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DIRECTORS AND ADVISORS

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EXECUTIVE DIRECTORS:

KEN BATES – CHAIRMAN
Age 69. Chairman of the Group since 1992 and of Chelsea Football Club since 1982.

MICHAEL RUSSELL, ACMA
– CHIEF EXECUTIVE
Age 44. Appointed Chief Executive October 2000, after serving over five years as Finance Director. Previous to that, he was Finance Director at London Transport Property for four years.

ALAN SHAW, FCIS
– COMPANY SECRETARY
Age 54. 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 49. 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 41. Appointed May 1996. Worked in a City law firm from 1982 to 1998 when he formed his own legal firm situated at Stamford Bridge.

REGISTERED OFFICE:

Stamford Bridge
Fulham Road
London SW6 1HS

Registered in England 2536231

SOLICITORS:

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3rd Floor
Stamford Bridge
Fulham Road
London SW6 1HS

BANKERS:

CO-OPERATIVE BANK PLC
1 Balloon Street
Manchester
M60 4EP

AUDITORS:

SAFFERY CHAMPNESS
Lion House
Red Lion Street
London WC1R 4GB

STOCK EXCHANGE NOMINATED ADVISOR:

SEYMOUR PIERCE LTD
29/30 Cornhill
London
EC3V 3NF

STOCK EXCHANGE NOMINATED BROKER:

SEYMOUR PIERCE ELLIS LTD
Talisman House
Jubilee Walk
Three Bridges, Crawley
West Sussex
RH10 1LQ

REGISTRARS:

PARK CIRCUS REGISTRARS LTD
James Sellars House
144/146 West George Street
Glasgow G2 2HG

Chairman's Statement

Review of the Year

Shareholders may have been concerned to read a spate of articles in the media a few months ago criticising the Group's budgeting policy in which it was assumed that the Football Club qualified for the European Champions League every year thereby raising questions of the Board's judgement. This nonsense needs to be refuted.

For the record, when preparing Chelsea Football Club's annual budget, we assume no European involvement of any kind, being drawn away in both domestic cup competitions, losing both with no TV appearances. Anything else is a bonus.

At the time of writing for this season we have two appearances in Europe and two rounds in the Worthington Cup with at least one TV appearance.

This extra income together with the rewards of any further progress will go straight to the bottom line in our 2001/2002 accounts.

The next issue I wish to address is the more lurid comments made in the media regarding our indebtedness.

At the 30th June 2001 our long term borrowings were as follows.

	£m
Bond 2007	73.8
Bank loan 2002 (unsecured)	5.0
Deferred Payment on West Stand, (repayable in ten half yearly instalments until Jan 2006)	17.7
Others	0.4
Total Long Term Borrowings	96.9

The deferred payment on the West Stand is secured against sales of executive boxes and Millennium Suites in the West Stand.

In the event we repaid both the 1st July 2001 and 1st January 2002 instalments of £2.5m each in advance on the 30th June 2001 last, hence the reduced figure shown.

It should be noted that forward sales of executive boxes and Millennium Suites are already in excess of the outstanding financing. Consequently it is self-liquidating.

The other £80m has been incurred as part of the Village and Stadium development and is secured against tangible assets of £177m.

Interest on the £80m has been paid on the due date for the last three years, as it will be this year.

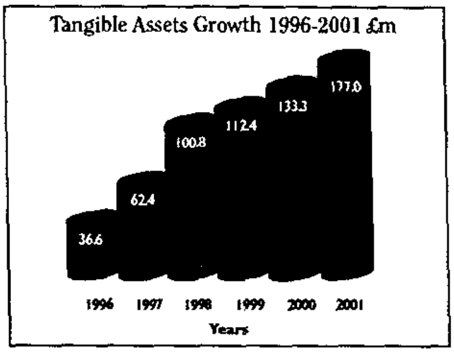
Finally, we have reviewed the most recent annual results issued by our competitors. No matter which test is applied, whether it is turnover, total assets including intangibles, total assets net of intangibles or shareholders funds, Chelsea comes second only to Manchester United on all counts.

Perhaps I should start this year by looking back to a decade ago. In 1991 we were still members of the Football League – finishing eleventh having been knocked out in the 3rd Round of the FA Cup.

We had no security of Stamford Bridge and were heavily involved in litigation with our then landlords Cabra Estates plc. Turnover was £6.4m. Total Assets were just £9.2m and Shareholders Funds stood at £1.76m.

CHAIRMAN'S STATEMENT

Chart 1



In the year under review, our turnover was £94m; we have total assets of £268m and Net Worth of £94m.

In 2001 we hold a very long lease on Stamford Bridge, a 42,500 capacity stadium, two hotels, eight restaurants, a sports bar, piano bar, a pub/club, a night club, health club, visitor attraction, fourteen function rooms, 20,000 sqft of retail, 24,000 sqft of offices, a business centre and an underground car park. On the field we have won 6 cups, been finalists twice, quarter finalists in the Champions League and competed in Europe for six of the last eight seasons including the current one.

Claudio Ranieri

In the process we have floated on the Alternative Investment Market and forged important long term relationships with such influential partners as BSkyB, Umbro, Emirates Airlines, the Co-operative Bank, Siemens, Britannia Building Society and Radio First.

Having overcome both property developers and planning opposition and having built such a strong base over the last ten years together with a diverse income stream, I am confident that we can look ahead to the next decade with optimism. We have belief in our ability to maximise our future opportunities both on and off the field, despite the hopefully temporary current economic turmoil.

This has been a challenging year on the field. Much has been written about the departure of Vialli and his backroom staff and there was a full discussion on the subject at the last AGM. Suffice it to say that the decision was taken in the best interest of the long-term future of the team and it saw a change of direction in team philosophy.

Claudio Ranieri is already implementing this change with younger players being purchased and home grown talent being given the opportunity to demonstrate their worth. In the event, following the turmoil at the time of the change, we finished a credible sixth and yet again qualified for Europe.

The year also saw the virtual completion of the Chelsea Village development. Our 42,500 capacity stadium is now the largest soccer stadium in the capital and has a range of facilities beyond anything available elsewhere and to suit every pocket.

CHAIRMAN'S STATEMENT

By increasing our capacity by some 19 per cent, 7,000 additional seats are available, enabling many formerly frustrated supporters to watch their favourite club. The additional six new function rooms in the West Stand increases our ability to host the most diverse of occasions/events in luxurious surroundings, which will enable conference and banqueting to greatly expand its business.

The Chelsea Club, a high quality health and leisure club, has now opened, although unfortunately the original completion date was not met. The Chelsea World of Sport is also open and we are gratified by the very positive feed back from the early visitors.

We expect it to be an interesting addition to the visitor attraction scene in London.

The performance of the Group will be dealt with in more detail in the Chief Executive's Financial and Business Review, but briefly:

- Our neighbourly and supporters' activities are still expanding. Football In The Community has had another good year as we expand our partnerships with schools, youth clubs and schools over an ever-widening area.

- Chelsea Childrens Trust continues to help to bring disadvantaged youngsters to Chelsea on matchdays and give them a fun outing that they otherwise could not afford.

- The Chelsea Members Club numbers continue to grow with official affiliated clubs being formed both around the country and overseas.

  Chelsea recognises their importance by cooperating in arranging priority ticket allocations and encouraging regular meetings and feedback via the organiser.

- We are proud that the Chelsea Disabled Football team was the first in the country and continues to provide pleasure to a disadvantaged section of our supporters.

  The Chelsea Ladies team goes from strength to strength and is now competing just one level below the National League.

