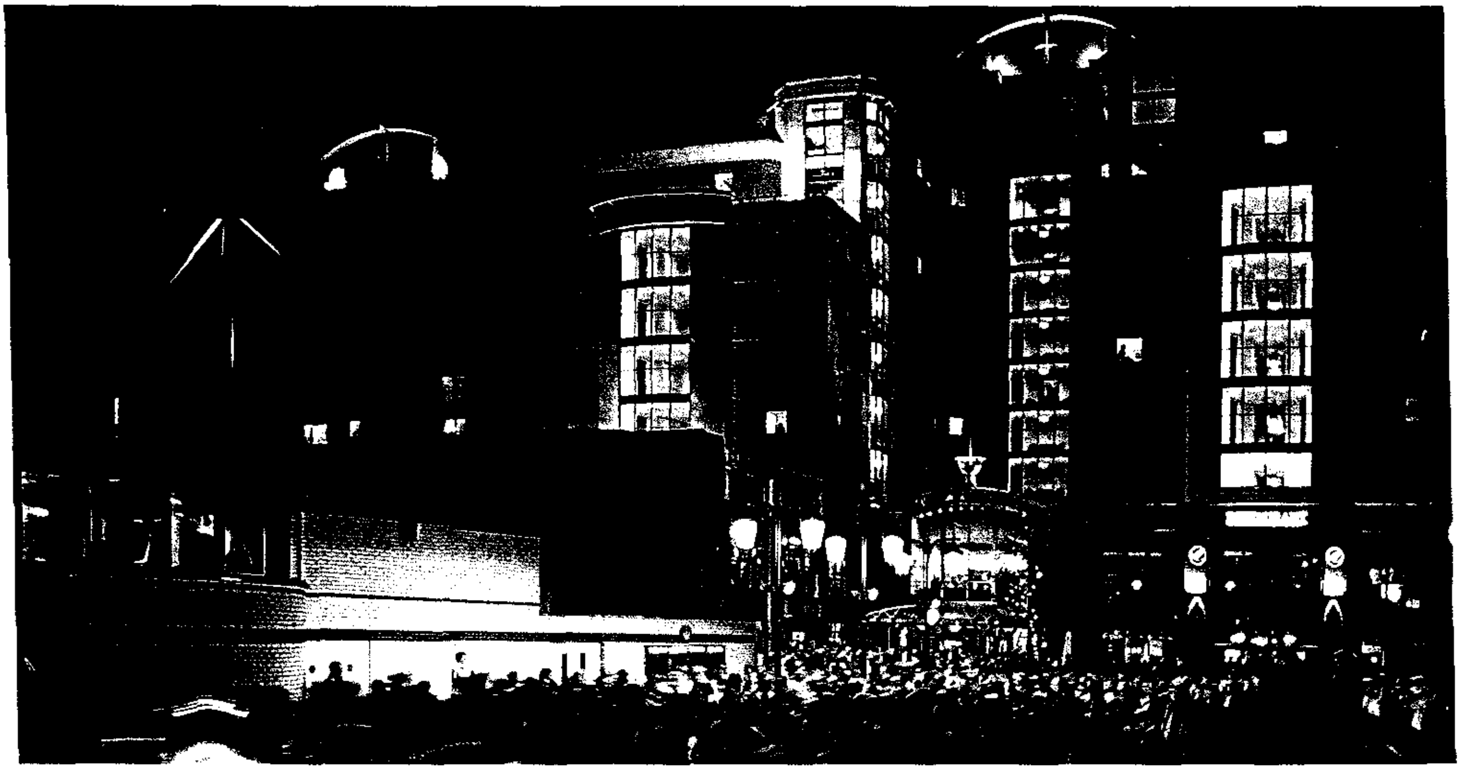


Chelsea Village plc Annual Report 2002

The home of Chelsea Football Club

Welcome to Chelsea Village – the home of Chelsea Football Club. Set in London's premier location, this 12-acre venue incorporates an unrivalled range of world-class sporting, leisure and entertainment facilities. Here, you will find two bars, three restaurants, a nightclub, two hotels, a health club and spa, corporate hospitality suites, a business centre, two exhibition halls, a megastore, an interactive sports attraction – and one of Europe's finest football arenas.

Year at a glance

- August 2001 – West Stand opened, stadium completed
- August 2001 – Chelsea TV and Big Blue radio start broadcasting
- October 2001 – Chelsea Club opened and site development completed after eight years
- FA Cup finalists, Worthington Cup Semi Finalists, 6th in Premier League
- Record season ticket sales at 22,695
- Sixth consecutive year of qualifying for Europe
- August 2002 – Teamcard launched
- Gross profit up from £11.6m in 2001 to £29.1m in 2002
- Turnover up by 23% over 2001
- Average attendance up by 17.5%

[illegible] complete integration of [illegible] parts of the business into a comprehensive [illegible] breaking down departmental [illegible] the Group [illegible] in turn, [illegible] appointed [illegible] Director [illegible] into their [illegible] the beginning [illegible] enthusiastic [illegible] who are being [illegible] themselves [illegible]es.

[illegible] subsidiaries [illegible] rates [illegible] entertainment [illegible] feed through [illegible].

In common with the rest of the football industry, the biggest problems facing the Group are players wages and transfer fees. Past extravagances are being reversed with new reporting systems and more transparency in decision making. But it will take time for contractual obligations to [illegible] the Group can then [illegible] growth and profitability.

With the Village development, including the Stadium, [illegible] started [illegible] in 1983, now completed, [illegible] delivering the [illegible] sustainable growth.

The last [illegible] months have been exciting, challenging [illegible]. [illegible] been [illegible] with the [illegible] leadership from the new top management team, Chelsea Village [illegible] become a successful [illegible] and Chelsea Football Club [illegible] the footballing [illegible].

KEN BATES
[illegible] October 2002

Chairman's Statement

The year under review has been both successful and challenging, with radical restructuring being set in motion throughout the Group.

[illegible] Chelsea qualified for [illegible] the sixth successive season, [illegible] the FA Premier League; [illegible] of the FA Cup [illegible] Worthington Cup.

[illegible] continued to [illegible]

[illegible] North East [illegible] for match tickets [illegible] 1999/2000 [illegible]

and to date in the current season [illegible] averaging approx 40,500 in the Premiership.

[illegible] a sign of our progress that Merchandising, Car Parks and Travel [illegible] profitable and the Hotels and Night Club converted an operating loss in [illegible] 557,000 to an operating profit [illegible]

[illegible] EBITDA [illegible]

[illegible] The decision of Colin Hutchinson, managing director of Chelsea Football Club [illegible] together with the [illegible] the Group forward [illegible]

[illegible]

Chief Executive's Review
Overview, Vision and Challenges

We are still UEFA's third highest-ranking Premiership club. The disappointment of losing the FA Cup Final at Cardiff's Millennium Stadium was offset by the pride we took in getting there. During 2001/2, we recorded significant increases in our gross turnover (up 23% to £115.3m); and our operating profits before player trading and amortisation (up £14m to £8.4m). The football club's turnover increased to £74m (2001: £50m), primarily as a result of additional television revenue; while corporate sales/sponsorship revenues rose by £4m to £14m.

