

Company Registration No. 2536231 (England and Wales)

CHELSEA VILLAGE PLC
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

RE-SCAN



17.01.04 - 294

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4
Consolidated profit and loss account	5
Group statement of total recognised gains and losses	6
Balance sheets	7
Consolidated cash flow statement	8
Notes to the financial statements	9 - 24

COMPANY INFORMATION

Directors

K W Bates
B Buck
R J Creitzman
E Tenenbaum

Secretary

A L Shaw

Company Number

2536231

Registered Office

Stamford Bridge
Fulham Road
London
SW6 1HS

Auditors

Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2003**

The Directors present their annual report and audited financial statements for the year ended 30 June 2003.

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 and future developments

The results for the year and the financial position at the year end are considered satisfactory taking into account the change of control and post balance sheet events referred to in notes 29 and 30 on page 23.

The results for the year are set out in the profit and loss account on page 5 and the statement of total recognised gains and losses on page 6.

Directors

The Directors of the Company during the year and the interests of those serving as at 30 June 2003 in the share capital of the Company, which were all beneficial, were as follows:

	30 June 2003 No. of shares	30 June 2002 No. of shares
Executive		
K W Bates	50,000,000	50,000,000
T N Birch (Resigned 15 September 2003)	Nil	Nil
L O'Brien (Appointed on 19 August 2002 - resigned on 7 July 2003)	Nil	Nil
A L Shaw (Resigned on 13 December 2002)	Nil	5,100
S M Arthur (Appointed on 24 April 2003 - resigned on 7 July 2003)	Nil	Nil
C I Alexander (Appointed on 24 April 2003 - resigned on 8 July 2003)	Nil	Nil
B Buck (Appointed on 31 July 2003)	Nil	Nil
R J Creitzman (Appointed on 7 July 2003)	Nil	Nil
E Schvidler (Appointed on 7 July 2003 - resigned on 11 August 2003)	Nil	Nil
E Tenenbaum (Appointed on 7 July 2003)	Nil	Nil

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

Directors (continued)

	30 June 2003 No. of shares	30 June 2002 No. of shares
Non Executive		
P J Murrin (Resigned on 7 July 2003)	100	100
R M Taylor (Resigned on 7 July 2003)	Nil	Nil
M J Woodward (Resigned on 7 July 2003)	Nil	Nil

A L Shaw served as Company Secretary throughout the year.

In accordance with the Articles of Association, Messers Buck, Creitzman and Tenenbaum, having been appointed since the last Annual General Meeting seek re-election. Mr K W Bates does not seek re-election.

Results and dividends

The net loss for the year, after taxation, was £26.51m (2002: £16.58m). 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 12 to 14 to the financial statements. The intangible fixed assets include the unamortised portion of the cost of players' registrations.

The 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 2003 was £87.1m. The valuation assumes willing buyers for the relevant players' 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 2003 by Chesterton International plc and Rawley & Co. These valuations as detailed in note 13 have been incorporated in these financial statements.

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

Going Concern Basis

The Company has received confirmation from the ultimate parent company, Chelsea Limited, as to the provision of ongoing financial support for the foreseeable future. The Directors have therefore adopted the going concern basis in preparing these financial statements.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

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 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

The Group recognises the importance of good employee relations and communications and involves employees as appropriate to each Company's circumstances. Employees are regularly kept informed of and express their views on activities which are of concern to them or are likely to affect their interests.