- In partnership with Hammersmith and Fulham Council, £1m has been allocated to improve the environment around Stamford Bridge. It is intended to extend CCTV cameras towards Fulham Broadway, install better and more friendly lighting in the Fulham Road, plant trees and flower baskets and help restore some semi-derelict council owned properties adjacent to Stamford Bridge

Early this year we acquired the 56 acre, 9 hole Hazelwood Golf Club in Sunbury, Middlesex with a view to turning it into a training academy.

Despite a recommendation for approval by the local council officers, and all Statutory consultees having no objection, the planning committee rejected the application.

We have good grounds for appeal and the precedents of Sunderland, Derby, Manchester United and Arsenal, who also succeeded in their appeals, will work in our favour.

CHAIRMAN'S STATEMENT

I cannot emphasise enough that it is vital to the successful future of our youth policy that we have adequate high quality academy accommodation to ensure that we get our share of future young stars if we are to develop a more locally based, home grown team.

We are determined to promote the Chelsea brand to a wider, and indeed, more international audience, both to increase our support world-wide and to enable our fans to be better informed and feel more a part of both the Club and the Village.

Developments during the year included:

- Big Blue – Chelsea's own radio station in partnership with Radio First can be heard on Sky Digital channel 898.

- Chelsea Digital Media Ltd (CDM) - This is a partnership with BSkyB that is owned 80:20 in our favour. Chelsea supplies the content, BSkyB provides all of the funding.

Chelsea Megastore

CDM now runs Chelsea TV, which is the successor to Channel Chelsea and Blue Tomorrow. It operates on a subscription basis on a main Sky Digital Channel 427 and transmits from 7 pm to 11.30pm, Monday to Friday. The content includes news, views, recent matches in full, features and classic games. Subscriber numbers to date are ahead of forecast and our overseas rights have been sold abroad for the next three years with a guaranteed minimum income. To subscribe, call 08705 800 803.

- Chelsea Internet – This service continues to grow and it is generally recognised as the best football club website in the country.

  This is reflected in the fact that last year we had 5 million page impressions a month, whilst currently we are running at 8 million a month.

- Purple – our joint venture night club is already proving both successful and profitable. It is now recognised as the place to be and to be seen at in West London.

- ScotCom – despite its name, this is not an internet company. It operates a unique reward card scheme, which will be introduced throughout the Village and Club for the benefit of people on our database, including supporters, customers, travellers and visitors to the Megastore and our Mail Order operation.

- Our Internet Centre is now fully operational and is situated across the road from Stamford Gate in the Fulham Road for use by the local community, schools and supporters alike.

Chairman's Statement

- The Original Bus Company – now operates a 30-minute shuttle service between Chelsea Village and Victoria Station for just £1. This helps to get visitors to the Village cheaply, quickly and with less hassle.

Financials

In the year under review the Group made a loss on ordinary activities of £11.09m. This included additional one off costs of £3m mainly relating to the replacement of the coaching staff and group restructuring.

However this was partially offset by a surplus on the revaluation of our properties of £4.249m, which reduced our total recognised losses for the financial year to £6.841m.

It was known that the year under review would be a challenging one, with the football management change, a determination to rebuild the team and our early exit from Europe, together with the completion of the Village and Stadium development.

In the circumstances your Board feels that the outcome, although disappointing, was the cost of completing a decade of regeneration and investment in the future ambitions of Chelsea Football Club.

The Future

On 10 September we were viewing the future with great confidence - increased stadium capacity, the Village completed – and with great expectations as we looked forward to reaping the reward of our decade of planning and investment. The impact of the 11th September tragedy on our hotels and our travel business was immediate.

West Stand

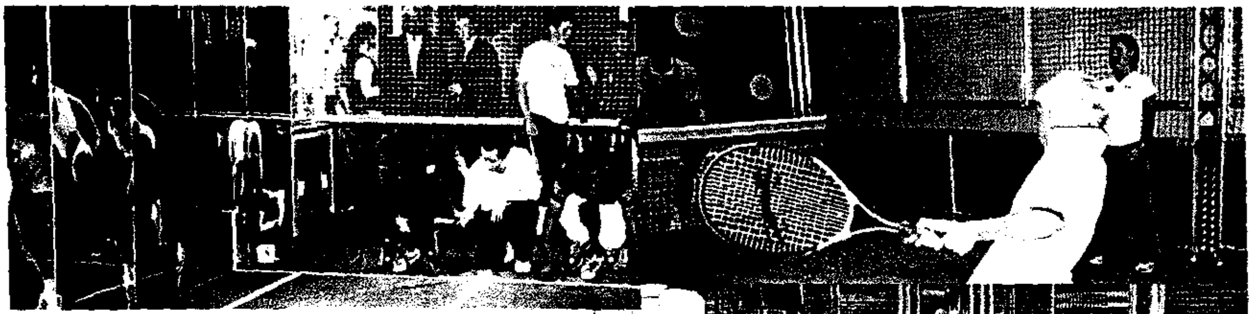
It is too soon to evaluate the long term effects of that terrible day, but we do not intend to hide behind those events as an excuse. Rather, our staff is determined to overcome this setback and efforts are being redoubled to offset any consequent loss of business.

We have many and diverse income streams from good quality products and we intend to fully exploit them for the benefit of both our customers and shareholders.

In closing I must once again pay tribute to our management and staff. They have worked strenuously to expand our business living on a building site. The results of their efforts can be seen throughout the Village and their efforts are very much appreciated.

One significant loss has been the resignation of Chelsea Village director, Stewart Thompson, who decided to follow his business interests to Florida USA. He has been a valuable member of the Board and is already missed!

Ken Bates
26 October 2001



CHELSEA WORLD OF SPORT & the CHELSEA CLUB GO LIVE!

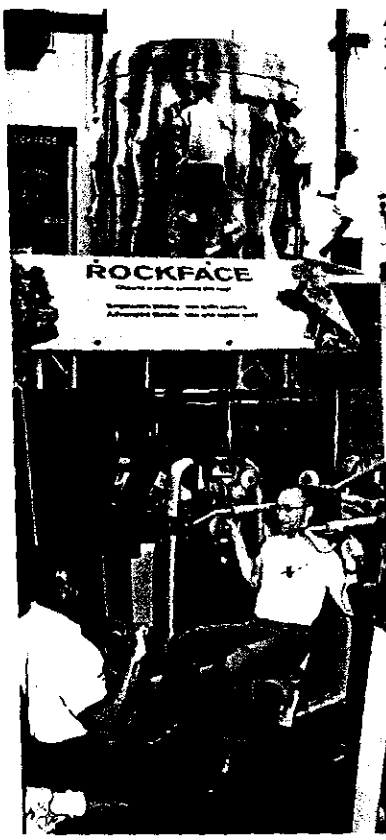
The final pieces in the Chelsea Village jigsaw slotted into place in September with the opening of the Chelsea World of Sport and the leisure-based, Chelsea Club.

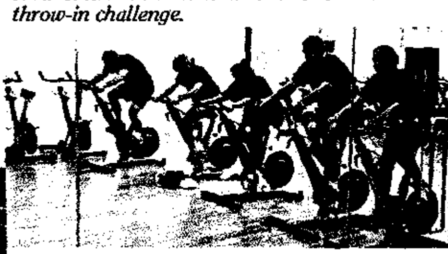
Produced in conjunction with the Museum of London, the Chelsea World of Sport offers visitors a unique opportunity to try their hand at numerous activities including virtual volleyball, rock climbing, tennis and sprinting, as well as footballing 'throw-in' and 'dribbling' techniques.

Described as "Where Science meets Sport", the attraction is educational too, covering the history of sports and sporting achievements generally, as well as the history of Chelsea FC.

Already being talked of as west London's premier leisure venue, the Chelsea Club combines the latest fitness training and exercise equipment, including a half-size Olympic swimming pool and outside running track!