Following the opening of the West Stand, average attendances at home matches rose by 17.5%. This year, our season ticket sales reached a record high of 22,695 compared to 19,946 in 2001.

Meanwhile, the club faced a moribund transfer market and we made no significant sales to offset the amortisation charges of £22.4m (2001: £14m) arising from last year's heavy expenditure.

Looking ahead, internal and external factors mean that consolidating last year's success presents one of the toughest challenges in our history.

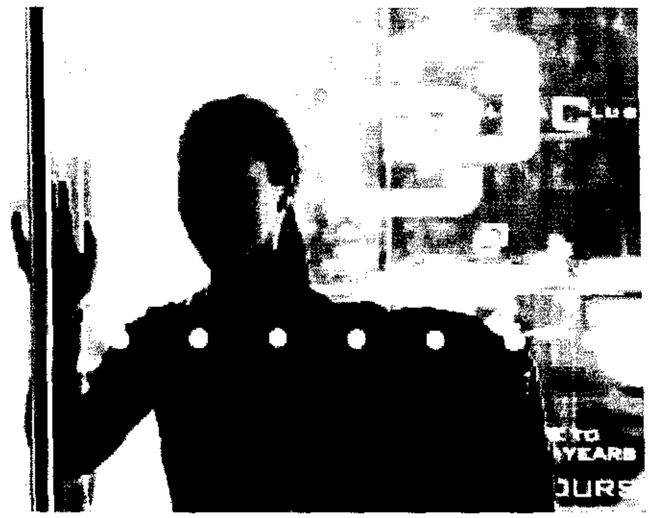
The football industry in this country faces a potential period of flat media revenues and rising costs. At Chelsea FC, this trend is compounded by the high cost of some long-term contracts; and a wage bill of £48m (2001: £39m) that is approaching 64% (2001: 75%) of our gross turnover. It is imperative that we reduce costs wherever possible, as judiciously as possible.

Specifically, this means our aim is to reduce players' wages to a sustainable target of 50% of our gross turnover without compromising the quality of our squad or its performances.

Of course, reducing costs is only one side of the equation. Securing our future success also means maximising revenues from our existing assets.

I believe that the key to our future success lies right here on our doorstep, for Chelsea Village and the people associated with it comprise an asset of formidable potential. Our location in the heart of London makes this one of the most prestigious venues in the country. Intensive investment over several years has produced an unrivalled range of world-class sporting, leisure and

Chelsea Village is at a defining point in its development. Our principal challenge is to make this business more than the sum of its parts.



entertainment facilities. Quite simply, no other club in the Premiership can match the breadth and depth of Chelsea Village.

The challenge now is to unlock its potential by making each asset within the Chelsea Village portfolio work as productively as it possibly can. We have to cross-sell Chelsea Village with one voice as a one-stop leisure complex where each element complements the strengths of the elements around it. In other words, we must apply exactly the same principles to our business as we apply to our football teams. This is the key to making Chelsea Village more than the sum of its parts – and maximising the global power of the Chelsea brand.

Although I have only been in this job for a matter of months, there are already signs of positive changes throughout Chelsea Village plc. I am confident that the off-pitch management team we are assembling has the determination and the vision to complete a transformation that is already well underway. This transformation will impact positively on every aspect of our business and everyone associated with it, including our commercial partners, our players, our management team, our staff – and our supporters.

Two appointments have had an immediate influence on our development. As new Commercial Director, Lorraine O'Brien will be instrumental in growing revenues with innovative campaigns and initiatives that cross-sell Chelsea Village as a dynamic, compelling offer. In Operations, Simon Arthur, has the experience to establish an infrastructure capable of delivering the Chelsea promise while harnessing maximum cost-efficiencies.

Having dealt with Chelsea FC's results above, I would now like to present an overview of our other activities during the year.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Chelsea people, Chelsea brand, Chelsea partners

OUR BRAND
Chelsea is a global brand synonymous with the worldwide popularity of the English Premiership. Underpinned by our global support base, the CFC brand is a priceless asset. Here, we outline how we are maximising the power and the quality of the Chelsea brand – and the revenues it generates – by working with our players, supporters and partners.

OUR PLAYERS
As his success in Spain and Italy proves, manager Claudio Ranieri is accomplished at fusing youth and experience into a winning formula. This approach is now beginning to produce results at Chelsea, and we will continue to invest heavily in nurturing home-grown talent through our youth academy and youth teams. The performances of Carlton Cole, Michael Forsell, Robert Huth, Joe Keenan, Jody Morris and John Terry prove that this strategy is the right strategy. Naturally, the more successful the Chelsea team, the more powerful the Chelsea brand – at home and overseas.

OUR PARTNERS
Chelsea Village's relationship with our official sponsor, Emirates, provides a positive case study in how corporate partnerships can help to grow revenues while strengthening the Chelsea brand. Through a series of innovative initiatives embracing the entire Chelsea Village portfolio, Emirates is raising awareness of our brand among new audiences in new locations worldwide. For example, Emirates plans to carry the Chelsea Village publications in its airport lounges. Emirates is also working with us to include footage from Chelsea TV in its in-flight entertainment packages.

Like all successful relationships, our relationship with Emirates is a two-way affair, and we continue to add value to our sponsorship agreement by offering the airline more of what it wants. We are applying the principles of mutual partnership to all our existing sponsorship partners while continuing to forge links with new blue-chip partners.

We are indebted to BSkyB – our media partner over the last two years – for the expertise and commitment it has brought

to the Group, while helping us to develop our brand's potential through our dedicated TV channel, Chelsea TV.

For over a decade, Umbro has been our kit partner. With its help, we have been able to increase our share of the replica kit market to the benefit of our merchandising company. We look forward to continuing this long and productive relationship.

Siemens is Chelsea's official mobile phone partner, and our rapidly strengthening relationship should prove equally long and productive. As it continues to invest in our hospitality, Siemens is winning invaluable exposure for its quality telecommunications products through our team's appearances in national and international media.

OUR SUPPORTERS

We are taking steps to ensure that we continue to attract sell-out crowds to every home match. With an eye on the long term, we also launched several initiatives specifically designed to attract younger members. At the same time, we are stepping up efforts to sell-out our expanded allocation of corporate hospitality seats at every home match. Indeed, building stronger relationships with supporters worldwide remains an overriding priority.

Chelsea's support base includes many of the most informed, loyal and affluent football supporters in the Premiership. Developing a more detailed understanding of their tastes and expectations is fundamental to reinforcing their loyalty while attracting more of their disposable income. In return, we expect to give them good value for money. To this end, we are currently introducing a new CRM (customer relationship management) system to ensure that we continue to give our supporters more of the services and products that they want.