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

Auditors

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

Signed by order of the Board of Directors



AL Shaw
Secretary

26 November 2003

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHELSEA VILLAGE PLC**

We have audited the financial statements on pages 5 to 24. 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 page 3, the Company's Directors are responsible for the preparation of the Directors' 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.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

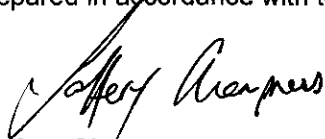
Basis of audit opinion

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 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 the Group as at 30 June 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Saffery Champness

Chartered Accountants
Registered Auditors
London

26 November 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Operations excluding Player trading 2003 £'000	Player trading 2003 £'000	Total 2003 £'000	2002 £'000
Turnover	2	109,934	-	109,934	115,319
Direct operating costs		(81,218)	-	(81,218)	(86,249)
Gross profit		28,716	-	28,716	29,070
Administrative expenses		(26,494)	-	(26,494)	(20,680)
		2,222	-	2,222	8,390
Loss on player trading	3	-	(19,692)	(19,692)	(16,155)
Operating profit/(loss)	4	2,222	(19,692)	(17,470)	(7,765)
Interest receivable	8	96	-	96	92
Interest payable	9	(9,156)	-	(9,156)	(8,778)
Loss on ordinary activities before taxation	2	(6,838)	(19,692)	(26,530)	(16,451)
Taxation	10	-	-	-	-
Loss for the year before minority interest		(6,838)	(19,692)	(26,530)	(16,451)
Minority interest		20	-	20	(129)
Loss for the year		(6,818)	(19,692)	(26,510)	(16,580)

All activities relate to continuing operations.

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 2003**

	2003 £'000	2002 £'000
Loss for the year	(26,510)	(16,580)
Unrealised (deficit)/surplus on revaluation of properties	(1,810)	5,572
Total recognised losses for the year	<u>(28,320)</u>	<u>(11,008)</u>

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

BALANCE SHEETS
AS AT 30 JUNE 2003

	Note	Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Intangible assets	12	37,563	60,761	-	-
Tangible assets	13	171,358	179,948	1,339	741
Investments	14	-	-	122,327	133,639
		208,921	240,709	123,666	134,380
Current assets					
Stocks	15	1,329	734	-	-
Debtors: Due in one year	16	8,471	9,132	1,218	1,215
Due after one year	16	8,976	9,045	8,976	9,045
Cash at bank and in hand		3,928	1,984	5,910	1,591
		22,704	20,895	16,104	11,851
Creditors					
Amounts falling due within one year	17	(64,541)	(50,008)	(5,319)	(8,646)
Income in advance	17	(19,851)	(17,586)	-	-
		(84,392)	(67,594)	(5,319)	(8,646)
Net current (liabilities)/assets		(61,688)	(46,699)	10,785	3,205
Total assets less current liabilities		147,233	194,010	134,451	137,585
Creditors					
Amounts falling due after one year	18	84,331	99,269	74,136	73,944
Income in advance	18	7,889	8,288	-	-
Football Trust grant	21	-	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	36,512	39,278	6,555	6,555
Profit and loss account	24	(53,433)	(27,879)	(3,065)	261
Equity shareholders' funds	24	39,904	68,224	60,315	63,641
Minority interests		15,109	15,129	-	-
		147,233	194,010	134,451	137,585

These financial statements were approved by the Board of Directors on 26 November 2003

Bar M Bue

Director

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

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Cash flow from operating activities	25.1		16,694		26,664
Returns on investments and servicing of finance	25.2		(9,060)		(8,686)
Taxation			-		-
Capital expenditure and financial investment	25.2		(2,024)		(31,626)
Acquisition of subsidiary undertaking	25.2		-		(40)
Management of liquid resources	25.2		-		567
Financing					
Reduction in debt	25.2		(266)		(347)
Increase/(decrease) in cash			<u>5,344</u>		<u>(13,468)</u>
Reconciliation of net cash flow to movement in net debt	25.3				
Increase/(decrease) in cash		5,344		(13,468)	
Cash inflow from change in net debt and lease financing		266		347	
Cash outflow from change in liquid resources		-		(567)	
Change in net debt resulting from cash flows			5,610		(13,688)
Amortisation of Eurobond issue costs			(192)		(191)
Movement in net debt in period			<u>5,418</u>		<u>(13,879)</u>
Net debt at 1 July 2002			(80,715)		(66,836)
Net debt at 30 June 2003			<u>(75,297)</u>		<u>(80,715)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