Pictured at Chelsea World of Sport: (above and right), the sprint starting block; the dribbling skills course; Noel Mantoch Bronze Medallist World Karate Championship, & Paul Elliott, broadcaster & ex-Chelsea defender with the throw-in challenge.





Pictured: (above) preparing for spin classes and (left) lifting weights is all part of life at the Chelsea Club, which sports the latest equipment.

Pictured at the World of Sport: (below) Chelsea international footballer, Roberto Di Matteo with Jim Shekhdar standing beside the boat he single-handedly rowed across the Pacific in March this year, and Stephanie Moore, wife of the late England legendary footballer, Bobby Moore.

FINANCIAL AND BUSINESS REVIEW

Analysis of Results

The strategy of Chelsea Village plc as set out eight years ago was three fold. To create: a world class stadium at Stamford Bridge; a world class team worthy of consistently playing in the European top flight; and diversify revenue streams away from the core football brand.

The initial part of this strategy has been achieved with the completion of the West Stand and the Sports & Leisure development. The stadium has a capacity of 42,500 and arguably the finest facilities in the United Kingdom.

The success of the team in recent years, winning six cups and reaching the quarter finals of the Champions League raised expectations. It is against this history that last season is viewed as one of our least successful in recent years.

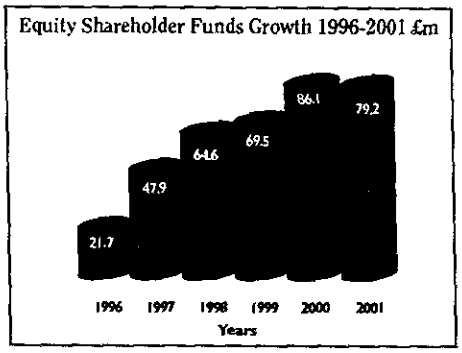
Yet the Club finished sixth and achieved entry to a European tournament for the sixth time in the last eight seasons. Not that disappointing, but falling short of the high standards set by the Management.

Our early departure from domestic and UEFA Cup competitions definitely had an effect on matchday revenue generation as the team played 21 games at home, ten games fewer than in the previous season.

This is further evidence to support the decision of the Board to diversify away from the core business of football.

The aim is to develop businesses that will be successful independently of the Club, but which will also benefit from the Club being successful. With this objective in mind, the redevelopment of Stamford Bridge into a multi-faceted leisure site is now complete.

Chart 2



The final pieces in the jigsaw, Chelsea World of Sport and the Chelsea Club, were completed in September 2001.

Although this is slightly later than originally planned.

It is with great pride that the management team can look at a 12 acre site, just a couple of miles from Knightsbridge, which has effectively been completely redeveloped into a diversified leisure complex with all the various facilities mentioned in the Chairman's Statement.

At the same time the main thrust of the strategy, to develop a world class football team, has also been achieved.

A daunting task, but one achieved through hard work and dedication.

In that time, shareholder value has not been forgotten with a growth in Equity Shareholder Funds from £1.8m ten years ago to £79.2m at 30th June 2001 - a 44-fold increase (see Chart 2).

Against this backdrop it was always recognised that the nadir in our performance would be the year in which the redevelopment of the site was completed.

FINANCIAL AND BUSINESS REVIEW

Analysis of Results

The year ended 30th June 2001 saw the Group generate a turnover from its various businesses of £93.6m (2000, £106.8m) and a loss on its ordinary activities of £11.1m (2000, £3.5m loss).

The effect on the Group's business of playing ten fewer games at Stamford Bridge was the major reason for the fall in turnover as manageable costs were tightly controlled, rising only 0.1% over the previous year.

This increase included in excess of £3m, or 3% of manageable costs, spent on one off costs, restructuring part of Chelsea Village and introducing the new football management team.

The loss for the year was calculated after writing off £0.6m pre-opening costs for Chelsea Leisure Services in accordance with FRS15.

Despite controlling costs, the reduced turnover caused cash generated from operations to decrease by £7.1m in the year to £14.1m (2000, £21.2m) whilst the EBITDA declined £13.0m to a negative £2.4m (2000, £10.6m)

The Group continued to spend heavily on fixed assets to complete the redevelopment with £42.9m (2000, £20.1m) invested in the year (Chart 5).

Tangible Fixed Assets increased by £43.7m to £177.0m (2000, £133.3m) and Total Fixed Assets increased to £224.5m (2000, £168.0m).

Major Subsidiary Review

Chelsea Football Club

Chelsea Football Club turnover fell to £50.2m (2000, £59.0m) which is a reflection of fewer home games following the early elimination from cup competitions, and not playing in the Champions League

The underlying football business grew in 2001 as the receipts for the Champions League and FA Cup were approximately £22.0m in the previous year.

The construction of the West Stand upper tiers was underway when the season commenced and the Club managed to retain and sell its then capacity of 35,000 seats for all FA Premier League games.

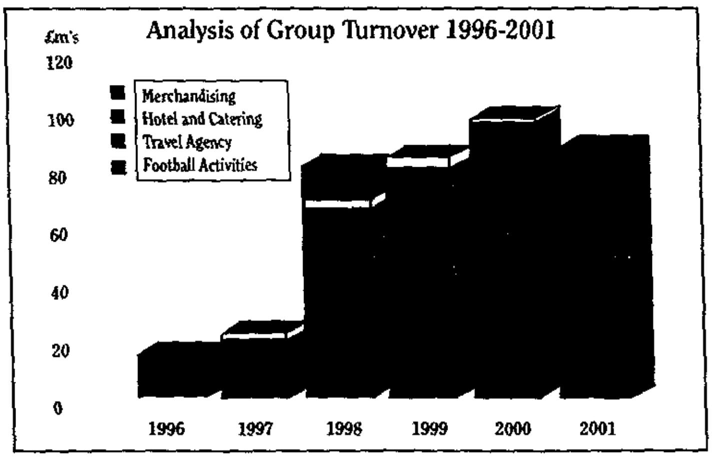


Chart 3

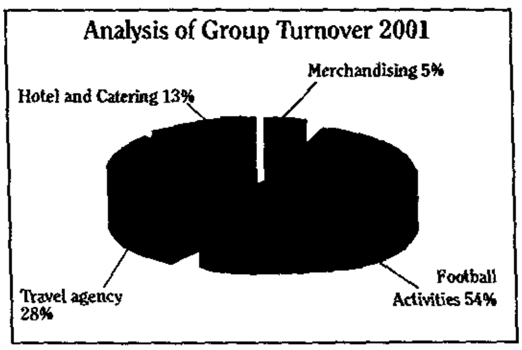


Chart 4

Financial And Business Review

Analysis of Results

FA Premier League matchday receipts, including season ticket holders, increased to £21.2m (2000, £16.2m), season ticket sales rose to 19,946 (2000, 19,493) and total membership increased to 61,464 (2000, 59,255).

Television revenue nearly doubled to reach £10.4m (2000, £5.8m) with BSkyB covering eight (2000, six) live games. Corporate sales, advertising and sponsorship income increased by 4% to £10.4m (2000, £10.0m).

The Club further strengthened the squad with the acquisition of six players registrations in the year and released six players from their contracts at a gain of £12.8m (2000, £6.1m). The continued investment in players resulted in an increase in the amortisation charges to £14.0m (2000, £11.6m). Player wages increased by 4.3% in the year, following the acquisition and renegotiation of existing contracts, to a total of £38.8m (2000, £37.2m) which represented 75% (2000, 61%) of Football Club turnover. The completion of the West Stand will ensure this percentage falls dramatically.