Once in place, the CRM system will streamline important data from all areas of our business: box office, corporate hospitality, mail order, members, merchandising – among others. Once again, our supporter-focused marketing initiatives embrace every element of the Chelsea Village portfolio.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Community, Retail, Media and Travel

FOOTBALL IN THE COMMUNITY
Chelsea is committed to forging strong links with the local community, which remains an important source of playing talent and support. Our Football in the Community team – which moved into our main Stamford Bridge office in April – enjoyed a particularly successful 12 months that reached a high point when Gianfranco Zola agreed to become the scheme's president. Franco is an outstanding role model for youngsters, and his appointment will generate valuable publicity for the club's community-based initiatives.

We are also working closely with our local borough, Hammersmith and Fulham, to make improvements to our immediate neighbourhood. Initiatives such as the introduction of CCTV in Fulham Road enhance our standing in the local community.

TEAMCARD
Chelsea's TeamCard, launched at the start of the current season, not only encourages supporters to spend money at Chelsea Village, it also captures vital data about how they spend it. As a result, it has quickly established itself as an invaluable business tool while helping to forge closer links between Chelsea, its commercial partners and its supporters.

TeamCard – the first of its type in the country – incorporates an electronic ticketing function that is more efficient and secure than the traditional season-ticket book. In addition, the card incorporates a reward scheme that entitles supporters to collect reward points when they purchase goods and services from a growing list of TeamCard partners. Supporters can then redeem their points on goods and services at Chelsea Village.

CHELSEA VILLAGE MERCHANDISING LIMITED
During the year, our merchandising business generated sales of £5.2m (2001: £4.7m), an increase of over 11% on the previous year, while margins increased by 6%.

There were several factors behind these improved results. During the season, the business benefited from extra cup matches while a restructuring generated significant cost savings. In addition, the Megastore at Stamford Bridge underwent extensive refurbishment. The till area has been re-designed and the children's basement level refitted to create a more customer-friendly environment. The business expects to continue its growth during 2002/3 through the expansion of its internet operations, and the development of a wider product range.

HOTEL, CONFERENCE AND BANQUETING
Turnover for this division increased marginally to £12m (2001: £11.9m) despite a difficult start to the year for the two hotels following the events of September 11. This triggered an immediate downturn in the number of overseas corporate and leisure travellers visiting the UK.

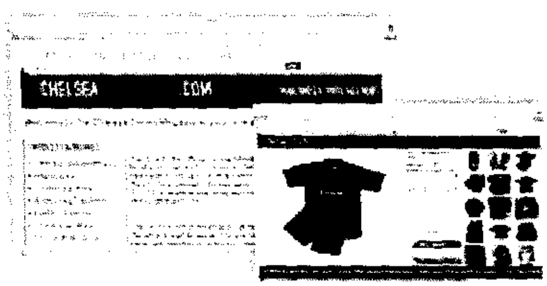
It was not until the second half of the year that bookings showed any signs of recovery. In contrast, conference and banqueting showed strong growth. The opening of the new West Stand took match day hospitality to new levels of popularity, while new operating efficiencies reduced costs. As a result, this business's profits rose to £0.8m against a loss of £0.1m in 2001.

Two management appointments added strength and experience to the team. Russell Loughland, previously Regional Director of Sales for Rosewood Europe, now heads our Sales and Marketing function; while John Wolbers, previously General Manager at Lord's Cricket Ground is Operations Director.

CHELSEA VILLAGE TRAVEL
After a particularly challenging year, Chelsea Village Travel increased its profit margins significantly after introducing management fees across its client portfolio. This critical move – a notable success from the start – followed British Airway's decision to stop paying agents commissions. This decision, which other airlines may still follow, meant that turnover fell from £26.2m in 2001 to £22.2m. Nevertheless, profits for the year rose to £0.2m, a dramatic improvement on 2001's loss of £0.7m.

In August, Chelsea Village Travel won the Lafarge UK contract against fierce competition, an achievement that enhanced

ON-LINE MEGASTORE



its reputation while creating confident expectations of further expansion through future contract wins. Meanwhile, the agency remains focused on adding value to its consultancy service while reducing costs and improving efficiency internally, principally through new technology. Overall, Chelsea Village Travel is strongly positioned to realise its expansion strategy while reinforcing its position as one of the UK's top twenty travel management companies.

THE CHELSEA CLUB
The Chelsea Club has established a distinct identity in an area of London where health and leisure clubs proliferate. Opened in late 2001, it now has a critical mass of over 420 members. The club's impressive progress is based on a sound understanding that its target clientele expects impeccable one-to-one service combined with outstanding value for money. By exceeding their expectations, the club has inspired a strong growth in word-of-mouth referrals. A significant number of new members are attracted to the Chelsea Club because it is an independent, not part of a national chain. The quality of facilities at the Chelsea Club is indisputable. Having created such a compelling and distinctive identity, the club's next challenge is to sell it even more effectively.

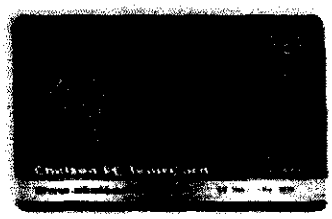
CTV, BIG BLUE
Chelsea TV (CTV) – one of only two dedicated football club channels in the country – goes from strength to strength, and its appeal remains high right across the club's support base. During the year, it attracted more viewers while increasing its weekly programming from 20 to 35 hours with more live broadcasts. Viewing figures for the first week in October 2002 show a 70% increase on figures for the corresponding period in 2001.

