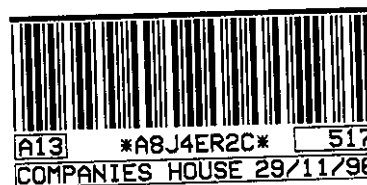


CHELSEA VILLAGE plc

Company Registration Number 2536231

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1996



CHELSEA VILLAGE plc

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FOR THE YEAR ENDED 30 JUNE 1996

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CHELSEA VILLAGE plc
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 1996

The directors present their annual report and financial statements for the year ended 30 June 1996.

Principal activities

The principal activities of the Group are the operation of a professional football club, property development and management, the provision of catering and function facilities, car park management and event organisation and operation.

Review of the business

A review of the activities of the Group is set out in the Chairman's Statement. The results for the year are set out in the profit and loss account on page 7.

Directors

The directors of the company during the year and the interest of those serving as at 30 June 1996 in the share capital of the Company, which were all beneficial, were as follows :

	30 June 1996 No. of shares	<i>30 June 1995 or date of appointment No. of shares</i>
Executive		
K.W. Bates	30,000,000	30,000,000
M.I. Russell	Nil	Nil
C. Hutchinson (resigned 27 September 1995)	Nil	Nil
Non executive		
M.C. Harding (resigned 2 November 1995)	*	Nil
P.J. Middleton (appointed 16 May 1996)	Nil	Nil
R.M. Taylor (appointed 16 May 1996)	Nil	Nil
S.O. Thompson (appointed 16 May 1996)	3,441,734	3,441,734

* See significant shareholdings

P.J. Murrin was appointed on 30 July 1996. He has no beneficial interests in the Company.

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

In accordance with the Articles of Association P.J. Middleton, R.M. Taylor, S.O Thompson and P.J. Murrin retire at the Annual General Meeting. K.W. Bates retires by rotation. Members are invited to re - elect each of these Directors.

The Company has granted K.W. Bates and M.C. Harding 7,500,000 share options each, exercisable between 1997 and 2001 at prices increasing from 60p to 80p per ordinary 1p share in that period.

CHELSEA VILLAGE plc
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 1996

Directors' and officers' insurance

The group maintains insurance policies on behalf of the directors and officers against liability arising from negligence, breach of duty and breach of trust in relation to the Group.

Results and dividends

The net loss for the year, after taxation, was £ 2,954,480 (*1995 profit (as adjusted) £ 1,507,364*), 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 note 13 to 15 to the financial statements. The intangible fixed assets represent the unamortised portion of the cost of players' registrations. Three Directors of Chelsea Football Club Limited have each independently valued the playing staff. The average of their aggregate valuation as at 30 June 1996 was £ 20,117,000. The valuation assumes willing buyers for the relevant player's registrations on normal contractual terms and an orderly disposal over a period of time.

The Group's freehold, long and short leasehold land and buildings were valued at 30 June 1996 by Chesterton International plc and Rawley and Co., Chartered Surveyors. These valuations as detailed in note 14 have been incorporated in these financial statements.

Donations

During the year the Group made charitable donations in the United Kingdom of £ 1,270 (*1995 £ 7,435*). There were no political donations during the year (*1995 £ nil*).

Suppliers

The group policy is to abide by the agreed terms of settlement with all its suppliers.

CHELSEA VILLAGE plc
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 1996

Post balance sheet events

Since the 30 June 1996 the Group has raised £8.0m in additional equity, £6.0m in new equity and £2.0m by the conversion of the loan stock. At the end of July the 2,250 seat extension to the North Stand was officially opened raising the capacity to 10,600 seats. In accordance with the redevelopment plans for the site, the Group has signed provisional contracts for the development of the Southern Complex which will include a new 6,500 seat south stand, a 10,500 square foot club shop, state of the art ticket office, group offices, 38 residential apartments and a 160 bedroom hotel. Chelsea Football Club has acquired three player registrations and disposed of three others which in the opinion of the Club, has materially strengthened the playing squad.

Significant shareholdings

Apart from the interests of the Directors referred to above, the Company has received the following notifications of holdings of more than 3% of the share capital of the Company as at the date of this report :

M.C. Harding (including nominee holdings)	24.9%
* Hei See Limited	22.6%
* R.H.K. Nominees Limited	11.2%
* Atlantic Western Trustees Limited	4.7%
Credit Suisse London Nominees Limited	4.3%

* The above companies are nominee companies for Rysaffe Limited.