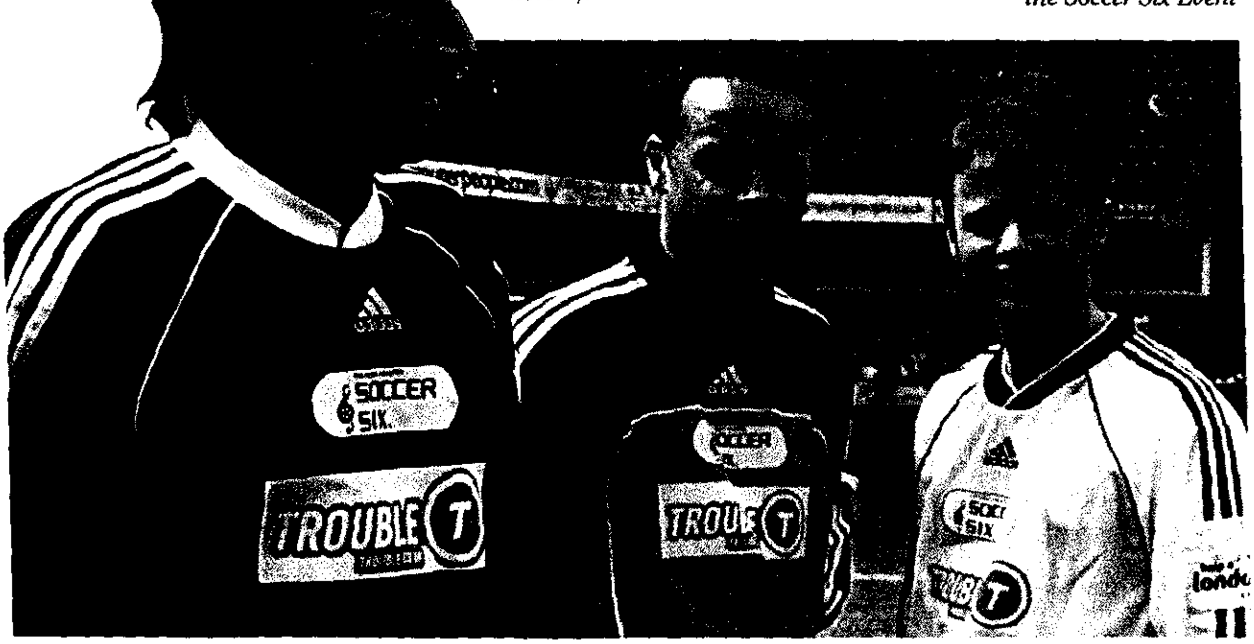
Chelsea Village Hotels

In the year under review the catering and hotel businesses were merged into one operating unit with resultant cost savings.

These savings, plus a full review of our supply contracts, should ensure considerable efficiencies in the new financial year.

Turnover of the combined business was £11.9m (2000, £10.5m) and total rooms business grew £1.2m to £4.4m (2000, £3.2m).

Rod Stewart (left) Ant and Dec (below) at Stamford Bridge for the Soccer Six Event



FINANCIAL AND BUSINESS REVIEW

Analysis of Results

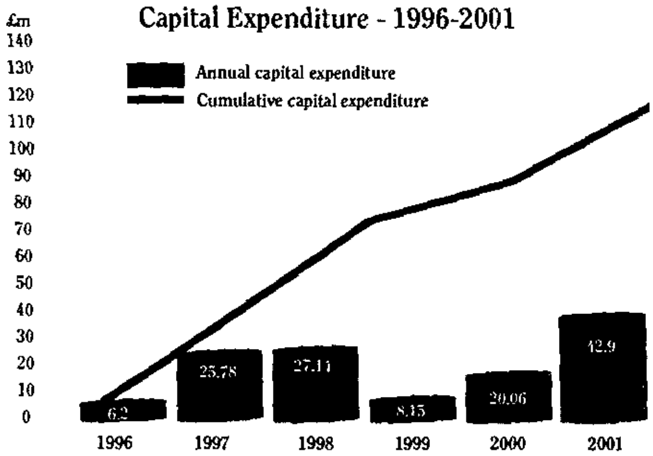


Chart 5

Since the Hotel opened in 1998, the Revenue per Available Room (RevPar) has risen from £35.79 to £41.63 and occupancy has risen from 36% to 66%. Non-matchday turnover for our Conference & Banqueting business in 2001 was £2.0m (2000, £1.8m) and further growth is anticipated with the opening of the new West Stand with its six air conditioned meeting rooms.

Non-football related business has grown from £4.2m in 1998 to £8.2m in 2001. This is the core business for the hotel, management is looking for continued growth in the area of occupancy, RevPar and Conference & Banqueting business.

Chelsea Village Merchandising

The merchandising business generated sales of £4.7m (2000, £6.4m) with the majority of the decline as a result of less home games. The core non-matchday business was static with good growth seen in the internet operation where turnover grew in excess of 104%. The overall margin achieved in the year increased 5.2% to 47.1% (2000, 41.9%) and operational costs have been reduced following restructuring.

The reliance on replica kit sales has been reduced further in 2001 to just 24.0% (2000, 27.6%) of our core business.

To further enhance the range and encourage customers to visit the store, the business has diversified in the current year to retail products manufactured by Pringle and Fossill and will shortly trial Lacoste and Tacchini products.

These developments, plus further enhancement of the internet site and our new kit, will, management believes, ensure that our merchandising business bucks the retailing trend in football clubs.

Chelsea Village Travel

Chelsea Village Travel's turnover was £26.2m (2000, £28.1m) in what continued to be an extremely competitive market place.

A re-organisation of the business with the aim of reducing cost and improving cash flow management was put in place during the year and the benefits should be seen in the current year.

With the change in the business dynamic following the British Airways move to pay no commission, the transition to fee charging has been successfully implemented. It is expected that the benefits anticipated when acquiring this business will soon start to materialise.

The Future

Chelsea Digital Media

Chelsea Digital Media was formed in the latter part of the year to develop our media and internet rights.

Financial And Business Review

Analysis of Results

We launched *Chelsea TV*, a new subscription television channel, on Sky Digital on 20th August and this has exceeded expectations with almost 15,000 subscribers to date.

Octagon Marketing have been appointed to market and distribute worldwide our television channel which will further enable us to communicate with our international supporter base.

In November 2001 it is intended to launch our PC-based highlights and match rights, which will be available over the internet worldwide. Initial indications of subscriber take up are most encouraging.

Both operations are being undertaken with our partner BSkyB which is also working hard to exploit the media assets of the Football Club.

Chelsea Leisure Services

Chelsea Leisure Services represents two businesses – Chelsea World of Sport and Chelsea Club that operate from a 60,000 sq.ft. building at the north end of Chelsea Village.

Chelsea World of Sport is the newest and most exciting interactive sports attraction in London. It promotes skill, knowledge and the understanding of sport in an interactive environment and has been developed in conjunction with the Science Museum. Initial responses have been extremely positive.

Chelsea Club is simply the best health club to open in London, it includes the most modern sports equipment for personal training, a 25 metre swimming pool and an outdoor running track. Associated with the Club and open to non members is a health spa supported by one of the leading health spa companies in the world.

Both businesses became operational on 1st October 2001.

Other

Chelsea has decided to launch a reward scheme for its supporters, in conjunction with ScotCom Technology Group with the ultimate aim of lowering the cost of football to Chelsea supporters. The scheme is based on a smart card which will also be the Membership card and Season Ticket for the 2002/3 season.

The card will initially be issued to members and their partners to be used in national, regional and local retailers to generate reward points that can be redeemed against the cost of season tickets, matchday tickets or anything else the holder may wish to purchase from the various companies within the Group.

Our management team is now focused on extracting enhanced revenues from the diverse activities in which we are involved and developing the brand of Chelsea worldwide.

Although no-one is yet certain what the full ramifications of 11th September will be, I am confident the management will continue to do everything in their power to develop the business for the benefit of our shareholders.