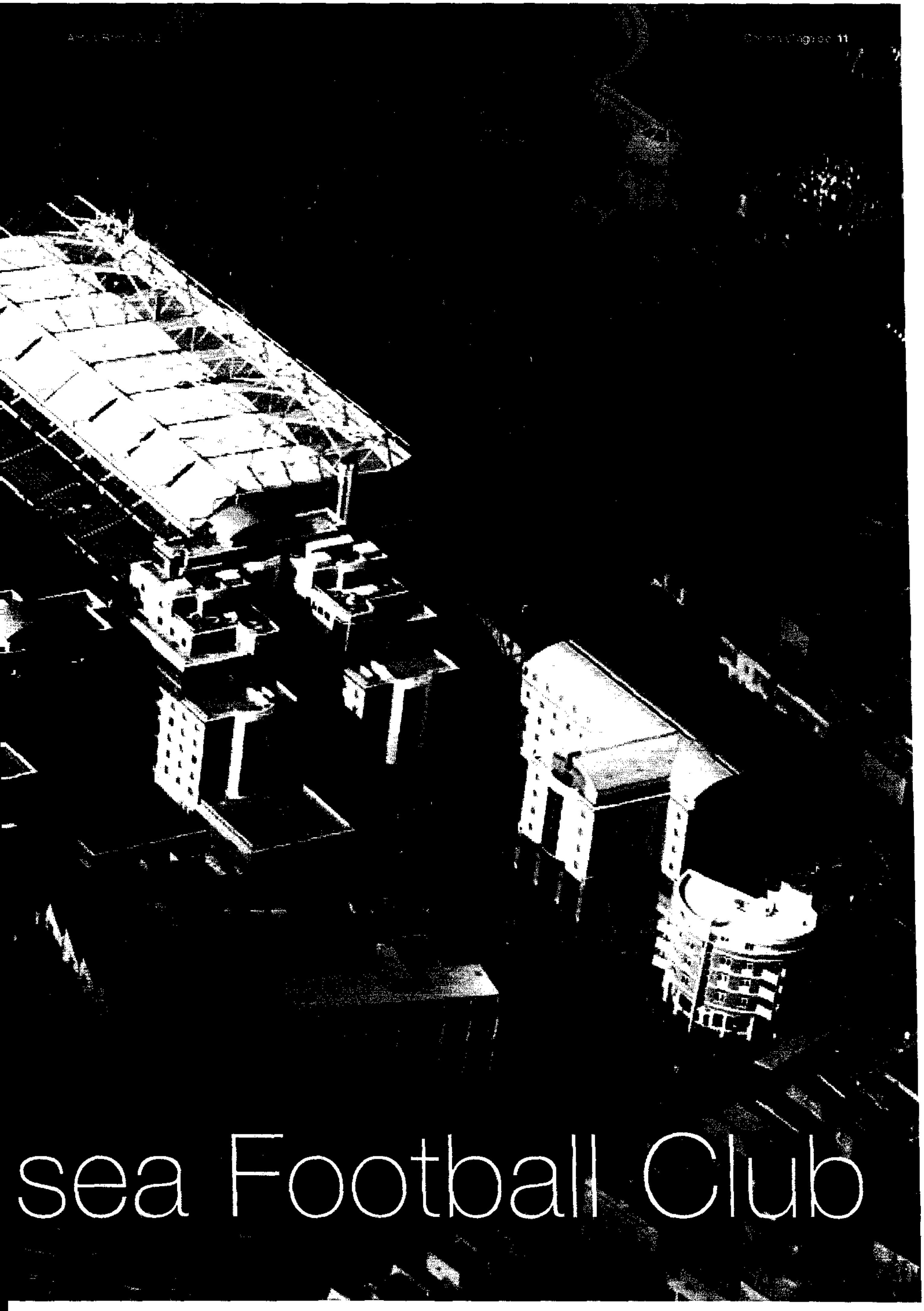
Meanwhile, Big Blue – Chelsea's 24/7 in-house radio station – has proved a highly popular addition to the Chelsea Village portfolio. Launched in August 2001 as a ground-breaking joint venture with Radio First, Big Blue's internet broadcasts have been particularly well received among Chelsea supporters abroad, especially in America. Its mix of football, music and talk has also struck a chord among UK-based listeners audiences, who access Big Blue on Sky Digital's channel 898.

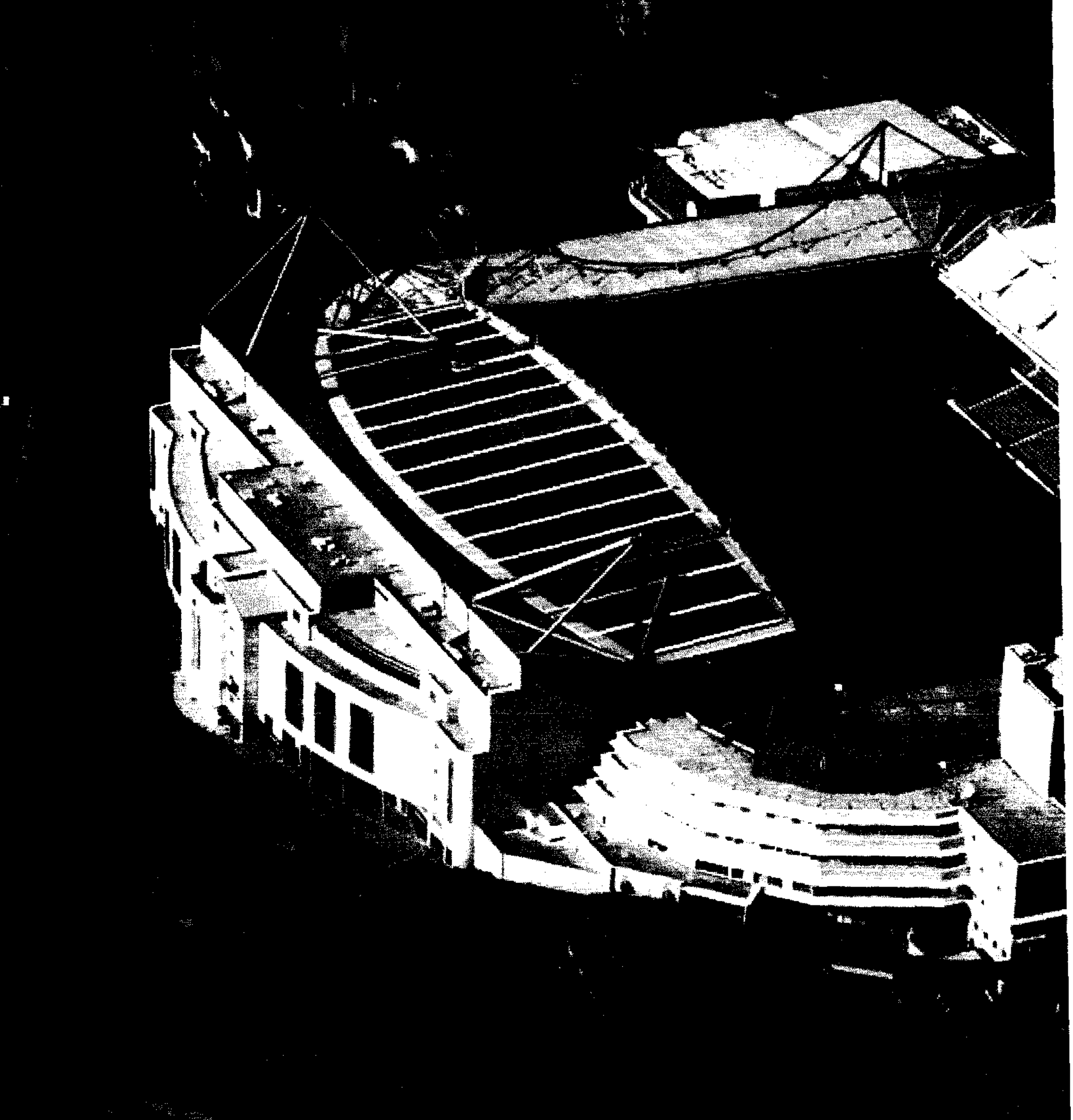
WORLD OF SPORT
The World of Sport is a unique asset that has proved particularly popular among young people, notably pupils on school trips and youngsters celebrating birthday parties. Opened last September, the venue offers visitors – including an encouraging number of corporate guests – a first-hand chance to try a variety of sporting skills using advanced interactive technology. The World of Sport is also an educational venue, incorporating a worldwide overview of sporting achievement with the history of Chelsea FC. To build on its first year's performance, the venue is set to undergo a repositioning that will enhance its appeal to people of all ages.