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 and 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 2003. 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 alone 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 it 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) Player's registration

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 contract. The Group's policy is to charge such fees to the profit and loss account as they fall due under the terms of the contract.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

g) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

No deferred tax asset has been recognised as at 30 June 2003.

h) Capitalised Interest

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

i) Grants

Capital grants received are included in the balance sheet as liabilities. Where grants are not repayable they are deducted from the cost of the asset. Where the retention of grants is dependant on continuing obligations, no deduction against the cost of the asset 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 contracts and finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods.

The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

2. SEGMENTAL INFORMATION

	Turnover		Profit/(loss)	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Football activities after player trading	73,828	73,663	(10,112)	(6,112)
Travel agency	16,789	22,230	(315)	243
Property sales/leasing	118	207	75	124
Hotel/Catering/Night Club	11,064	11,981	279	847
Merchandising	5,614	5,214	182	389
Digital Media	1,327	1,150	-	-
Car parking /Events/Other	205	305	328	324
Leisure services	989	569	(2,778)	(2,236)
Central group costs			(5,151)	(1,394)
Loss before interest and after player trading			(17,492)	(7,815)
Interest (net)			(9,038)	(8,636)
	109,934	115,319	(26,530)	(16,451)

All turnover arises in the United Kingdom, and relates to continuing operations.

The net assets of the major segments were as follows:-

	2003 £'000	2002 £'000
Football club	25,403	41,415
Hotel	(4,219)	141
Travel agency	307	239

3. PLAYER TRADING

	2003 £'000	2002 £'000
Amortisation of cost of players' registrations	(20,347)	(22,379)
Gain on disposal of players' registrations	655	6,224
	(19,692)	(16,155)

4. OPERATING RESULT

	2003 £'000	2002 £'000
This is stated after charging:		
Depreciation of tangible fixed assets:		
Owned	4,196	3,952
Leased	200	230
Amortisation of intangible assets	20,547	22,581
Deficit on revaluation of property	1,276	-
Provision for diminution in value of goodwill	2,952	-
Operating lease rentals:		
Land and buildings	1,087	1,216
Other	1,996	1,368
Auditor's remuneration and expenses		
Audit	92	92
Non-audit services	31	26
Loss on disposal of assets	386	481

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

5. STAFF NUMBERS AND COSTS

	2003 No.	2002 No.
The average number of employees of the Group during the year was as follows:		
Playing staff, managers and coaches	76	80
Ground staff	9	9
Administration and commercial	488	479
	573	568
The aggregate payroll costs of these employees were as follows:	£'000	£'000
Wages and salaries	50,025	51,580
Social Security costs	5,482	5,284
Other pension costs	358	387
	55,865	57,251

6. DIRECTORS' EMOLUMENTS

	2003 £'000	2002 £'000
Aggregate emoluments	576	436
Pension contributions to money purchase schemes	58	66
Compensation for loss of office	-	30
	634	532
The number of directors to whom retirement benefits are accruing is:	No.	No.
Money purchase schemes	4	3
The emoluments of the highest paid director were:	£'000	£'000
Aggregate emoluments	321	285
Compensation for loss of office	-	30
Money purchase pension contributions	32	51
	353	366

7. RELATED PARTY TRANSACTIONS

During the year, in the normal course of business, R M Taylor, through his legal firm Mark Taylor & Co, invoiced £148,502 (2002: £107,478) in legal fees to the Company or its subsidiary undertakings. In addition, an amount of £251,120 was accrued in relation to uninvoiced costs incurred prior to the year end. The firm was also charged a rent of £25,000 (2002: £25,000) by the Company during the year.