Michael Russell
Chief Executive
26 October 2001

DIRECTORS' REPORT

for the year ended 30 June 2001

The Directors present their annual report and financial statements for the year ended 30 June 2001.

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, health and fitness club and visitor attraction operators, 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 and Financial and Business Review. The results for the year are set out in the profit and loss account on page 16.

DIRECTORS
The Directors of the Company during the year and the interest of those serving as at 30 June 2001 in the share capital of the Company, which were all beneficial, were as follows:

	30 June 2001 No. of shares	30 June 2000 No. of shares
Executive		
K.W. Bates	30,000,000	30,000,000
P.T. Bewsey (resigned on 29 September 2000)	N/A	80,000
M.I. Russell	6,000	6,000
A.L.Shaw	5,100	5,100
Non executive		
P.J. Murrin	100	100
R.M. Taylor	Nil	Nil
S.O. Thompson (resigned on 1 January 2001)	N/A	2,811,743

A.L. Shaw served as Company Secretary throughout the year.

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

RESULTS AND DIVIDENDS
The net loss for the year, after taxation, was £11.090m (2000 £3.502m), 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 include 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 2001 was £85,907,000.

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 2001 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 (2000 £nil).

DIRECTORS' REPORT

for the year ended 30 June 2001

There were no political donations during the year (2000 £nil).

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 53 days credit based on the total amounts of goods and services invoiced by them.

POST BALANCE SHEET EVENTS
Since the year end the Group has acquired the registration of 5 players, and sold 5 at a net cost of £28.2m.

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	26.3%
N Y Nominees Ltd	21.1%
British Sky Broadcasting Group plc	9.9%
Havering Ltd	4.4%
HSBC Global Custody Nominee (UK) Ltd	3.4%

CORPORATE GOVERNANCE
The Directors take the view that the Company should comply with the Combined Code of Best Practice.

The Board consists of three executive and two non executive Directors.

It meets regularly throughout the year.

The Board has established independent Audit and Remuneration Committees both of which consist of the 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 CONTROL
The Directors acknowledge that they have overall responsibility for the Group's system of internal 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 2001

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.

FINANCIAL INSTRUMENTS
The Group's financial instruments comprise cash and various items, including trade debtors and trade creditors, that arise directly from its operations. The Group seeks to reduce or eliminate financial risk and to invest cash assets safely and profitably. It operates within policies and procedures approved by the Board, which include strict controls on the use of financial instruments in managing the Group's risk. The Group has very small transactional currency exposures.

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.

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
26 October 2001

INDEPENDENT AUDITORS' REPORT

for the year ended 30 June 2001

AUDITORS' REPORT TO THE MEMBERS OF CHELSEA VILLAGE PLC
We have audited the financial statements on pages 16 to 34. 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 THE DIRECTORS AND AUDITORS
As described in the statement of directors' responsibilities on page 14, the company's directors are responsible for the preparation of the Annual Report and 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 our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Financial and Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group'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 of the Group as at 30 June 2001 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

Saffery Champness
Chartered Accountants and
Registered Auditors
London
26 October 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2001

	Note	£'000	2001 £'000	*£'000*	*2000* *£'000*
TURNOVER	2		93,627		*106,771*
Direct operating costs			(81,992)		*(81,656)*
GROSS PROFIT			11,635		*25,115*
Administrative expenses			(17,226)		*(17,470)*
			(5,591)		*7,645*
PLAYER TRADING	3		(1,235)		*(5,574)*
OPERATING (LOSS)/PROFIT	4		(6,826)		*2,071*
Interest receivable and similar income	8	1,968		*1,167*	
Interest payable and similar charges	9	(6,232)		*(6,740)*	
			(4,264)		*(5,573)*
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(11,090)		*(3,502)*
Taxation	10		–		–
LOSS FOR THE YEAR			**(11,090)**		***(3,502)***
Retained (Loss)/profit brought forward			(105)		*3,397*
RETAINED LOSS CARRIED FORWARD			(11,195)		*(105)*
LOSS PER SHARE	12		(6.5)p		*(2.2)p*
ADJUSTED (LOSS)/EARNINGS PER SHARE	12		(5.8)p		*1.3p*

The notes numbered 1 to 31 form part of these financial statements.

Group Statement of Total Recognised Gains and Losses

for the year ended 30 June 2001

	2001 £'000	*2000 £'000*
Loss for the financial year	(11,090)	*(3,502)*
Unrealised surplus on revaluation of freehold and long leasehold properties	4,249	*2,584*
Total recognised gains and losses for the Financial year	(6,841)	*(918)*

The notes numbered 1 to 31 form part of these financial statements.

BALANCE SHEETS

as at 30 June 2001

		Group		Company	
		2001	*2000*	2001	*2000*
	Note	£'000	*£'000*	£'000	*£'000*
FIXED ASSETS					
Intangible assets	13	47,497	*34,672*	–	–
Tangible assets	14	177,033	*133,284*	1,029	*2,122*
Investments	15	–	–	121,261	*71,863*
		224,530	*167,956*	122,290	*73,985*
CURRENT ASSETS					
Stocks	16	1,053	*740*	–	–
Debtors: Due in one year	17	20,746	*30,862*	466	*19,766*
Due after one year	17	9,067	*9,331*	9,067	*9,331*
Cash at bank and in hand		12,619	*42,222*	11,581	*41,509*
		43,485	*83,155*	21,114	*70,606*
CREDITORS					
Amounts falling due within one year	18	(37,791)	*(35,375)*	(4,732)	*(4,571)*
Income in advance	18	(18,007)	*(15,265)*	–	–
		(55,798)	*(50,640)*	(4,732)	*(4,571)*
NET CURRENT (LIABILITIES)/ASSETS		(12,313)	*32,515*	16,382	*66,035*
TOTAL ASSETS LESS CURRENT LIABILITIES		212,217	*200,471*	138,672	*140,020*
CREDITORS					
Amounts falling due after one year	19	105,885	*86,298*	73,809	*73,772*
Income in advance	19	9,000	*10,000*	–	–
Football Trust grants	21	3,100	*3,100*	–	–
CAPITAL AND RESERVES					
Called up share capital	23	1,695	*1,695*	1,695	*1,695*
Share premium account	24	55,130	*55,130*	55,130	*55,130*
Revaluation reserve	24	33,602	*29,353*	6,555	*7,072*
Profit and loss account	24	(11,195)	*(105)*	1,483	*2,351*
EQUITY SHAREHOLDERS' FUNDS	24	79,232	*86,073*	64,863	*66,248*
Minority interests		15,000	*15,000*	–	–
		212,217	*200,471*	138,672	*140,020*

These financial statements were approved by the Board of Directors on 26 October 2001.
K. W. Bates M. I. Russell

The notes numbered 1 to 31 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2001

	Note	£'000	2001 £'000	£'000	2000 £'000
CASH INFLOW FROM OPERATING ACTIVITIES	25.1		14,138		*21,222*
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25.2		(4,264)		*(5,573)*
Taxation			–		*(15)*
Capital expenditure and financial investment	25.2		(38,407)		*(19,607)*
Acquisition of subsidiary	25.2		(523)		–
Cash outflow before use of liquid resources and financing			(29,056)		*(3,973)*
Management of liquid resources	25.2		27,828		*(12,957)*
FINANCING					
Issue of shares		–		*17,475*	
Issue of shares to minority interests		–		*15,000*	
Reduction in debt	25.2	(547)		*(743)*	
			(547)		*31,732*
			(1,775)		*14,802*
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	25.3				
(Decrease)/Increase in cash in year		(1,775)		*14,802*	
Cash outflow from change in debt		547		*743*	
Cash (inflow)/outflow from change in liquid resources		(27,828)		*12,957*	
Change in net debt resulting from cash flows			(29,056)		*28,502*
Amortisation of Eurobond issue costs			(192)		*(192)*
Movement in net debt in year			(29,248)		*28,310*
Net debt at 1 July 2000			(37,588)		*(65,898)*
NET DEBT AT 30 JUNE 2001			(66,836)		*(37,588)*

The notes numbered 1 to 31 form part of these financial statements.