LOOKING TO THE FUTURE
Over the last six years, we have invested over £120m to create the Chelsea Village complex. Now, it is essential that its individual elements combine to become more than the sum of their parts – and start to pay dividends. We look forward to unlocking Chelsea's formidable potential, and I believe we have the management team in place to do so.

TREVOR BIRCH
30 October 2002




sea Football Club



Chelsea Village

The home of Chel

Board of Directors

EXECUTIVE DIRECTORS

KEN BATES
Chairman

Age 70. Chairman of the Group since 1982 and of Chelsea Football Club since 1982.

TREVOR BIRCH
Chief Executive

Age 44. A Chartered Accountant and previously Head of Corporate Restructuring in North of England for Ernst and Young, where he was employed for 20 years and a partner for 9 years. Mr Birch joined the board in March 2002.

LORRAINE O'BRIEN
Commercial Director

Age 42. Prior to joining the board in August 2002, Ms O'Brien has been Operations Director of an event management and hotel group; Sales and Marketing Director of an international hair and beauty group. She was Newspaper Sales and Marketing Director at Trinity Mirror Regional Newspaper for 6 years until joining Littlewoods Business as Divisional CEO of Charities Trust.

ALAN SHAW
Company Secretary

Age 65. Appointed October 1998. Mr Shaw joined the Group in 1993 after being company secretary of SG Warburg Securities.

NON-EXECUTIVE DIRECTORS

MICHAEL WOODWARD
Deputy Chairman

Age 55. Prior to his retirement early in 2002, Mr Woodward was Corporate and Commercial Banking Executive Director at Co-operative Bank plc for 9 years. Mr Woodward joined the board in March 2002.

PATRICK MURRIN

Age 50. 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 42. Appointed May 1996. Worked in a City law firm from 1982 to 1998 when he formed his own legal firm situated at Stamford Bridge.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2002

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

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 Chief Executive's 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 interests of those serving as at 30 June 2002 in the share capital of the Company, which were all beneficial, were as follows:

	30 June 2002 No. of shares	30June 2001 No. of shares
Executive		
K W Bates	50,000,000	30,000,000
T N Birch (appointed on 26 March 2002)	Nil	N/A
L O'Brien (appointed on 19 August 2002)	Nil	N/A
M I Russell (resigned on 31 May 2002)	N/A	6,000
A L Shaw	5,100	5,100
Non Executive		
P J Murrin	100	100
R M Taylor	Nil	Nil
M Woodward (appointed on 26 March 2002)	Nil	N/A

A L Shaw served as Company Secretary throughout the year.

In accordance with the Articles of Association Mr R M Taylor retires by rotation. Messrs Birch and Woodward and Ms O'Brien who have been appointed since the last Annual General Meeting seek election. Mr K W Bates having reached the age of 70 also seeks re-election. Members are invited to elect and re-elect these Directors.

Mr A L Shaw, who retires by rotation, does not seek re-election.

RESULTS AND DIVIDENDS

The net loss for the year, after taxation, was £16.45m (2001 £11.09m) 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.

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 2002 was £111.7m.

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 2002 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 (2001 £nil).

There were no political donations during the year (2001 £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 one player, and sold one player at a net profit of £1m.

SIGNIFICANT SHAREHOLDERS

Apart from the interests of the Director's 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:

M.R. Nugent	23.4%
British Sky Broadcasting Group plc	9.9%
Havering Ltd	4.4%
Dr M. A. Marwan	3.2%

Directors' Report

CONTINUED

CORPORATE GOVERNANCE

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

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

It meets regularly throughout the year.

The Board has established independent Audit and Remuneration Committees both of which consist of the 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 twice per annum 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.

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 enquires, 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 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. Employees' 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
Secretary
30 October 2002

Independent Auditors' Report

YEAR ENDED 30 JUNE 2002

AUDITORS' REPORT TO THE MEMBERS
OF CHELSEA VILLAGE PLC

We have audited the financial statements on pages 16 to 33. 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 compromises only the Directors' Report, the Chairman's Statement and the Chief Executive's 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 2002 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness
Chartered Accountants and Registered Auditors
London
30 October 2002

Saffery Champness

Consolidated Profit and Loss Account

YEAR ENDED 30 JUNE 2002

	Note	Operations excluding player trading 2002 £000	Player trading 2002 £000	2002 £000	2001 £000
TURNOVER	2	**115,319**	**–**	**115,319**	93,627
Direct operating costs		**(86,249)**	**–**	**(86,249)**	(81,992)
GROSS PROFIT		**29,070**	**–**	**29,070**	11,635
Administrative expenses		**(20,680)**	**–**	**(20,680)**	(17,226)
		8,390	**–**	**8,390**	(5,591)
Loss on player trading	3	**–**	**(16,155)**	**(16,155)**	(1,235)
OPERATING PROFIT (LOSS)	4	**8,390**	**(16,155)**	**(7,765)**	(6,826)
Interest receivable	8	**92**	**–**	**92**	1,968
Interest payable	9	**(8,778)**	**–**	**(8,778)**	(6,232)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(296)**	**(16,155)**	**(16,451)**	(11,090)
Taxation	10	**–**	**–**	**–**	–
LOSS FOR THE YEAR		**(296)**	**(16,155)**	**(16,451)**	(11,090)
Minority interests		**(129)**	**–**	**(129)**	–
RETAINED LOSS FOR THE YEAR		**(425)**	**(16,155)**	**(16,580)**	(11,090)
LOSS PER SHARE	12			**(9.7)p**	(6.5)p
ADJUSTED LOSS PER SHARE	12			**(0.2)p**	(5.8)p

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

Group Statement of Total Recognised Gains and Losses

YEAR ENDED 30 JUNE 2002

	2002	2001
	£000	£000
Loss for the year	**(16,580)**	(11,090)
Unrealised surplus on revaluation of freehold and long leasehold properties	**5,572**	4,249
TOTAL RECOGNISED LOSSES FOR THE YEAR	**(11,008)**	(6,841)

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

Balance Sheets

AS AT 30 JUNE 2002

	Note	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
FIXED ASSETS					
Intangible assets	13	**60,761**	47,497	**–**	–
Tangible assets	14	**179,948**	177,033	**741**	1,029
Investments	15	**–**	–	**133,639**	121,261
		240,709	224,530	**134,380**	122,290
CURRENT ASSETS					
Stocks	16	**734**	1,053	**–**	–
Debtors: Due in one year	17	**9,132**	20,746	**1,215**	466
Due after one year	17	**9,045**	9,067	**9,045**	9,067
Cash at bank and in hand		**1,984**	12,619	**1,591**	11,581
		20,895	43,485	**11,851**	21,114
CREDITORS					
Amounts falling due within one year	18	**(50,008)**	(37,791)	**(8,646)**	(4,732)
Income in advance	18	**(17,586)**	(18,007)	**–**	–
		(67,594)	(55,798)	**(8,646)**	(4,732)
NET CURRENT (LIABILITIES) ASSETS		**(46,699)**	(12,313)	**3,205**	16,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**194,010**	212,217	**137,585**	138,672
CREDITORS					
Amounts falling due after one year	19	**99,269**	105,885	**73,944**	73,809
Income in advance	19	**8,288**	9,000	**–**	–
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	**39,278**	33,602	**6,555**	6,555
Profit and loss account	24	**(27,879)**	(11,195)	**261**	1,483
EQUITY SHAREHOLDERS' FUNDS	24	**68,224**	79,232	**63,641**	64,863
Minority interests		**15,129**	15,000	**–**	–
		194,010	212,217	**137,585**	138,672