Corporate governance

The Directors take the view that since the Company's admission to the Alternative Investment Market it needs to comply with the Cadbury Committee's Code of Best Practice and has strengthened the Board with four non executive Directors. The Board now consists of two executive and four non executive directors. It meets regularly throughout the year. The Board has established independent Audit and Remuneration Committees consisting of at least two non executive directors, one of whom acts as Chairman. Each committee has formal terms of reference approved by the Board.

The Audit Committee meets at least quarterly with the Group's Auditors 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.

CHELSEA VILLAGE plc
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 1996

Corporate governance (cont.)

Internal financial control

The Directors acknowledge that they have overall responsibility for the Groups system of internal financial 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

In accordance with paragraph 4.6 of the Code, after making enquiries, the Directors have a reasonable expectation that the Company and the Group has adequate resources to enable the Directors to adopt the going concern basis in preparing the financial statements.

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements ;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CHELSEA VILLAGE plc
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 1996

Auditors

The auditors Hargreaves, Brown & Benson 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
Company Secretary

24 September 1996

Chelsea Village plc

Auditors' Report to the Members of Chelsea Village plc

*** For the Year Ended 30th June 1996**

We have audited the financial statements on pages 7 to 33 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in note 1 to the accounts.

Respective Responsibilities of Directors and Auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and 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 30th June 1996 and of the loss, total recognised gains and losses and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hargreaves, Brown & Benson

**Hargreaves, Brown & Benson
Chartered Accountants and
Registered Auditor**

Colne, Lancashire

24th September 1996

* J

CHELSEA VILLAGE plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1996

	Note	1996 £	1995 (Restated) £
Turnover	2	15,947,771	13,195,251
Direct operating costs		(10,592,361)	(6,392,158)
Gross profit		5,355,410	6,803,093
Administrative expenses		(4,701,237)	(3,792,516)
		654,173	3,010,577
Transfer fees	3	(2,634,630)	(1,031,116)
Operating (loss) / profit	4	(1,980,457)	1,979,461
Interest receivable and similar income	8	78,457	132,076
Provision for diminution in investment		(4,495)	(19,188)
Interest payable	9	<u>(1,047,985)</u>	<u>(584,985)</u>
		(974,023)	(472,097)
(Loss) / Profit on ordinary activities before taxation		(2,954,480)	1,507,364
Taxation	10	-	-
(Loss) / Profit on ordinary activities after taxation	26	(2,954,480)	1,507,364
Retained profit brought forward		5,372,302	3,864,938
Retained profit carried forward		<u>2,417,822</u>	<u>5,372,302</u>
(Loss) / Earnings per share	12	<u>(2.47p)</u>	<u>1.47p</u>

All amounts relate to continuing activities.
The notes numbered 1 to 32 form part of these financial statements

CHELSEA VILLAGE plc
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 1996

	1996 £	1995 (Restated) £
(Loss) / Profit for the financial year	(2,954,480)	1,507,364
Unrealised surplus / (deficit) on revaluation of short leasehold properties	2,198,715	(685,267)
Unrealised (deficit) / surplus on revaluation of freehold properties	(1,446)	374,442
Reduced costs attributable to acquisition of short leasehold	-	58,644
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	<u>(757,211)</u>	<u>1,255,183</u>

Had the Group not changed its accounting policy for transfer fees (note 1) the Statement of Total Recognised Gains and Losses would have been as follows :

	1996 £	1995 £
(Loss) / Profit for the financial year	(3,035,134)	3,097,409
Unrealised surplus / (deficit) on revaluation of short leasehold properties	2,198,715	(685,267)
Unrealised (deficit) / surplus on revaluation of freehold properties	(1,446)	374,442
Reduced costs attributable to acquisition of short leasehold	-	58,644
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	<u>(837,865)</u>	<u>2,845,228</u>

There is no difference between the reported profit on ordinary activities before taxation and the equivalent historical cost amount.

Movements on reserves are shown in note 26 to the financial statements.