Notes to the Financial Statements

year ended 30 June 2001

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.

a) Basis of preparation of financial statements
The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention modified to include the revaluation of freehold and long leasehold land and buildings.

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 2001. 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) 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 buildings:-	
Structures	Over 125 years on a straight line basis
Residual finishes	Over 25 years on a straight line basis
Long leasehold buildings:-	
Structures	Over 100 years on a straight line basis
Residual finishes	Over 25 years on a straight line basis
Plant and equipment	Over 4 to 10 years on a straight line basis

e) Players' 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.

f) 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.

g) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

i) 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 dependant on continuing obligations, no release to the profit and loss account is made.

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 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 lease.

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 2001 £'000	*Turnover 2000 £'000*	Profit/(loss) 2001 £'000	*Profit/(loss) 2000 £'000*
Football activities	50,224	*59,009*	(4,502)	*3,293*
Travel agency	26,224	*28,119*	(685)	*(494)*
Property sales/leasing	145	*1,973*	42	*443*
Hotel/Catering/Night Club	11,912	*10,434*	57	*(227)*
Merchandising	4,705	*6,860*	(483)	*(407)*
Car parking/Events/Other	417	*376*	248	*224*
Leisure services pre-opening			(573)	*-*
Central group costs			(816)	*(761)*
(Loss)/profit before interest			(6,826)	*2,071*
Interest (net)			(4,264)	*(5,573)*
	93,627	*106,771*	(11,090)	*(3,502)*

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

The net assets of the football, hotel and travel agency segments were £45,751,317 (2000: £50,039,220) £2,881,636 (2000: £3,254,115) and £103,351 (2000: £259,542) respectively.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

3. PLAYER TRADING

	2001 £'000	*2000 £'000*
Amortisation of cost of players' registrations	14,010	*11,624*
Gain on disposal of players' registrations	(12,775)	*(6,050)*
	1,235	*5,574*

4. OPERATING (LOSS)/PROFIT

	2001 £'000	*2000 £'000*
This is stated after charging:		
Depreciation of tangible fixed assets:		
Owned	2,562	*1,472*
Leased	318	*271*
Amortisation of intangible assets	14,186	*11,872*
Operating lease rentals:		
Land and buildings	1,196	*1,173*
Other	458	*237*
Auditor's remuneration and expenses		
Audit	101	*115*
Non-audit services	50	*40*

5. STAFF NUMBERS AND COSTS

	2001 No.	*2000 No.*
The average number of employees of the Group during the year was as follows:		
Playing staff, managers and coaches	74	*78*
Ground staff	8	*13*
Administration and commercial	416	*402*
	498	*493*
The aggregate payroll costs of these employees were as follows:	£'000	*£'000*
Wages and salaries	46,432	*44,297*
Social Security costs	4,716	*4,038*
Other pension costs	566	*430*
	51,714	*48,765*

Notes to the Financial Statements

year ended 30 June 2001

6. DIRECTORS' EMOLUMENTS

	2001	2000
	£'000	£'000
Aggregate emoluments	361	314
Pension contributions to money purchase schemes	37	31
	398	345

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

	No.	No.
Money purchase schemes	2	3

The emoluments of the highest paid director were:	£'000	£'000
Aggregate emoluments	152	132
Money purchase pension contributions	16	13
	168	145

7. RELATED PARTY TRANSACTIONS

During the year, in the normal course of business, R M Taylor, through his legal firm Mark Taylor & Co, was paid £70,201 in legal fees by the Company or its subsidiary undertakings. The firm was also charged rent of £20,000 by the company during the year.

During the year, a subsidiary company acquired the entire issued share capital of Fulham Holdings Limited at an arm's length consideration of £523,000. R M Taylor and P J Murrin were directors of Fulham Holdings Limited at the time of the acquisition.

8. INTEREST RECEIVABLE

	2001	2000
	£'000	£'000
Bank interest	1,968	1,167

9. INTEREST PAYABLE

	2001	2000
	£'000	£'000
Interest payable on bank loans and overdrafts:		
Repayable within five years	320	655
Eurobond 2007	5,825	5,935
Finance lease charges	87	150
	6,232	6,740

10. TAXATION

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

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

11. LOSS FOR THE FINANCIAL YEAR

The loss for the financial year of the Group includes a loss of £868,192 (2000: £3,907,010) dealt with in the accounts of Chelsea Village plc.

12. LOSS PER SHARE

The calculation of earnings per share is based on the loss for the year of £11,089,390 (2000: £3,501,740) and on 169,505,000 (2000: 158,835,012) 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 Group's operating performance.

	2001 £'000	*2000 £'000*
Loss after taxation	(11,090)	*(3,502)*
Player trading	1,235	*5,574*
Adjusted (loss)/profit after player trading	(9,855)	*2,072*
Weighted average number of shares in issue	169,505,000	*158,835,012*
Loss per share	(6.5)p	*(2.2)p*
Adjusted (loss)/earnings per share	(5.8)p	*1.3p*

13. INTANGIBLE FIXED ASSETS

Group	Cost of Players' Registrations £'000	Goodwill £'000	Other Intangibles £'000	Total £'000
Cost				
At 1 July 2000	*62,386*	*3,989*	*256*	*66,631*
Additions	*42,339*	*40*	-	*42,379*
Disposals	*(20,930)*	-	-	*(20,930)*
At 30 June 2001	83,795	4,029	256	88,080
Amortisation				
At 1 July 2000	*31,334*	*499*	*126*	*31,959*
Charge for the year	*13,945*	*176*	*65*	*14,186*
Disposals	*(5,562)*	-	-	*(5,562)*
At 30 June 2001	39,717	675	191	40,583
Net Book Value				
At 30 June 2001	44,078	3,354	65	47,497
At 30 June 2000	*31,052*	*3,490*	*130*	*34,672*

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

Notes to the Financial Statements

year ended 30 June 2001

14. TANGIBLE FIXED ASSETS

Group	Land and Buildings £'000	Plant and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 July 2000	*120,655*	*9,512*	*7,427*	*137,594*
Additions	*2,606*	*545*	*39,763*	*42,914*
Revaluation	*2,733*	-	–	*2,733*
Disposals	-	*(356)*	*(521)*	*(877)*
Completed assets	*158*	*783*	*(941)*	–
At 30 June 2001	126,152	10,484	45,728	182,364
Depreciation				
At 1 July 2000	*635*	*3,675*	–	*4,310*
Charge for the year	*1,083*	*1,797*	–	*2,880*
On disposals	–	*(343)*	–	*(343)*
Revaluation adjustment	*(1,516)*	-	–	*(1,516)*
At 30 June 2001	202	5,129	–	5,331
Net Book Value				
At 30 June 2001	125,950	5,355	45,728	177,033
At 30 June 2000	*120,020*	*5,837*	*7,427*	*133,284*
Cost or valuation comprises:				
Cost	*6,291*	*10,484*	*45,728*	*62,503*
Valuation	*119,861*	–	–	*119,861*
At 30 June 2001	126,152	10,484	45,728	182,364

The net book value of land and buildings comprises:	2001 £'000	*2000 £'000*
Freehold land and buildings	43,917	*41,027*
Long leasehold building	78,906	*75,831*
Short leasehold land and buildings	3,127	*3,162*
	125,950	*120,020*

