Travel agent
Chelsea Leisure Services Limited	Health and fitness club/visitor attraction
Midnight at Chelsea Limited	Nightclub operator
Stamford Bridge Properties Limited	Property holding
Stamford Bridge Securities Limited	Property holding
Dormant	
Bidgleam Limited	Chelsea Village Catering Limited
Briskspring Limited	Chelsea Village Communications Limited
Bulmer Travel Associates Limited	Chelsea Village Contractors Limited
Chelsea Club Limited	Chelsea Village European Travel Limited
Chelsea Events Limited	Chelsea Village Television Limited
Chelsea Exclusive Events Limited	Chelsea Village Travel Limited
Chelsea Financial Consultants Limited	Chelsea World of Sport Limited
Chelsea Football Club SPV plc	Chelsea Worldwide Travel Limited
Chelsea Pacific Limited	Elizabeth Duff Travel Limited
Chelsea Pensioner Limited	Fulham Holdings Limited
Chelsea Sports and Leisure Limited	Fulham Securities Limited
Chelsea TV Limited	Stamford Bridge Properties Limited

The trade and assets of Chelsea Village Travel Limited have been disposed of in the period.

All the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales.

The entire ordinary 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 Exclusive Events Limited which is 50% owned, Chelsea Digital Media Limited which is 80% owned, and Midnight at Chelsea Limited which is 75% owned.