Company Registration No. 1965149 (England and Wales)

CHELSEA FOOTBALL CLUB LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

CONTENTS

COMPANY INFORMATION

Directors	K W Bates M J Woodward T N Birch Y S Todd
Secretary	A L Shaw
Company Number	1965149
Registered Office	Stamford Bridge Fulham Road London SW6 1HS
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Bankers	Co-Operative Bank Plc 1 Balloon Street Manchester MP60 4EP

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2002

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

Principal activity and review of business
The company's principal activity during the year continued to be that of a Premier League football club.

The results for the year and the financial position at the year end are considered satisfactory.

Results for the year
The results for the year are set out on page 4.

Directors

The following directors have held office since 1 July 2001:

K.W. Bates
C. Hutchinson (Resigned 17 May 2002)
M.I. Russell (Resigned 31 May 2002)
M.J. Woodward (Appointed 26 March 2002)
T.N. Birch (Appointed 26 March 2002)
Y.S. Todd

None of the directors held any beneficial interest in the share capital of the company. The director's interests in the share capital of the parent company, Chelsea Village Plc, are disclosed in that company's financial statements.

Players' valuations

Two directors of the club and a senior member of the player management have each independently valued the playing staff. The mean average of their aggregate valuation as at 30 June 2002 was £111,666,667 (2001 £85,906,667). This assumes willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

Creditor Payment Policy

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 47 days credit based on the total amounts of goods and services invoiced by them. Player transactions have been ignored in arriving at this figure.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore the auditors, Saffery Champness, will be deemed to be reappointed for each succeeding financial year.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to :

- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent ;
- 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order Of the Board

A.L. Shaw
Secretary

30 October 2002

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHELSEA FOOTBALL CLUB LIMITED

We have audited the financial statements on page 4 to 16. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities on pages 1 and 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 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 as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

Saffery Champness

Chartered Accountants
Registered Auditors

30 October 2002

Lion House
Red Lion Street
London
WC1R 4GB

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002

	Notes		2002		2001
			£		£
Turnover	2		75,247,961		51,325,515
Cost of Sales			(55,937,500)		(49,374,945)
Gross Profit			19,310,461		1,950,570
Administrative expenses			(8,456,110)		(5,217,501)
Operating profit/(loss)	3		10,854,351		(3,266,931)
Amortisation of players' registrations		(22,378,389)		(14,010,068)	
Gain on disposal of registrations		6,224,010		12,774,685	
			(16,154,379)		(1,235,383)
Loss on ordinary activities before interest			(5,300,028)		(4,502,314)
Interest payable and similar charges	4		(5,176,555)		(1,459,961)
Loss on ordinary activities before taxation			(10,476,583)		(5,962,275)
Tax on loss on ordinary activities	5		-		-
Loss for the financial year	15		(10,476,583)		(5,962,275)

The profit and loss account had been prepared on the basis that all operations are continuing operations.

The notes on pages 7 to 16 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2002

	2002 £	2001 £
Loss for the financial year	(10,476,583)	(5,962,275)
Unrealised surplus on revaluation of properties	6,139,799	1,674,372
Total recognised gains and losses relating to the year	(4,336,784)	(4,287,903)

CHELSEA FOOTBALL CLUB LIMITED

BALANCE SHEET
AS AT 30 JUNE 2002

	Notes		2002		2001
		£	£	£	£
Fixed assets					
Intangible assets	6		57,608,345		44,142,755
Tangible assets	7		118,329,373		80,395,392
			175,937,718		124,538,147
Current assets					
Debtors	8	4,279,195		17,632,896	
Cash at bank and in hand		309,803		553,474	
		4,588,998		18,186,370	
Creditors: Amounts falling due within one year	9	(52,980,938)		(43,835,992)	
Net current liabilities			(48,391,940)		(25,649,622)
Total assets less current liabilities			127,545,778		98,888,525
Creditors: Amounts falling due after more than one year	10		83,031,245		50,037,208
Football trust grants	12		3,100,000		3,100,000
Capital and reserves					
Called up share capital	13	15,000,100		15,000,100	
Revaluation reserve	14	29,547,730		23,407,931	
Profit and loss account	14	(3,133,297)		7,343,286	
Shareholders' funds including non-equity interests	15		41,414,533		45,751,317
			127,545,778		98,888,525

The notes on pages 7 to 16 form part of these financial statements.
These financial statements were approved by the Board of Directors on 30 October 2002.