Company	Land and Buildings £000	Plant and Equipment £000	Total £000
Cost or valuation			
At 1 July 2000	*985*	*1,807*	*2,792*
Additions	-	*313*	*313*
Transfer to group companies	*(391)*	*(190)*	*(581)*
Deficit on revaluation	*(519)*	-	*(519)*
At 30 June 2001	75	1,930	2,005

Notes to the Financial Statements

year ended 30 June 2001

14. TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Land and Buildings £'000	Plant and Equipment £'000	Total £'000
Depreciation			
At 1 July 2000	–	*670*	*670*
Charge for the year	–	*306*	*306*
At 30 June 2001	–	976	976
Net Book Value			
At 30 June 2001	75	954	1,029
At 30 June 2000	*985*	*1,137*	*2,122*
Cost or valuation comprises:			
Cost	*75*	*1,930*	*2,005*
Valuation	–	–	–
At 30 June 2001	75	1,930	2,005

The net book value of land and buildings comprises:	2001 £'000	*2000 £'000*
Freehold land	75	*985*

Group		
Included in revalued land and buildings are:		
Finance arrangement costs	190	*190*
Interest payable	1,813	*1,813*
	2,003	*2,003*

VALUATIONS

Group

The open market value of the Group's freehold and leasehold interests in the hotel, car park and stadium were valued by Chesterton plc, International Property Consultants as at 30 June 2001 in the sum of £153,900,000 on the basis of their existing use to the group and in accordance with the Statement of Asset 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, Chartered Surveyors as at 30 June 2001 in the sum of £3,868,000 on an open market value basis.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

14. TANGIBLE FIXED ASSETS (CONTINUED)

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

	Group		Company	
	2001	*2000*	2001	*2000*
Cost	£'000	*£'000*	£'000	*£'000*
Freehold property	37,824	*36,576*	75	*594*
Long leasehold property	54,726	*54,726*	–	–
	92,550	*91,302*	75	*594*
Depreciation				
Freehold property	2,362	*1,942*	–	*79*
Long leasehold property	1,648	*1,021*	–	–
	4,010	*2,963*	–	*79*
Net book value				
Freehold property	35,462	*34,634*	75	*515*
Long leasehold property	53,078	*53,705*	–	–
	88,540	*88,339*	75	*515*
Included in fixed assets are assets which are held under finance leases and hire purchase contracts as follows:				
Net book value	1,017	*2,282*	582	*728*
Depreciation charged in the year	318	*271*	146	*93*

15. FIXED ASSET INVESTMENTS

Company

	Shares in Subsidiaries £'000	Loans to Subsidiaries £'000	Total £'000
Cost or valuation			
At 1 July 2000	*12,172*	*60,837*	*73,009*
Movement during the year	–	*49,398*	*49,398*
At 30 June 2001	12,172	110,235	122,407
Provision for diminution			
At 1 July 2000 and at 30 June 2001	*1*	*1,145*	*1,146*
Net Book Value			
At 30 June 2001	12,171	109,090	121,261
At 30 June 2000	*12,171*	*59,692*	*71,863*

Details of the Company's subsidiary undertakings are shown in Note 31.

16. STOCKS

	Group		Company	
	2001	*2000*	2001	*2000*
	£'000	*£'000*	£'000	*£'000*
Merchandising	874	*605*	–	–
Food and beverages	179	*135*	–	–
	1,053	*740*	–	–

Notes to the Financial Statements

year ended 30 June 2001

17. DEBTORS

	Group		Company	
	2001	*2000*	2001	*2000*
	£'000	*£'000*	£'000	*£'000*
Trade debtors	15,815	*5,212*	1	*6*
Other debtors	3,844	*24,968*	369	*19,722*
Prepayments and accrued income	1,087	*682*	96	*38*
	20,746	*30,862*	466	*19,766*
Due after one year:				
Other debtors	9,067	*9,331*	9,067	*9,331*

As part of the Eurobond issue (see Note 20), the Company 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. The balance outstanding at 30 June 2001 was £9,058,870 (2000: £9,330,566).

18. CREDITORS

Amounts falling due within one year:

	Group		Company	
	2001	*2000*	2001	*2000*
	£'000	*£'000*	£'000	*£'000*
Trade creditors	22,584	*18,175*	427	*216*
Other tax and social security	2,791	*3,954*	59	*–*
Accruals and deferred income	8,026	*9,785*	4,027	*4,040*
Hire purchase and finance lease obligations	346	*559*	155	*158*
Other creditors	4,044	*2,902*	64	*157*
	37,791	*35,375*	4,732	*4,571*
Payments received in advance	18,007	*15,265*	–	*–*
	55,798	*50,640*	4,732	*4,571*

Notes to the Financial Statements

year ended 30 June 2001

19. CREDITORS

Amounts falling due after one year:	Group		Company	
	2001	*2000*	2001	*2000*
	£'000	*£'000*	£'000	*£'000*
Bank loans	5,000	*5,000*	–	–
Other loans	73,753	*73,561*	73,753	*73,561*
Trade creditors	26,776	*7,047*	–	–
Hire purchase and finance leases	356	*690*	56	*211*
	105,885	*86,298*	73,809	*73,772*
Payments received in advance	9,000	*10,000*	–	–
	114,885	*96,298*	73,809	*73,772*

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.

20. BORROWINGS AND SECURED LIABILITIES

	Group		Company	
	2001	*2000*	2001	*2000*
	£'000	*£'000*	£'000	*£'000*
The aggregate borrowings amounted to:				
Bank loans	5,000	*5,000*	–	–
Hire purchase and finance lease obligations	702	*1,249*	211	*369*
Eurobond 2007	73,753	*73,561*	73,753	*73,561*
	79,455	*79,810*	73,964	*73,930*
Which are repayable as follows:				
Within one year or on demand				
Hire purchase and finance leases	346	*559*	155	*158*
	346	*559*	155	*158*
Between two and five years				
Bank loans	5,000	*5,000*	–	–
Hire purchase and finance leases	356	*690*	56	*211*
	5,702	*6,249*	211	*369*
After five years				
Eurobond 2007	73,753	*73,561*	73,753	*73,561*
	79,455	*79,810*	73,964	*73,930*

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

20. 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 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.

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

Chelsea Football Club Limited received an interest only bank loan of £5,000,000 repayable in full on 31 July 2002. The loan is guaranteed by the estate of the late Matthew Harding and interest is payable at a rate of 0.5% over LIBOR.

21. FOOTBALL TRUST GRANTS

The grants received from the Football Trust are in respect of the completed North Stand Development of the stadium and are repayable in the event of Chelsea Football Club Limited ceasing to use the Stamford Bridge ground.