8. INTEREST RECEIVABLE

	2003 £'000	2002 £'000
Bank interest	96	91
Other interest	-	1
	96	92

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

9. INTEREST PAYABLE

	2003 £'000	2002 £'000
Eurobond 2007	6,656	6,387
Bank loan and overdraft	2,478	2,341
Finance lease charges	22	50
	<u>9,156</u>	<u>8,778</u>

10. TAXATION

	2003 £'000	2002 £'000
Current tax charge	-	-
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	<u>(26,530)</u>	<u>(16,451)</u>
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2002: 30%)	<u>(7,959)</u>	<u>(4,935)</u>
Effects of:		
Non deductible expenditure	2,541	685
Losses available to carry forward	<u>5,418</u>	<u>4,250</u>
	<u>7,959</u>	<u>4,935</u>
Current tax charge	-	-
Losses available to carry forward at 30 June 2003	<u>76,183</u>	<u>58,063</u>

11. LOSS FOR THE FINANCIAL YEAR

The loss for the financial year of the Group includes a loss of £3,326,212 (2002: £1,221,849) dealt with in the accounts of Chelsea Village plc.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

12. INTANGIBLE FIXED ASSETS

Group	Cost of Players' Registrations £'000	Goodwill £'000	Other Intangibles £'000	Total £'000
Cost				
At 1 July 2002	110,128	4,029	100	114,257
Additions	1,208	-	-	1,208
Disposals	(11,658)	-	(100)	(11,758)
Provision for diminution in value	-	(4,029)	-	(4,029)
At 30 June 2003	99,678	-	-	99,678
Amortisation				
At 1 July 2002	52,532	876	88	53,496
Charge for the year	20,334	201	12	20,547
Disposals	(10,751)	-	(100)	(10,851)
Provision for diminution in value	-	(1,077)	-	(1,077)
At 30 June 2003	62,115	-	-	62,115
Net Book Value				
At 30 June 2003	37,563	-	-	37,563
At 30 June 2002	57,596	3,153	12	60,761

13. 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 2002	173,256	11,977	1,584	186,817
Additions	3,185	1,524	-	4,709
Revaluation adjustment	(4,593)	(1,000)	-	(5,593)
Reclassification of Football Trust grant	(3,100)	-	-	(3,100)
Disposals	(2,871)	(8)	-	(2,879)
Completed Assets	1,288	296	(1,584)	-
At 30 June 2003	167,165	12,789	-	179,954
Depreciation				
At 1 July 2002	279	6,590	-	6,869
Charge for the year	2,650	1,746	-	4,396
On disposals	(155)	(7)	-	(162)
Revaluation adjustment	(2,507)	-	-	(2,507)
At 30 June 2003	267	8,329	-	8,596
Net Book Value				
At 30 June 2003	166,898	4,460	-	171,358
At 30 June 2002	172,977	5,387	1,584	179,948

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

13. TANGIBLE FIXED ASSETS (continued)

The net book of land and building comprises:

	2003 £'000	2002 £'000
Freehold land and buildings	51,572	56,550
Long leasehold land and buildings	115,275	116,326
Short leasehold land and buildings	51	101
	<u>166,898</u>	<u>172,977</u>

Group

Included in revalued land and buildings are:

Finance arrangement costs	190	190
Interest payable	<u>1,813</u>	<u>1,813</u>
	<u>2,003</u>	<u>2,003</u>

Company

Plant and Equipment £'000	Total £'000
---------------------------------	----------------

Cost or valuation

At 1 July 2002	2,008	2,008
Additions	1,313	1,313
Transfer to group companies	(580)	(580)
At 30 June 2003	<u>2,741</u>	<u>2,741</u>

Depreciation

At 1 July 2002	1,267	1,267
Charge for the year	323	323
Transfer to group companies	(188)	(188)
At 30 June 2003	<u>1,402</u>	<u>1,402</u>

Net Book Value

At 30 June 2003	<u>1,339</u>	<u>1,339</u>
At 30 June 2002	<u>741</u>	<u>741</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

13. TANGIBLE FIXED ASSETS (continued)

VALUATIONS

Group

The open market value of the Group's freehold land and leasehold interests in the hotel, car park and stadium were valued by Chesterton plc, International Property Consultants as at 30 June 2003 in the sum of £162,235,000 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, Surveyors, Valuers and Property Consultants as at 30 June 2003 in the sum of £1,900,000 on an existing use basis.