T.N. Birch
Director

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover is stated net of value added tax and amounts due to the Football Association and visiting clubs, and includes gate receipts, sponsorships, advertising, television fees, donations and sundry net related income.

1.4 Players registrations

All costs associated with the acquisitions of a player's registration are capitalised as intangible fixed assets and are amortised evenly over the period of the player's contract of employment with the company. In the event that the initial contract is renegotiated prior to completion, 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.

1.5 Commercial rights

The cost of commercial rights are capitalised as intangible fixed assets and are amortised over the length of the contract with the company.

1.6 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:

Long leasehold land	Not depreciated
Long leasehold buildings:-	
Structures	Over 100 years on a straight line basis
Residual finishes	Over 25 years on a straight line basis
Computers	Over 4 years on a straight line basis
Fixtures, fittings & equipment	Over 7 to 10 years on a straight line basis

1.7 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 the contracts or leases. 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.

Rentals payable under operating leases are charged against income as incurred.

1.8 Grants

Capital grants received are included in the balance sheet as liabilities. Where grants are not repayable they are released to the profit and loss account over the useful life of the applicable asset. Where the retention of grants is dependent on continuing obligations, no release to the profit and loss account is made.

1.9 Pensions

The company is one of a number of employers in a shared defined contribution scheme for playing staff and defined benefit scheme for certain other members of staff. The defined benefit scheme is a multi-employer scheme and in accordance with FRS17 has been treated as a defined contribution scheme. The company also operates other defined contribution schemes.

1.10 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

1.11 Players signing on fees

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

1.12 Capitalised interest

Separately identifiable borrowing costs and interest incurred on the development of specific projects are capitalised as part of the company's development costs.

1.13 Stadium development

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

2. Turnover

The turnover and pre-tax loss are wholly attributable to the company's principal activity, a Premier League Football club. All turnover arises entirely in the United Kingdom.

3. Operating Profit/(loss)

	2002 £	2001 £
This is stated after charging:		
Amortisation of commercial rights	37,500	65,385
Depreciation of tangible assets	2,082,565	909,938
Audit fees	20,750	30,000
Operating Lease rentals		
- Plant and Machinery	660,187	392,791
- Land and Buildings	894,176	813,638

4. Interest Payable

	2002 £	2001 £
On amounts payable to group companies	2,915,200	1,080,400
On bank loans and overdrafts	2,224,402	319,464
Hire purchase and finance lease interest	36,953	60,097
	5,176,555	1,459,961

5. Taxation

No liability to corporation tax arises due to the losses incurred.

6. Intangible Fixed Assets

	Players Registrations £	Commercial Rights £	Total £
Cost			
At 1 July 2001	83,794,669	250,000	84,044,669
Additions	36,209,830	-	36,209,830
Disposals	(9,877,164)	(150,000)	(10,027,164)
At 30 June 2002	110,127,335	100,000	110,227,335
Depreciation			
At 1 July 2001	39,717,298	184,616	39,901,914
Charge for year	22,340,889	37,500	22,378,389
On disposal	(9,526,698)	(134,615)	(9,661,313)
At 30 June 2002	52,531,489	87,501	52,618,990
Net Book Value			
At 30 June 2002	57,595,846	12,499	57,608,345
At 30 June 2001	44,077,371	65,384	44,142,755

7. Tangible Fixed Assets

	Freehold Land £	Long Lease Land & Buildings £	Computers £	Fixtures, Fittings & Equipment £	Total £
Cost or Valuation					
At 1 July 2001	2,193,593	77,293,407	256,564	2,207,650	81,951,214
Additions	37,701	34,820,115	61,644	423,455	35,342,915
Revaluation	150,000	4,212,646	-	-	4,362,646
Inter group transfers	-	(1,466,168)	-	-	(1,466,168)
At 30 June 2002	2,381,294	114,860,000	318,208	2,631,105	120,190,607
Depreciation					
At 1 July 2001	-	-	238,292	1,317,530	1,555,822
Charge for the year	-	1,777,153	8,113	297,299	2,082,565
Revaluation	-	(1,777,153)	-	-	(1,777,153)
At 30 June 2002	-	-	246,405	1,614,829	1,861,234
Net Book Value					
At 30 June 2002	2,381,294	114,860,000	71,803	1,016,276	118,329,373
At 30 June 2001	2,193,593	77,293,407	18,272	890,120	80,395,392