The notes numbered 1 to 32 form part of these financial statements

CHELSEA VILLAGE plc
BALANCE SHEET
AS AT 30 JUNE 1996

	Note	Group (Restated)		Company	
		1996 £	1995 £	1996 £	1995 £
Fixed assets					
Intangible assets	13	6,193,314	6,112,660	-	-
Tangible assets	14	36,551,328	28,204,044	6,847,497	6,121,301
Investments	15	-	-	20,613,123	10,689,704
		<u>42,744,642</u>	<u>34,316,704</u>	<u>27,460,620</u>	<u>16,811,005</u>
Current assets					
Stock	16	30,343	11,268	-	-
Debtors	17	1,998,348	2,397,704	32,118	57,175
Investments	18	130,605	135,100	130,605	135,100
Cash at bank and in hand		42,423	1,399,791	1,451	3,293
		<u>2,201,719</u>	<u>3,943,863</u>	<u>164,174</u>	<u>195,568</u>
Creditors :					
Amounts falling due within one year	19	(9,048,233)	(11,185,858)	(597,940)	(1,527,712)
Net current liabilities		<u>(6,846,514)</u>	<u>(7,241,995)</u>	<u>(433,766)</u>	<u>(1,332,144)</u>
Total assets less current liabilities		<u>35,898,128</u>	<u>27,074,709</u>	<u>27,026,854</u>	<u>15,478,861</u>
Creditors :					
Amounts falling due after one year	20	9,349,256	3,081,277	2,268,316	37,829
Convertible Liabilities	21	2,000,000	5,000,000	2,000,000	5,000,000
Football Trust grants	23	2,800,000	2,600,000	-	-
Capital and reserves					
Called up share capital	25	1,194,012	1,026,481	1,194,012	1,026,481
Share premium account	26	8,899,418	2,954,299	8,899,418	2,954,299
Revaluation reserve	26	9,237,620	7,040,350	6,610,250	7,511,490
Profit and loss account	26	2,417,822	5,372,302	6,054,858	(1,051,238)
Shareholders' funds	26	<u>21,748,872</u>	<u>16,393,432</u>	<u>22,758,538</u>	<u>10,441,032</u>
		<u>35,898,128</u>	<u>27,074,709</u>	<u>27,026,854</u>	<u>15,478,861</u>

These financial statements were approved by the Board of Directors on 24 September 1996

M.I. Russell

R.M. Taylor

The notes numbered 1 to 32 form part of these financial statements

CHELSEA VILLAGE PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1996

	Note	1996 £	1995 (Restated) £
Cash inflow from operating activities	27	1,689,523	1,962,727
Returns on investments and servicing of finance			
Interest receivable		78,457	132,076
Interest payable		(1,047,985)	(584,985)
Net cash outflow from returns on investments and servicing of finance		(969,528)	(452,909)
Investing activities			
Payments to acquire : players registrations		(4,840,832)	(1,584,375)
contract settlements		(124,452)	(2,305)
Receipts from sale of players registrations		2,250,000	2,036,549
		(2,715,284)	449,869
Payments to acquire:Tangible fixed assets		(6,275,491)	(8,445,761)
Receipts from : Football Trust Grants		200,000	1,961,086
Deemed cost of leases		-	58,644
Net cash outflow from investing activities		(8,790,775)	(5,976,162)
Net cash outflow before financing		(8,070,780)	(4,466,344)
Financing			
Increase in long term loans		6,173,825	2,969,250
Issue of share capital		6,112,650	-
Conversion of loan stock		(5,000,000)	-
Issue of loan stock		2,000,000	-
Hire purchase and finance leases		145,384	-
Net cash inflow from financing		9,431,859	2,969,250
Increase / (decrease) in cash and cash equivalents	27	1,361,079	(1,497,094)

The notes numbered 1 to 32 form part of these financial statements

CHELSEA VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

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, with the exception that certain land and buildings have been revalued.

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 1996.

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 their net asset value. Where a diminution in value is considered to be permanent, the cost of the investment, including loans, is written off to the profit and loss account.

d) Depreciation

Land and Buildings

Depreciation is not provided on freehold land. The Directors do not consider it appropriate to amortise the value of short and long leasehold properties since the leases are held for future group development of the Stamford Bridge site on which options are held to purchase the freehold.