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

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Cost				
Freehold property	46,571	47,394	-	-
Long leasehold property	95,134	92,139	-	-
	141,705	139,533	-	-
Depreciation				
Freehold property	2,065	1,381	-	-
Long leasehold property	2,198	1,446	-	-
	4,263	2,827	-	-
Net Book Value				
Freehold property	44,506	46,013	-	-
Long leasehold property	92,936	90,693	-	-
	137,442	136,706	-	-

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

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Net book value	449	663	-	392
Depreciation charged in the year	200	230	-	54



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

14. FIXED ASSET INVESTMENTS

Company	Shares in Subsidiaries £'000	Loans to Subsidiaries £'000	Total £'000
Cost			
At 1 July 2002	12,220	122,565	134,785
Movement during the year	-	(8,174)	(8,174)
At 30 June 2003	12,220	114,391	126,611
Provision for diminution in value			
At 1 July 2002	1	1,145	1,146
Movement in the year	2,921	217	3,138
At 30 June 2003	2,922	1,362	4,284
Net Book Value			
At 30 June 2003	9,298	113,029	122,327
At 30 June 2002	12,219	121,420	133,639

15. STOCKS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Merchandising	1,125	563	-	-
Food and beverages	204	171	-	-
	1,329	734	-	-

16. DEBTORS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	3,391	4,191	25	25
Other debtors	3,433	3,201	286	283
Prepayments and accrued income	1,647	1,740	907	907
	8,471	9,132	1,218	1,215
Due after one year:				
Other debtors	8,976	9,045	8,976	9,045

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 an unspecified repayment date. 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 2003 was £8,976,370 (2002: £9,045,371).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

20.BORROWINGS AND SECURED LIABILITIES(continued)

Borrowings are repayable as follows:

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Within one year or on demand:				
Bank loans and overdrafts	5,000	3,400	-	3,331
Hire purchase and finance leases	86	266	-	56
	5,086	3,666	-	3,387
Between one year and five years:				
Bank loans and overdrafts	-	5,000	-	-
Hire purchase and finance leases	3	89	-	-
Eurobond 2007	74,136	73,944	74,136	73,944
	79,225	82,699	74,136	77,331

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 16). The Trustee of the issue holds a first mortgage debenture over the Group's assets.

Following the change of ownership post year end Chelsea Village plc made an offer to the bondholders to redeem the £75,000,000 8.875% First Mortgage Debenture Bonds due 2007 as required under the trust deed.

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. The loan is guaranteed by the estate of the late Mathew Harding until 31 July 2007. Interest is payable at a rate of 0.05% over LIBOR.

21.FOOTBALL TRUST GRANT

The grant received from the Football Trust is in respect of the completed North Stand Development of the stadium and was repayable in the event of Chelsea Football Limited ceasing to use the Stamford Bridge ground. The Football Stadia Improvement Fund have, however, agreed to waive the repayment condition.

22.DEFERRED TAXATION

No deferred tax asset has been recognised in either year.