The carrying value of the company's long leasehold properties, calculated on an existing use basis, was valued at 30 June 2002 by Chesterton International Plc, Chartered Surveyors, in accordance with PS 4.3 of the Royal Institute of Chartered Surveyors Appraisal and Valuation manual.

Additionally the company's freehold land was valued on an existing use basis at 30 June 2002 by Rawley and Co., Chartered Surveyors.

7. (cont.) Tangible Fixed Assets

Comparable historical cost for the land and buildings included at valuation:

	Total
	£
Cost	
At 1 July 2001	57,100,138
Additions	34,857,816
At 30 June 2002	91,957,954
Depreciation based on cost	
At 1 July 2001	727,538
Charge for the year	718,500
At 30 June 2002	1,446,038
Net Book Value	
At 30 June 2002	90,511,916
At 30 June 2001	56,372,600

Included above are assets held under finance leases or hire purchase contracts as follows:-

	Fixtures, Fittings & equipment
	£
Net Book Values	
At 30 June 2002	257,709
At 30 June 2001	435,013
Depreciation charge for year	
At 30 June 2002	171,187
At 30 June 2001	171,906

8. Debtors

	2002 £	2001 £
Trade debtors	1,869,729	12,497,833
Amounts owed by group undertakings	-	2,667,276
Other debtors	2,145,805	1,858,201
Prepayments and accrued income	263,661	609,586
	4,279,195	17,632,896

9. Creditors: Amounts falling due within one year

	2002 £	2001 £
Trade creditors	19,291,607	16,637,741
Bank loans	5,000,000	-
Taxes and social security costs	2,960,227	2,058,008
Other creditors	4,511,340	3,710,211
Net obligations under hire purchase contracts	205,954	190,709
Advance income	17,585,686	17,958,162
Accruals and deferred income	3,426,124	3,281,161
	52,980,938	43,835,992

Advance income represents season ticket sales and Millennium suites income for the 2002/2003 season.

The company received an interest only bank loan of £5,000,000. The loan is guaranteed by the estate of the late Matthew Harding until 31 July 2007. Interest is payable at a rate of 0.5% over LIBOR.

The obligations under hire purchase contracts and finance leases are secured by the related leased assets.

10. Creditors: Amounts falling due after more than one year

	2002 £	2001 £
Trade Creditors	22,940,588	6,322,850
Bank loans	-	5,000,000
Amounts owed to group undertakings	50,405,993	27,679,204
Other Creditors	127,986	205,750
Net obligations under hire purchase contracts	81,678	287,632
Advance income	8,287,500	9,000,000
Accruals and deferred income	1,187,500	1,541,772
	83,031,245	50,037,208

Advance income included above represents that part of amounts received as at 30 June 2002 from the sale of 10 year licences on the new millenium suites, which relates to the 2003/2004 season and beyond.

	2002 £	2001 £
Loan maturity analysis		
Between one and two years	-	5,000,000
	-	5,000,000

	2002 £	2001 £
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	205,954	190,709
Repayable between one and five years	81,678	287,632
	287,632	478,341
Included in liabilities falling due within one year	(205,954)	(190,709)
	81,678	287,632

11. Football trust grants

	Grants
	£
Balance at 1 July 2001 and at 30 June 2002	3,100,000

Grants from the Football Trust totalling £3,100,000 (2001 £3,100,000) have been received to date in connection with the redevelopment of the football stadium. These are repayable in the event that Chelsea Football Club Limited cease to play football at Stamford Bridge.