Freehold and leasehold properties are maintained by a programme of repair and refurbishment such that the residual value is at least equal to its book value. Having regard to this, it is the opinion of the Directors that the depreciation of any such property as required by the Companies Act 1985 and accounting standards would not be material.

Other Assets

Depreciation is provided on other tangible fixed assets in equal instalments over their estimated useful lives. The following rates apply :

Plant and equipment	10% - 25%
---------------------	-----------

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

1. Accounting policies (cont.)

e) Deferred taxation

Deferred taxation is provided using the liability method to take account of all material timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

f) Transfer fees

The cost of transfer fees (including levies and levy rebates) are capitalised as intangible fixed assets and are amortised evenly over the period of the players initial contract of employment with the Group. Fees receivable are set off against the players 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.

g) Players signing on fees

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

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 expenditure grants, received in respect of assets which are not depreciated, are brought into account on an accruals basis, and are released to non-distributable capital reserves over the estimated life of the asset to which they relate. Revenue expenditure grants are brought into the profit and loss account on an accruals basis.

CHELSEA VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

1. Accounting policies (cont.)

j) Hire purchase and leasing commitments

Assets held under hire purchase contracts and finance leases are included in the fixed assets at total rental cost less finance charges. Finance charges are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

k) Pensions

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

l) Stocks

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

m) Stadium development

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

n) Prior year adjustment - change in accounting policy

The accounting treatment of transfer fees noted at 1(f) above represents a change in policy from prior years when the costs of acquiring players' registrations were taken directly to the profit and loss account. The effect of this change was to reduce the loss for the year ending 30 June 1996 by £ 80,654 (1995 *reduce the profit by £ 1,590,045*) and increase the net assets of the Group from £ 15,555,558 to £ 21,748,872 (1995 *increase from £ 10,280,772 to £ 16,393,432*)

The change has been made to provide a fairer presentation of the trading performance and financial position of the Group.

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

2. Turnover

Turnover (excluding value added tax) represents the following :

	1996 £	1995 £
Primary football activities	14,756,462	12,703,386
Property leasing	201,198	211,266
Catering facilities	916,272	280,599
Event organisations	73,839	-
	<u>15,947,771</u>	<u>13,195,251</u>

All turnover arises in the United Kingdom.

3. Transfer fees

Amortisation of cost of players' registrations	3,723,365	3,065,360
Gain on disposal of players' registrations	(1,088,735)	(1,297,695)
Insurance receipt, net of associated costs	-	(736,549)
	<u>2,634,630</u>	<u>1,031,116</u>

4. Operating (loss) / profit

This is stated after charging :

Depreciation of tangible fixed assets :		
Owned	102,357	67,455
Leased	23,120	8,619
Amortisation of players registrations	3,723,365	3,065,360
Operating lease rentals :		
Land and buildings	1,704,376	1,561,876
Other	98,182	10,000
Auditors remuneration and expenses		
Audit	46,000	47,613
Other	40,012	14,470
	<u> </u>	<u> </u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

5. Staff numbers and costs	1996 No.	1995 No.
The average number of employees of the Group during the year was as follows :		
Playing staff, managers and coaches	64	52
Ground staff	8	8
Administration and commercial	48	38
	<hr/> 120	<hr/> 98
The aggregate payroll costs of these employees were as follows :		
	£	£
Wages and salaries	8,260,888	5,306,543
Social Security costs	838,554	504,636
Other pension costs	119,017	93,136
	<hr/> 9,218,459	<hr/> 5,904,315
6. Directors' emoluments		
Other emoluments	102,137	205,019
Pension contributions	6,000	20,094
	<hr/> 108,137	<hr/> 225,113
The emoluments of the chairman was	<hr/> 1,426	<hr/> 1,807
The emoluments of the highest paid director was	<hr/> 61,137	<hr/> 157,865
Other directors emoluments were within the following ranges :		
£ 0 - £ 5,000	4	1
£ 15,001 - £ 20,000	-	1
£ 25,001 - £ 30,000	-	1
£ 35,001 - £ 40,000	<hr/> 1	<hr/> -

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

7. Related party transactions

K.W. Bates has an interest in a material contract between the company and Mayflower Securities Limited, a company in which he has a controlling interest. During the year ended 30 June 1996 the Group expended £ 135,719 (1995 £ 177,252) in respect of publicity and promotion of the Group's business, under the principal terms of that contract.