The elements of deferred tax are as follows:

	2003	2002
	£'000	£'000
Accelerated capital allowances	3,029	3,841
Other timing differences	(3,029)	(3,841)
Undiscounted provision	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

17. CREDITORS

	Group		Company	
Amounts falling due within one year:	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	5,000	8,400	-	3,331
Trade creditors	28,263	22,710	524	863
Other taxes and social security	6,883	3,994	35	57
Accruals and deferred income	7,455	10,022	4,723	4,318
Hire purchase and finance lease obligations	86	266	-	56
Other creditors	16,854	4,616	37	21
	64,541	50,008	5,319	8,646
Income in advance	19,851	17,586	-	-
	84,392	67,594	5,319	8,646

18. CREDITORS

	Group		Company	
Amounts falling due after one year:	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Trade creditors	8,899	22,941	-	-
Accruals and deferred income	650	1,188	-	-
Other loans	74,136	73,944	74,136	73,944
Hire purchase and finance lease obligations	3	89	-	-
Other creditors	643	1,107	-	-
	84,331	99,269	74,136	73,944
Income in advance	7,889	8,288	-	-
	92,220	107,557	74,136	73,944

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

19. BORROWINGS AND SECURED LIABILITIES

	Group		Company	
The aggregate borrowings amounted to:	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	5,000	8,400	-	3,331
Hire purchase and finance lease obligations	89	355	-	56
Eurobond 2007	74,136	73,944	74,136	73,944
	79,225	82,699	74,136	77,331

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

22.DEFERRED TAXATION (continued)

The Group and Company have unrecognised deferred tax assets as follows:

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Accelerated capital allowances	3,029	3,841	(204)	(108)
Short term timing differences	(52)	(176)	(531)	(18)
Tax losses	(22,117)	(13,845)	-	(1,168)
Undiscounted provision	<u>(19,140)</u>	<u>(10,180)</u>	<u>(735)</u>	<u>(1,294)</u>

23.SHARE CAPITAL

Company

	Number	£'000	Number	£'000
Ordinary shares of 1p each				
Authorised	200,000,000	2,000	200,000,000	2,000
Allotted, issued and fully paid	169,505,000	1,695	169,505,000	1,695

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
At 30 June 2002	1,695	55,130	39,278	(27,879)	68,224
Loss for the financial year	-	-	-	(26,510)	(26,510)
Unrealised deficit on revaluation of property	-	-	(1,810)	-	(1,810)
Revaluation reserve realised on disposal	-	-	(956)	956	-
Equity shareholder's funds at 30 June 2003	<u>1,695</u>	<u>55,130</u>	<u>36,512</u>	<u>(53,433)</u>	<u>39,904</u>
Company					
At 30 June 2002	1,695	55,130	6,555	261	63,641
Loss for the financial year	-	-	-	(3,326)	(3,326)
Equity shareholder's funds at 30 June 2003	<u>1,695</u>	<u>55,130</u>	<u>6,555</u>	<u>(3,065)</u>	<u>60,315</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

25. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

	2003 £'000	2002 £'000
25.1 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS		
Operating loss	(17,470)	(7,765)
Depreciation	4,396	4,182
Loss on disposal of tangible fixed assets	386	481
Revaluation of property	1,276	-
Write down of goodwill	2,951	-
Profit on sale of intangible fixed assets	(655)	(6,225)
Amortisation of Eurobond issue costs	192	191
Amortisation of intangible assets	20,547	22,581
(Increase)/decrease in stocks	(595)	319
Decrease in debtors	730	11,636
Increase in creditors	4,936	1,264
Net cash inflow from operating activities	16,694	26,664

**25.2 ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	2003 £'000	2002 £'000
Returns on investments and servicing of finance		
Interest received	96	92
Interest paid	(9,134)	(8,728)
Interest elements of finance lease rental payments	(22)	(50)
	(9,060)	(8,686)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,709)	(6,337)
Sale of tangible fixed assets	2,331	4,331
Purchase of intangible fixed assets	(1,208)	(36,210)
Sale of intangible fixed assets	1,562	6,590
	(2,024)	(31,626)
Acquisitions and disposals		
Acquisition of subsidiary	-	(40)
Management of liquid resources		
Cash withdrawn on deposits of less than one year	-	567
Financing		
Capital elements of lease repayments	(266)	(347)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