These financial statements were approved by the Board of Directors on 30 October 2002

K W Bates T N Birch

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

Consolidated Cash Flow Statement

YEAR ENDED 30 JUNE 2002

	Note	£000	2002 £000	£000	2001 £000
CASH INFLOW FROM OPERATING ACTIVITIES	25.1		**26,664**		14,138
Returns on investments and servicing of finance	25.2		**(8,686)**		(4,264)
Taxation			**-**		-
Capital expenditure and financial investment	25.2		**(31,626)**		(38,407)
Acquisition of subsidiary	25.2		**(40)**		(523)
Cash outflow before use of liquid resources and financing			**(13,688)**		(29,056)
Management of liquid resources	25.2		**567**		27,828
FINANCING					
Reduction in debt	25.2	**(347)**		(547)	
			(347)		(547)
			(13,468)		(1,775)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	25.3				
Decrease in cash		**(13,468)**		(1,775)	
Cash outflow from change in net debt and lease financing		**347**		547	
Cash inflow from change in liquid resources		**(567)**		(27,828)	
Change in net debt resulting from cash flows			**(13,688)**		(29,056)
Amortisation of Eurobond issue costs			**(191)**		(192)
Movement in net debt in period			**(13,879)**		(29,248)
Net debt at 1 July 2001			**(66,836)**		(37,588)
Net debt at 30 June 2002			**(80,715)**		(66,836)

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

Notes to the Financial Statements

YEAR ENDED 30 JUNE 2002

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 2002. 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 registrations 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 contract, 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 installments 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) Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

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

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 released to the profit and loss account over the useful life of the applicable asset. Where the retention of grants is dependent on continuing obligations, no release to the profit and loss account is made.

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 costs 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 period 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.

Notes to the Financial Statements

CONTINUED

2 SEGMENTAL INFORMATION

	Turnover 2002 £000	Turnover 2001 £000	**Profit/(loss) 2002 £000**	Profit/(loss) 2001 £000
Football activities including player trading	**73,663**	50,224	**(6,112)**	(4,502)
Travel agency	**22,230**	26,224	**243**	(685)
Property sales/leasing	**207**	145	**124**	42
Hotel/Catering/Night Club	**11,981**	11,912	**847**	(57)
Merchandising	**5,214**	4,705	**389**	(483)
Digital Media	**1,150**	–	**–**	–
Car parking/Events/Other	**305**	417	**324**	248
Leisure services	**569**	–	**(2,236)**	(573)
Central group costs			**(1,394)**	(816)
Loss before interest and after player trading			**(7,815)**	(6,826)
Interest (net)			**(8,636)**	(4,264)
	115,319	93,627	**(16,451)**	(11,090)

All turnover arises in the United Kingdom, excludes valued added tax and relates to continuing operations.
The net assets of the major segments were as follows:

	2002 £000	2001 £000
Football club	**41,415**	45,751
Hotel	**141**	2,882
Travel Agency	**239**	103

3 PLAYER TRADING

	2002 £000	2001 £000
Amortisation of cost of players' registrations	**(22,379)**	(14,010)
Gain on disposal of players' registrations	**6,224**	12,775
	(16,155)	(1,235)

4 OPERATING PROFIT/(LOSS)

	2002 £000	2001 £000
This is stated after charging:		
Depreciation of tangible fixed assets:		
Owned	**3,952**	2,562
Leased	**230**	318
Amortisation of intangible assets	**22,581**	14,186
Operating lease rentals:		
Land and buildings	**1,216**	1,196
Other	**1,368**	458
Auditor's remuneration and expenses:		
Audit	**92**	101
Non-audit services	**26**	50
Loss on sale of assets	**481**	–

5 STAFF NUMBERS AND COSTS

	2002 No.	2001 No.
The average number of employees of the Group during the year was as follows:		
Playing staff, managers and coaches	**80**	74
Ground staff	**9**	8
Administration and commercial	**479**	416
	568	498

The aggregate payroll costs of these employees were as follows:	**£000**	£000
Wages and salaries	**51,580**	46,432
Social security costs	**5,284**	4,716
Other pension costs	**387**	566
	57,251	51,714

6 DIRECTORS EMOLUMENTS

	2002 £000	2001 £000
Aggregate emoluments	**436**	361
Pension contributions to money purchase schemes	**66**	37
Compensation for loss of office	**30**	–
	532	398

The number of directors to whom retirement benefits are accruing is:	**No.**	No.
Money purchase schemes	**3**	2

The emoluments of the highest paid director were:	**£000**	£000
Aggregate emoluments	**285**	152
Compensation for loss of office	**30**	–
Money purchase pension contributions	**51**	16
	366	168

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 £107,478 (2001: £70,201) in legal fees by the Company or its subsidiary undertakings. The firm was also charged a rent of £25,000 (2001: £20,000) by the company during the year.

8 INTEREST RECEIVABLE

	2002 £000	2001 £000
Bank interest	**91**	1,968
Other interest	**1**	–
	92	1,968

Notes to the Financial Statements

CONTINUED

9 INTEREST PAYABLE

	2002 **£000**	2001 £000
Interest payable on bank loans and overdrafts:		
Repayable within five years	**2,341**	320
Eurobond 2007	**6,387**	5,825
Finance lease charges	**50**	87
	8,778	6,232

10 TAXATION

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

11 LOSS FOR THE FINANCIAL YEAR

The loss for the financial year of the Group includes a loss of £1,221,849 (2001: £868,192) 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 £16,451,271 (2001: £11,089,390) and on 169,505,000 (2001: 169,505,000) 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.