22. DEFERRED TAXATION

No provision for deferred taxation has been made. An analysis of the deferred taxation (assets)/liabilities unprovided, calculated at 30%, is as follows:

		Group		Company
	2001	*2000*	2001	*2000*
	£'000	*£'000*	£'000	*£'000*
Accelerated capital allowances	3,933	*1,412*	109	*198*
Taxation losses	(8,816)	*(1,276)*	(951)	*(1,258)*
	(4,883)	*136*	(842)	*(1,060)*
Property and investment revaluations	9,750	*8,406*	–	–
	4,867	*8,542*	(842)	*(1,060)*

23. SHARE CAPITAL

		2001		*2000*
	Number	£'000	*Number*	*£'000*
Ordinary shares of 1p each				
Authorised	200,000,000	1,700	*170,000,000*	*1,700*
Allotted, issued and fully paid	169,505,000	1,695	*169,505,000*	*1,695*

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

24. 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 2000	*1,695*	*55,130*	*29,353*	*(105)*	*86,073*
Loss for the financial year	–	–	–	*(11,090)*	*(11,090)*
Unrealised surplus on revaluation of property	–	–	*4,249*	–	*4,249*
Equity shareholder's funds at 30 June 2001	1,695	55,130	33,602	(11,195)	79,232
Company					
Balance at 30 June 2000	*1,695*	*55,130*	*7,072*	*2,351*	*66,248*
Loss for the financial year	–	–	–	*(868)*	*(868)*
Deficit on revaluation	–	–	*(517)*	–	*(517)*
Equity shareholder's funds at 30 June 2001	1,695	55,130	6,555	1,483	64,863

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2001 £'000	*2000 £'000*
25.1 RECONCILIATION OF OPERATING (LOSS)/ PROFIT TO OPERATING CASH FLOWS		
Operating (loss)/profit	(6,826)	*2,071*
Depreciation charges	2,880	*1,743*
Loss on sale of tangible fixed assets	14	–
Profit on sale of intangible fixed assets	(12,775)	*(6,050)*
Amortisation of Eurobond issue costs	192	*192*
Amortisation of intangible assets	14,186	*11,872*
(Increase)/decrease in stocks	(313)	*262*
Decrease/(increase) in debtors	10,380	*(21,034)*
Increase in creditors	6,400	*32,166*
Net cash inflow from operating activities	14,138	*21,222*

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

	2001 £'000	*2000 £'000*
25.2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT		
Returns on investments and servicing of finance		
Interest received	1,968	*1,177*
Interest paid	(6,145)	*(6,590)*
Interest element of finance lease rental payments	(87)	*(150)*
	(4,264)	*(5,573)*
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(24,211)	*(6,988)*
Purchase of intangible fixed assets	(42,339)	*(23,148)*
Sale of intangible fixed assets	28,143	*10,529*
	(38,407)	*(19,607)*
Acquisitions and disposals		
Acquisition of subsidiary	(523)	–

Fulham Holdings Limited was acquired during the year for cash. The assets acquired were investment properties of £483,000 and goodwill of £40,000.

	2001 £'000	*2000 £'000*
Management of liquid resources		
Withdrawals/(deposits) on short term deposits	27,828	*(12,957)*
Financing – Reduction in debt		
Capital element of hire purchase and finance lease rental payments	(547)	*(743)*

25.3 ANALYSIS OF NET DEBT

	At 1 July 2000 £'000	Cash flow £'000	Other non cash changes £'000	At 30 June 2001 £'000
Cash at bank and in hand	*13,827*	(1,775)	–	12,052
	13,827	(1,775)	–	12,052
Debt due after one year	*(78,561)*	–	(192)	(78,753)
Hire purchase and finance leases	*(1,249)*	547	–	(702)
Money market deposits	*28,395*	(27,828)	–	567
	(37,588)	(29,056)	(192)	(66,836)

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

26. FINANCIAL INSTRUMENTS

The Group's financial instruments consist principaly of borrowings, cash, liquid resources and various other items such as trade debtors and trade creditors. At 30 June 2001 there were no material differences between the book value and the fair value of the Groups financial assets and liabilities. The Group's main risks in respect of financial instruments are interest rate and liquidity risk.

Financial liabilities

The interest rate risk and maturity profile of the Group's financial liabilities, excluding short term trading items, are set out in Note 20.

Financial Assets

The interest rate risk profile of the Group's financial assets, excluding short term trading items, are as follows:-

	2001	*2000*
	£'000	*£'000*
Fixed rate interest earning	4,729	*35,942*
Floating rate interest earning	7,890	*6,280*
	12,619	*42,222*

27. PENSION COMMITMENTS

A subsidiary undertaking contributes to two pension schemes providing benefits based both upon contributions made and upon final salary. The final salary scheme is a multi-employer scheme and in accordance with FRS17 has been accounted for as a defined contribution scheme. 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 £566,468 (2000: £429,751) is payable to these funds.

28. OPERATING LEASE AND CAPITAL COMMITMENTS

The annual commitments under non-cancellable operating leases are:

	Group		Company	
	2001	*2000*	2001	*2000*
	£'000	*£'000*	£'000	*£'000*
Land and buildings:				
Leases expiring within one year	374	*206*	–	–
Leases expiring between two to five years	96	*86*	–	–
Leases expiring in more than five years	286	*325*	–	–
	756	*617*	–	–
Other				
Leases expiring within one year	33	*40*	–	–
Leases expiring between two to five years	348	*469*	–	–
	381	*509*	–	–
Capital expenditure commitments were as follows:				
Contracted for but not provided:				
Tangible	36	*40,061*	–	–
Intangible	27,123	*26,625*	–	–
	27,159	*66,686*	–	–

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2001

29. CONTINGENT LIABILITIES

The Company has guaranteed overdrafts of its subsidiary undertakings. The amount covered by this guarantee at 30 June 2001 was £Nil.

30. POST BALANCE SHEET EVENTS

Since 30 June 2001 the Group has acquired the registrations of 5 professional football players and sold 5 others. The net expenditure on these transfers was £28.8m.

31. 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 Digital Media Limited	Television and Internet broadcasters
Chelsea Village Contractors Limited	Property development
Chelsea Village Hotels Limited	Hotel management and catering services
Chelsea Village Merchandising Limited	Merchandising, Mail order, and publications
Chelsea Village Management Limited	Group utilities and facilities
Chelsea Village Radio Limited	Radio broadcaster
Chelsea Leisure Services Limited	Health and fitness club/visitor attraction
Chelsea Village Travel Limited	Travel Agency
Midnight at Chelsea Limited	Nightclub operator
Stamford Bridge Properties Limited	Property lessors
Stamford Bridge Securities Limited	Property holding

Dormant	
Arkles Limited	Chelsea Pensioner Limited
Bidgleam Limited	Chelsea Village Car Rentals Limited
Bulmer Travel Associates Limited	Chelsea Village Catering Limited
Chelsea Caterers Limited	Chelsea Village Communications Limited
Chelsea Club Limited	Chelsea Village Dot Com Limited
Chelsea Digital Media.Com Limited	Chelsea Village European Travel Limited
Chelsea Exclusive Events Limited	Chelsea Village Television Limited
Chelsea Events Limited	Chelsea World of Sport Ltd
Chelsea Financial Consultants Limited	Chelsea Vintners Limited
Chelsea Football Club Dot Com Limited	Chelsea Worldwide Travel Limited
Chelsea Garden Village Limited	Elizabeth Duff Travel Limited
Chelsea Limited	Fulham Holdings Limited
Chelsea Sports and Leisure Limited	Fulham Securities Limited
Chelsea T.V. Limited	London Voice Limited
Chelsea Pacific Limited	The Chelsea Style Limited

All the above companies 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 Village Radio Limited and Chelsea Exclusive Events Limited both of which are 50% owned, Chelsea Digital Media Limited which is 80% owned and Midnight at Chelsea Limited, which is 75% owned.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Chelsea Village plc will be held in the Charles Kingsley Suite, Level 3, West Stand, Chelsea Football Club, Stamford Bridge, Fulham Road, London, SW6 1HS at 11.30am on Friday 30 November 2001, for the purpose of transacting the following business of the Company:

1. To receive the accounts for the year ended 30 June 2001, together with the reports of the Directors and Auditors thereon.
2. To re-elect Mr P J Murrin as a director of the Company who retires by rotation at the Annual General Meeting in accordance with the Articles of Association:
3. To re-elect Mr A L Shaw as a director of the Company who retires by rotation at the Annual General Meeting in accordance with the Articles of Association:
4. To re-appoint Saffery Champness as auditors of the Company and to authorise the Directors to determine their remuneration.
5. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

   That the Directors of the Company be and 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 £304,950 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.

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 Wednesday 28 November 2001 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
26 October 2001