M.C. Harding is the beneficial owner of Stardust Investments Limited which owns the freehold of Stamford Bridge. In the year ended 30 June 1996 the Group paid rent amounting to £ 1,557,376 (1995 £ 1,557,376) under the terms of its lease with Stardust Investments Limited. The Group has an option to purchase the freehold for a consideration of £16,500,000 at any time before 8 December 2012.

On 16 February 1995 an interest free loan of £15,000 was made to M.I. Russell. The loan is repayable over three years in equal monthly instalments. The amount outstanding at 30 June 1996 was £ 7,917 (1995 £ 12,917)

In June 1996 Rysaffe Limited had provided a £ 2,000,000 loan facility to the Company which was convertible into ordinary shares of 1p each in the Company at 60p per share.

	1996 £	1995 £
8. Interest receivable		
Bank interest	78,457	115,656
Other interest	-	16,420
	<hr/> 78,457	<hr/> 132,076

9. Interest payable and similar charges

Interest payable on bank loans and overdrafts :		
repayable within five years	515,836	375,799
repayable after five years	143,902	-
Other loans	7,027	-
Finance lease charges	381,220	209,186
	<hr/> 1,047,985	<hr/> 584,985

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

10. Taxation

No liability to corporation tax has arisen due to losses incurred and the availability of group relief. (1995 £ nil)

11. Loss for the financial year

The loss for the financial year of the Group includes a loss of £ 121,287 (1995 £ 238,401) dealt with in the individual accounts of Chelsea Village plc.

12. (Loss) / Earnings per share

The calculation of (loss) / earnings per share is based on the loss for the year of £ 2,954,480 (1995 profit £ 1,507,364) and on 119,401,200 (1995 102,648,083) ordinary shares in issue.

13. Intangible fixed assets

Group	Cost of Players' Registrations £
Cost	
At 1 July 1995	11,758,168
Additions	4,840,832
Disposals	(2,977,719)
At 30 June 1996	<u>13,621,281</u>
Amortisation	
At 1 July 1995	5,645,508
Charge for the year	3,723,365
Disposals	(1,940,906)
At 30 June 1996	<u>7,427,967</u>
Net Book Value	
At 30 June 1995	<u>6,112,660</u>
At 30 June 1996	<u>6,193,314</u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

14. Tangible fixed assets

Group	Land and Buildings £	Plant and Equipment £	Site Development Costs £	Total £
Cost / valuation				
At 1 July 1995	26,981,150	550,340	806,346	28,337,836
Additions	6,041,309	227,443	6,740	6,275,492
Revaluation	2,197,269	-	-	2,197,269
At 30 June 1996	<u>35,219,728</u>	<u>777,783</u>	<u>813,086</u>	<u>36,810,597</u>
Amortisation				
At 1 July 1995	-	133,792	-	133,792
Charge for the year	3,884	121,593	-	125,477
At 30 June 1996	<u>3,884</u>	<u>255,385</u>	<u>-</u>	<u>259,269</u>
Net Book Value				
At 30 June 1995	<u>26,981,150</u>	<u>416,548</u>	<u>806,346</u>	<u>28,204,044</u>
At 30 June 1996	<u>35,215,844</u>	<u>522,398</u>	<u>813,086</u>	<u>36,551,328</u>
Cost or valuation comprises :				
At cost	3,639,557	777,783	813,086	5,230,426
At 30 June 1996 valuation	31,580,171	-	-	31,580,171
At 30 June 1996	<u>35,219,728</u>	<u>777,783</u>	<u>813,086</u>	<u>36,810,597</u>
The net book value of land and buildings comprises :		1996		1995
		£		£
Freehold land and buildings		2,705,000		2,500,000
Long leasehold building		81,150		81,150
Short leasehold land and buildings		32,429,694		24,400,000
		<u>35,215,844</u>		<u>26,981,150</u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