	2002 **£000**	2001 £000
Loss after taxation	**(16,451)**	(11,090)
Player trading	**16,155**	1,235
Adjusted loss after player trading	**(296)**	(9,855)
Weighted average number of shares in issue	**169,505,000**	169,505,000
Loss per share	**(9.7)p**	(6.5)p
Adjusted (loss)/earnings per share	**(0.2)p**	(5.8)p

13 INTANGIBLE FIXED ASSETS

Group	Cost of Players' Registrations £000	Goodwill £000	Other Intangibles £000	Total £000
Cost				
At 1 July 2001	83,795	4,029	256	88,080
Additions	36,210	–	–	36,210
Disposals	(9,877)	–	(156)	(10,033)
At 30 June 2002	110,128	4,029	100	114,257
Amortisation				
At 1 July 2001	39,717	675	191	40,583
Charge for the year	22,342	201	38	22,581
Disposals	(9,527)	–	(141)	(9,668)
At 30 June 2002	52,532	876	88	53,496
Net Book Value				
At 30 June 2002	57,596	3,153	12	60,761
At 30 June 2001	44,078	3,354	65	47,497

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

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 2001	126,152	10,484	45,728	182,364
Additions	392	307	5,638	6,337
Revaluation	3,031	–	–	3,031
Disposals	–	(4,915)	–	(4,915)
Completed assets	43,681	6,101	(49,782)	–
At 30 June 2002	173,256	11,977	1,584	186,817
Depreciation				
At 1 July 2001	202	5,129	–	5,331
Charge for the year	2,618	1,564	–	4,182
On disposals	–	(103)	–	(103)
Revaluation adjustment	(2,541)	–	–	(2,541)
At 30 June 2002	279	6,590	–	6,869
Net Book Value				
At 30 June 2002	172,977	5,387	1,584	179,948
At 30 June 2001	125,950	5,355	45,728	177,033
Cost or valuation comprises:				
Cost	50,364	11,977	1,584	63,925
Valuation	122,892	–	–	122,892
At 30 June 2002	173,256	11,977	1,584	186,817

Notes to the Financial Statements

CONTINUED

14 TANGIBLE FIXED ASSETS CONTINUED

The net book of land and building comprises:

	2002 £000	2001 £000
Freehold land and buildings	**56,550**	48,779
Long leasehold buildings	**116,326**	77,031
Short leasehold land and buildings	**101**	140
	172,977	125,950

Company

	Land and Buildings £000	Plant and Equipment £000	Total £000
Cost			
At 1 July 2001	75	1,930	2,005
Additions	–	78	78
Transfer to group companies	(75)	–	(75)
At 30 June 2002	–	2,008	2,008
Depreciation			
At 1 July 2001	–	976	976
Charge for the year	–	291	291
At 30 June 2002	–	1,267	1,267
Net Book Value			
At 30 June 2002	–	741	741
At 30 June 2001	75	954	1,029

The net book of land and building comprises:

	2002 £000	2001 £000
Freehold land	–	75

Group

Included in revalued land and buildings are:

Finance arrangement costs	**190**	190
Interest payable	**1,813**	1,813
	2,003	2,003

14 TANGIBLE FIXED ASSETS CONTINUED

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 2002 in the sum of £165,175,000 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, Valuers and Property Consultants, as at 30 June 2002 in the sum of £ 3,275,000 on an existing use basis, except for properties which were sold to an unassociated party on 10 August 2002, for £2,329,000. The directors have considered this to be a fair value. The Group's other freehold property was valued by Rawley & Co as at 30 June 2002 at £1,875,000 on an open market basis.

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

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Cost				
Freehold property	**47,394**	37,824	–	75
Long leasehold property	**92,139**	54,726	–	–
	139,533	92,550	–	75
Depreciation				
Freehold property	**1,381**	2,362	–	–
Long leasehold property	**1,446**	1,648	–	–
	2,827	4,010	–	–
Net Book Value				
Freehold property	**46,013**	35,462	–	75
Long leasehold property	**90,693**	53,078	–	–
	136,706	88,540	–	75

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

Net book value	**663**	1,017	**392**	582
Depreciation charged in the year	**230**	318	**54**	146

15 FIXED ASSET INVESTMENTS

Company

	Shares in Subsidiaries £000	Loans to Subsidiaries £000	Total £000
Cost or valuation			
At 1 July 2001	12,172	110,235	122,407
Movement during the year	48	12,330	12,378
At 30 June 2002	12,220	122,565	134,785
Provision for diminution			
At 1 July 2001 and at 30 June 2002	1	1,145	1,146
Net Book Value			
At 30 June 2002	12,219	121,420	133,639
At 30 June 2001	12,171	109,090	121,261

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

Notes to the Financial Statements

CONTINUED

16 STOCKS

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Merchandising	**563**	874	**–**	–
Food and beverages	**171**	179	**–**	–
	734	1,053	**–**	–

17 DEBTORS

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Trade debtors	**4,191**	15,815	**25**	1
Other debtors	**3,201**	3,844	**283**	369
Prepayments and accrued income	**1,740**	1,087	**907**	96
	9,132	20,746	**1,215**	466
Due after one year:				
Other debtors	**9,045**	9,067	**9,045**	9,067

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. The Chelsea Pitch Owners plc is obliged to repay the debt in full. The balance outstanding at 30 June 2002 was £9,045,371 (2001: £9,058,870).

18 CREDITORS

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank loans and overdrafts	**8,400**	–	**3,331**	–
Trade creditors	**22,710**	22,584	**863**	427
Other tax and social security	**3,994**	2,791	**57**	59
Accruals and deferred income	**10,022**	8,026	**4,318**	4,027
Hire purchase and finance lease obligations	**266**	346	**56**	155
Other creditors	**4,616**	4,044	**21**	64
	50,008	37,791	**8,646**	4,732
Income in advance	**17,586**	18,007	**–**	–
	67,594	55,798	**8,646**	4,732

19 CREDITORS

Amounts falling due after one year:

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank loans	**–**	5,000	**–**	–
Trade creditors	**22,941**	26,776	**–**	–
Accruals and deferred income	**1,188**	–	**–**	–
Other loans	**73,944**	73,753	**73,944**	73,753
Hire purchase and finance leases obligations	**89**	356	**–**	56
Other creditors	**1,107**	–	**–**	–
	99,269	105,885	**73,944**	73,809
Income in advance	**8,288**	9,000	**–**	–
	107,557	114,885	**73,944**	73,809

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	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
The aggregate borrowings amounted to:				
Bank loans	**8,400**	5,000	**3,331**	–
Hire purchase and finance lease obligations	**355**	702	**56**	211
Eurobond 2007	**73,944**	73,753	**73,944**	73,753
	82,699	79,455	**77,331**	73,964
Which are repayable as follows:				
Within one year or on demand:				
Bank loans and overdrafts	**3,400**	–	**3,331**	–
Hire purchase and finance leases	**266**	346	**56**	155
	3,666	346	**3,387**	155
Between one year and five years:				
Bank loans and overdrafts	**5,000**	5,000	**–**	–
Hire purchase and finance leases	**89**	356	**–**	56
	8,755	5,702	**3,387**	211
After five years:				
Eurobond 2007	**73,944**	73,753	**73,944**	73,753
	82,699	79,455	**77,331**	73,964

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. The loan is guaranteed by the estate of the late Mathew Harding until 31 July 2007. Interest is payable at a rate of 0.5% over LIBOR.

Notes to the Financial Statements

CONTINUED

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 Limited ceasing to use the Stamford Bridge ground.