25.3 ANALYSIS OF NET DEBT

	At 1 July 2002	Cash flow	Other non-cash changes	At 30 June 2003
	£'000	£'000	£'000	£'000
Cash movements				
Cash at bank and in hand	1,984	1,944	-	3,928
Bank loans and overdrafts	(8,400)	3,400	-	(5,000)
	(6,416)	5,344	-	(1,072)
Debt due after one year	(73,944)	-	(192)	(74,136)
Hire purchase and finance leases	(355)	266	-	(89)
	(80,715)	5,610	(192)	(75,297)

26. 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 charge for the year was £357,500 (2002: £386,960).

27. OPERATING LEASES AND CAPITAL COMMITMENTS

The annual commitments under non-cancellable operating leases are:

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Land and buildings:				
Leases expiring within one year	630	-	-	-
Leases expiring between two to five years	235	142	-	-
Leases expiring in more than five years	148	161	-	-
	1,013	303	-	-
Other				
Leases expiring within one year	463	8	-	-
Leases expiring between two and five years	1,660	1,663	-	-
	2,123	1,671	-	-
Capital expenditure commitments were as follows:				
Contracted for but not provided:				
Tangible	1,027	-	-	-
Intangible	-	-	-	-
	1,027	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

28. CONTINGENT LIABILITIES

The company has guaranteed any overdrafts of its subsidiary undertakings. The amount covered by this guarantee at 30 June 2003 was £nil.

29. CONTROL

As described in the Directors' Report Chelsea Limited has, since the year end, acquired 100% of the issued share capital of the Company. The directors now consider Chelsea Limited to be the ultimate parent company and the ultimate controlling party is Mr R Abramovich.

30. POST BALANCE SHEET EVENTS

Since the year end the Group has acquired the registrations of several football players at a cost of £117.1m and sold the registrations of two players at a loss of £1.1m.

31. PRINCIPAL SUBSIDIARY UNDERTAKINGS

The Company has the following subsidiary undertakings:

Trading

Chelsea Football Club Limited
Chelsea Car Parks Limited
Chelsea Digital Media Limited
Chelsea Village Contractors Limited
Chelsea Village Hotels Limited
Chelsea Village Merchandising Limited
Chelsea Village Management Limited
Chelsea Village Radio Limited
Chelsea Leisure Services Limited
Chelsea Village Travel Limited
Midnight at Chelsea Limited
Stamford Bridge Properties Limited
Stamford Bridge Securities Limited

Dormant

Arkles Limited
Bidgleam Limited
Bulmer Travel Associates Limited
Chelsea Caterers Limited
Chelsea Club Limited
Chelsea Digital Media. Com Limited
Chelsea Exclusive Events Limited
Chelsea Events Limited
Chelsea Financial Consultants Limited
Chelsea Football Club Dot Com Limited
Chelsea Garden Village Limited
Briskspring Limited
Chelsea Sports and Leisure Limited
Chelsea TV Limited
Chelsea Pacific Limited

Nature of Business

Professional football club
Car park management
Television and Internet broadcasters
Property development
Hotel management and catering services
Merchandising, mail order and publications
Group utilities and facilities
Radio broadcaster
Health and fitness club/visitor attraction
Travel agency
Nightclub operator
Property lessors
Property holding

Chelsea Pensioner Limited
Chelsea Village Car Rentals Limited
Chelsea Village Catering Limited
Chelsea Village Communications Limited
Chelsea Village Dot Com Limited
Chelsea Village European Travel Limited
Chelsea Village Television Limited
Chelsea World of Sport Limited
Chelsea Vintners Limited
Chelsea Worldwide Travel Limited
Elizabeth Duff Travel Limited
Fulham Holdings Limited
Fulham Securities Limited
London Voice Limited
The Chelsea Style Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (continued)**

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

The entire ordinary share capital and control of 100% of the voting rights of all the subsidiary undertakings is held by the company, with the exception of Chelsea 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.