14. Tangible fixed assets (cont.)

Company	Land and Buildings £	Plant and Equipment £	Site Development Costs £	Total £
Cost / valuation				
At 1 July 1995	5,381,150	51,452	699,407	6,132,009
Additions	-	775,821	6,740	782,561
Revaluation	(30,000)	-	-	(30,000)
At 30 June 1996	5,351,150	827,273	706,147	6,884,570
Amortisation				
At 1 July 1995	-	10,708	-	10,708
Charge for the year	-	26,364	-	26,364
At 30 June 1996	-	37,072	-	37,072
Net Book Value				
At 30 June 1995	5,381,150	40,744	699,407	6,121,301
At 30 June 1996	5,351,150	790,201	706,147	6,847,498
Cost or valuation comprises :				
At cost	81,150	827,273	706,147	1,614,570
At 30 June 1996 valuation	5,270,000	-	-	5,270,000
At 30 June 1996	5,351,150	827,273	706,147	6,884,570
The net book value of land and buildings comprises :		1996		1995
		£		£
Freehold land and buildings		250,000		250,000
Long leasehold building		81,150		81,150
Short leasehold land and buildings		5,020,000		5,050,000
		<u>5,351,150</u>		<u>5,381,150</u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

14. Tangible fixed assets (cont.)

Valuations

Group

The open market value of the Group's freehold and leasehold interest in the hotel, office block, car park and stadium was valued by Chesterton International plc, Chartered Surveyors as at 30 June 1996 in the sum of £ 24,611,000 in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Included within this valuation, the stadium was valued at £ 22,336,000 calculated on a depreciated replacement cost basis.

The open market value of the Groups leasehold interest in the residential and leisure developments and the Groups freehold and leasehold residential properties were valued by Rawley & Co., Surveyors, Valuers and Property Consultants as at 30 June 1996 in the sum of £ 5,660,000 in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Company

The open market value of the Company's freehold land and leasehold interest in the hotel, office block and car park by Chesterton International plc, Chartered Surveyors as at 30 June 1996 in the sum of £ 2,275,000 in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

The open market value of the Company's leasehold interest in the residential and leisure developments were valued by Rawley & Co., Surveyors, Valuers and Property Consultants as at 30 June 1996 in the sum of £ 2,995,000 in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Group	1996	1995
	£	£
Included in revalued land and buildings are :		
Finance arrangement costs	68,508	68,508
Interest payable	70,105	2,292
	<hr/>	<hr/>
	138,613	70,800
	<hr/>	<hr/>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

14. Tangible fixed assets (cont.)

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

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Cost				
Freehold property	2,332,010	2,125,564	203,849	203,849
Short leasehold property	23,675,895	17,841,032	5,078,166	5,078,166
Long leasehold property	81,150	81,150	81,150	81,150
	<u>26,089,055</u>	<u>20,047,746</u>	<u>5,363,165</u>	<u>5,363,165</u>
Depreciation				
Freehold property	-	-	-	-
Short leasehold property	869,576	869,576	675,422	675,422
Long leasehold property	-	-	-	-
	<u>869,576</u>	<u>869,576</u>	<u>675,422</u>	<u>675,422</u>
Net book value				
Freehold property	2,332,010	2,125,564	203,849	203,849
Short leasehold property	22,806,319	16,971,456	4,402,744	4,402,744
Long leasehold property	81,150	81,150	81,150	81,150
	<u>25,219,479</u>	<u>19,178,170</u>	<u>4,687,743</u>	<u>4,687,743</u>
Included in fixed assets are assets which are held under finance leases and hire purchase contracts as follows :				
Net book value	<u>4,147,718</u>	<u>3,339,993</u>	<u>781,201</u>	<u>34,376</u>
Depreciation charged in the year	<u>23,120</u>	<u>8,619</u>	<u>23,120</u>	<u>8,619</u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

15. Fixed asset investments

Company	Shares	Current	Total
Investment in subsidiary undertakings	£	Accounts £	£
Cost / valuation			
At 1 July 1995	8,135,510	3,026,435	11,161,945
Additions	4	-	4
Disposals	(7,227,483)	-	(7,227,483)
Revaluation	6,356,138		6,356,138
Movement during the year	-	10,418,392	10,418,392
At 30 June 1996	<u>7,264,169</u>	<u>13,444,827</u>	<u>20,708,996</u>
Provision for diminution			
At 1 July 1995	413	471,828	472,241
Release	-	(471,828)	(471,828)
Charge during the year	4	95,456	95,460
At 30 June 1996	<u>417</u>	<u>95,456</u>	<u>95,873</u>
Net book value			
At 30 June 1995	<u>8,135,097</u>	<u>2,554,607</u>	<u>10,689,704</u>
At 30 June 1996	<u>7,263,752</u>	<u>13,349,371</u>	<u>20,613,123</u>

On 14 March 1996 the Company sold its investment in Chelsea Football Club Limited to its wholly owned subsidiary undertaking Chelsea Limited.