22 DEFERRED TAXATION

The directors adopted FRS 19 for the first time in these accounts. No deferred tax asset has been recognised in either period, as in the directors' opinion, it is unlikely that these losses incurred will be utilised in the foreseeable future for the assets to be recovered.

The elements of deferred tax are as follows:

	2002 £000	2001 £000 (restated)
Accelerated capital allowances	**3,841**	3,933
Other timing differences	**(3,841)**	(3,933)
Undiscounted provision	**–**	–

The group and company have an unrecognised deferred tax asset totaling £10,181,106. This can be analysed as follows:

	Group		Company	
	2002 £000	2001 £000	**2002 £000**	2001 £000
Accelerated capital allowances	**3,841**	3,933	**(108)**	109
Short term timing differences	**(176)**	–	**(18)**	–
Tax losses	**(13,846)**	(8,816)	**(1,168)**	(951)
Property and reinvestment revaluation	**–**	9,750	**–**	–
Undiscounted (assets)/provision	**(10,181)**	4,867	**(1,294)**	(842)

23 SHARE CAPITAL

	2002		2001	
Ordinary shares of 1p each	**Number**	**£000**	Number	£000
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
Balance at 30 June 2001	1,695	55,130	33,602	(11,195)	79,232
Loss for the financial year	–	–	–	(16,580)	(16,580)
Unrealised surplus (deficit) on revaluation of property	–	–	5,676	(104)	5,572
Equity shareholders' funds at 30 June 2002	1,695	55,130	39,278	(27,879)	68,224
Company					
Balance at 30 June 2001	1,695	55,130	6,555	1,483	64,863
Loss for the financial year	–	–	–	(1,222)	(1,222)
Equity shareholders' funds at 30 June 2002	1,695	55,130	6,555	261	63,641

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2002 £000	2001 £000
25.1 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS		
Operating loss	**(7,765)**	(6,826)
Depreciation	**4,182**	2,880
Loss on sale of tangible fixed assets	**481**	14
Profit on sale of intangible fixed assets	**(6,225)**	(12,775)
Amortisation of Eurobond issue costs	**191**	192
Amortisation of intangible assets	**22,581**	14,186
Increase (decrease) in stocks	**319**	(313)
Decrease in debtors	**11,636**	10,380
Increase in creditors	**1,264**	6,400
Net cash inflow from operating activities	**26,664**	14,138

25.2 ANALYSIS OF CASHFLOWS FOR HEADINGS NETTED IN THE CASHFLOW STATEMENT

	2002 £000	2001 £000
Returns on investments and servicing of finance		
Interest received	**92**	1,968
Interest paid	**(8,728)**	(6,145)
Interest elements of finance lease rental payments	**(50)**	(87)
	(8,686)	(4,264)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(6,337)**	(24,211)
Sale of tangible fixed assets	**4,331**	–
Purchase of intangible fixed assets	**(36,210)**	(42,339)
Sale of intangible fixed assets	**6,590**	28,143
	(31,626)	(38,407)
Acquisitions and disposals		
Acquisition of subsidiary	**(40)**	(523)

During the year the company invested in Chelsea Digital Media Limited, a start up company.

	2002 £000	2001 £000
Management of liquid resources		
Cash withdrawn on deposits of less than one year	**567**	27,828
Financing		
Capital elements of lease repayments	**(347)**	(547)

25.3 ANALYSIS OF NET DEBT

	At 1 July 2001 £000	Cash flow £000	Other non-cash changes £000	**At 30 June 2002 £000**
Cash movements				
Cash at bank and in hand	12,052	(10,068)	–	**1,984**
Bank overdraft	–	(3,400)	–	**(3,400)**
	12,052	(13,468)	–	**(1,416)**
Debt due after one year	(78,753)	–	(191)	**(78,944)**
Hire purchase and finance leases	(702)	347	–	**(355)**
Money market deposits	567	(567)	–	**–**
	(66,836)	(13,688)	(191)	**(80,715)**

Notes to the Financial Statements

CONTINUED

26 FINANCIAL INSTRUMENTS

The Group's financial instruments consist principally of borrowings, cash, liquid resources and various other items such as trade debtors and trade creditors. At 30 June 2002, there were no material differences between the net book value and the fair value of 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 the 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:

	2002	2001
	£000	£000
Fixed rate interest earnings	–	4,729
Floating rate interest earnings	**1,984**	7,890
	1,984	12,619

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 £ 386,960 (2001: £566,468) is payable to these funds.

28 OPERATING LEASE AND CAPITAL COMMITMENTS

The annual commitments under non-cancellable operating leases are:

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Land and buildings:				
Leases expiring within one year	–	374	–	–
Leases expiring between two to five years	**142**	96	–	–
Leases expiring in more than five years	**161**	286	–	–
	303	756	–	–
Other:				
Leases expiring within one year	**8**	33	–	–
Leases expiring between two to five years	**1,663**	348	**1,635**	–
	1,671	381	**1,635**	–
Capital expenditure commitments were as follows:				
Contracted for but not provided:				
Tangible	–	36	–	–
Intangible	–	27,123	–	–
	–	27,159	–	–

29 CONTINGENT LIABILITIES

The company has guaranteed any overdrafts of its subsidiary undertakings. The amount covered by this guarantee at 30 June 2002 was £Nil.

30 POST BALANCE SHEET EVENTS

On 10 August 2002 the company sold interests in freehold property for £2,329,000. The property is included in these financial statements at a value of £2,329,000.

Since 30 June 2002 the Group has acquired the registration of one player and sold one player. The net gain on these players was £1 million.

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 Limited
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 TV 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 the Annual General Meeting

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Chelsea Village plc will be held in Drakes, North Stand, Chelsea Football Club, Stamford Bridge, Fulham Road, London SW6 1HS at 11.30am Friday 13 December 2002.

ORDINARY BUSINESS

1 To receive the accounts for the year ended 30 June 2002 together with the reports of the Directors and Auditors.

2 To re-elect Mr R M Taylor as a director of the company who retires by rotation at the Annual General Meeting in accordance with the Articles of Association

3 **(i)** To elect Mr M Woodward who having been appointed since the last Annual General Meeting seeks election
(ii) To elect Mr T Birch who having been appointed since the last Annual General Meeting seeks election
(iii) To elect Ms L O'Brien who having been appointed since the last Annual General Meeting seeks election

4 To re-elect Mr K W Bates who reaching the age of 70, offers himself for re-election.

5 To re-appoint Saffery Champness as auditors of the Company and to authorise the Directors to determine their remuneration.

Note: Mr A L Shaw who retires by rotation, does not seek re-election

SPECIAL BUSINESS

6 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
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 notarially certified copy of either, at the office of the Company's registers, 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.

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.

Only those members whose name appears on the register of members at 11.30am on Wednesday 11 December 2002 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.

All documents required to be available at the AGM will be displayed on the day of the AGM until the closure of the meeting. Such documents may be inspected at the Company's offices between the date of the Notice of Meeting and the meeting itself.

By order of the Board
A L Shaw
Secretary

30 October 2002

Advisors

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STOCK EXCHANGE
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