12. Pension costs

The company operates a defined contribution pension scheme for playing staff and a defined benefit scheme for certain other members of staff. The defined benefit scheme is a multi-employer scheme and in accordance with FRS 17 has been accounted for as a defined contribution scheme. Both schemes are administered by the Football League Limited. The company also contributes to other schemes providing benefits based upon contributions made. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £175,647 (2001 - £366,053).

13. Share Capital

	2002	2001
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
15,000,000 Cumulative preference shares of £1 each	15,000,000	15,000,000
	16,000,000	16,000,000
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100
15,000,000 Cumulative preference shares of £1 each	15,000,000	15,000,000
	15,000,100	15,000,100

The cumulative preference shares attract a fixed cumulative preferential dividend at the rate of 5p per share per annum, with the first such dividend accruing in respect of the period 1 January 2007 to 31 December 2007. On a winding-up of the company, the assets of the company available for distribution among the members shall be applied, in priority to any payment to holders of any other class of shares, in repaying the holders of the cumulative preference shares a sum equal to the nominal capital paid up or credited as paid up thereon.

The Articles of Association limit dividends payable on ordinary shares to 15% of the paid up share capital in any one year.

14. Statement of movement on reserves

	Revaluation Reserve £	Profit & Loss Account £
Balance at 1 July 2001	23,407,931	7,343,286
Loss for the financial year	-	(10,476,583)
Revaluation during the year	6,139,799	-
Balance at 30 June 2002	29,547,730	(3,133,297)

15. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Loss for the financial year	(10,476,583)	(5,962,275)
Other recognised gains and losses	6,139,799	1,674,372
Net depletion in shareholders' funds	(4,336,784)	(4,287,903)
Opening shareholders' funds	45,751,317	50,039,220
Closing shareholders' funds	41,414,533	45,751,317
Equity Interest	26,414,533	30,751,317
Non-equity interest	15,000,000	15,000,000
	41,414,533	45,751,317

16. Contingent liabilities

The company has guaranteed the bank loans and overdrafts of its ultimate parent and fellow subsidiary undertakings. The amount covered by this guarantee at 30 June 2002 was £Nil.

On the 17 December 1997, the ultimate parent company issued a £75,000,000 Euro Bond. The obligations of the parent company pursuant to such issue were guaranteed by the company. As security for such guarantee the company gave a fixed charge over its property assets and a floating charge over its undertakings.

17. Financial commitments

At 30 June 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2002 £	2001 £	2002 £	2001 £
Expiry date:				
Within one year	561,005	345,665	-	-
Between two and five years	152,000	86,264	951,732	332,694
	713,005	431,929	951,732	332,694

18. Capital commitments

At the 30 June 2002 the company had capital commitments as follows:

	2002	2001
	£	£
Contracted for but not provided in the financial statements	409,000	27,123,243

19. Directors emoluments

	2002	2001
	£	£
Emoluments for qualifying services	356,420	295,525
Company pension contributions to money purchase schemes	37,500	24,697
	393,920	320,222

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2001 – 1).

The number of directors for whom retirement benefits are accruing under defined benefits schemes amounted to 1 (2001 – 1).

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2002	2001
Emoluments for qualifying services	356,420	295,525
Company pension contributions to money purchase schemes	37,500	24,697
	393,920	320,222

20. Employees

Number of employees
The average number of employees (including directors) during the year was:

	2002	2001
	Number	Number
Playing staff (including managers/coaches)	80	74
Administration and commercial	24	27
	104	101

Employment Costs

	2002	2001
	£	£
Wages and salaries	42,960,222	39,015,238
Social security costs	4,584,049	4,061,234
Other pension costs	237,929	406,019
	47,782,200	43,482,491

21. Control

The immediate parent undertaking is Chelsea Limited, a company registered in England and Wales. The directors consider the ultimate parent undertaking to be Chelsea Village Plc, a company incorporated in England and Wales. The registered office of Chelsea Village Plc is Stamford Bridge, Fulham Road, London SW6 1HS. A copy of the group financial statements can be obtained from that address.

22. Related party transactions

Other than rent of £104,000 received from Midnight at Chelsea Limited, a 75% subsidiary of Chelsea Village Plc, the company has taken advantage of the exemption in FRS 8, Related Party Transactions, from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.