Details of the Company's Subsidiary undertakings are shown in note 32

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
16. Stocks				
Food and beverages	30,343	11,268	-	-
17. Debtors				
Trade debtors	1,810,366	2,006,075	-	21,423
Other debtors	44,801	180,290	29,671	12,917
Prepayments and accrued income	143,181	211,339	2,447	22,835
	<u>1,998,348</u>	<u>2,397,704</u>	<u>32,118</u>	<u>57,175</u>
Included in the above are the following amounts which are due after one year :				
Other debtors	4,216	20,916	2,916	7,916
18. Current asset investments				
Unlisted investments	<u>130,605</u>	<u>135,100</u>	<u>130,605</u>	<u>135,100</u>
19. Creditors :				
Amounts falling due within one year :				
Bank loans and overdrafts	864,414	3,582,861	179,415	1,086,876
Payments received in advance	2,984,978	1,827,678	-	-
Trade creditors	2,260,731	1,060,429	87,210	94,006
Corporation tax	100,650	-	-	-
Other loans	100,000	-	-	-
Other creditors	311,007	248,153	-	-
Other tax and social security	1,032,630	540,485	9,880	9,723
Loan from director	-	2,500,000	-	-
Accruals and deferred income	667,441	879,999	223,176	328,491
Hire purchase and finance lease obligations	726,382	546,253	98,259	8,616
	<u>9,048,233</u>	<u>11,185,858</u>	<u>597,940</u>	<u>1,527,712</u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
20. Creditors :				
Amounts falling due after one year				
Other loans	125,000	-	-	-
Bank loans and overdrafts	6,751,780	577,955	1,101,780	-
Payments received in advance	115,926	112,027	-	-
Amounts owed to group undertakings	-	-	540,826	5,505
Hire purchase and finance lease obligations	2,356,550	2,391,295	625,710	32,324
	<u>9,349,256</u>	<u>3,081,277</u>	<u>2,268,316</u>	<u>37,829</u>

Other loans represent an interest free loan of £ 225,000 to Chelsea Football Club Limited from the Football Trust.

21. Convertible liabilities

Zero coupon convertible unsecured loan stock 2008	-	5,000,000	-	5,000,000
Loan stock (note 7)	2,000,000	-	2,000,000	-
	<u>2,000,000</u>	<u>5,000,000</u>	<u>2,000,000</u>	<u>5,000,000</u>

The zero coupon convertible unsecured loan stock was converted into 14,285,714 ordinary 1p shares on 16 May 1996.

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

22. Borrowings and secured liabilities

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
The aggregate borrowings amounted to:				
Bank loans and overdrafts	7,616,194	4,160,816	1,281,195	1,086,876
Hire purchase and finance lease obligations	3,082,932	2,937,548	723,969	40,940
Loan from director	-	2,500,000	-	-
Convertible unsecured loan stock	2,000,000	5,000,000	2,000,000	5,000,000
Other loans	225,000	-	-	-
	<u>12,924,126</u>	<u>14,598,364</u>	<u>4,005,164</u>	<u>6,127,816</u>
Which are repayable as follows :				
Within one year or on demand				
Bank loans and overdrafts	864,414	3,582,861	179,415	1,086,876
Hire purchase and finance lease obligations	726,382	546,253	98,259	8,616
Loan from director	-	2,500,000	-	-
Other loans	100,000	-	-	-
	<u>1,690,796</u>	<u>6,629,114</u>	<u>277,674</u>	<u>1,095,492</u>
Between two and five years				
Bank loans	4,601,780	575,000	1,101,780	-
Hire purchase and finance lease obligations	2,195,182	2,391,295	464,342	32,324
Other loans	125,000	-	-	-
Convertible loan stock	2,000,000	-	2,000,000	-
	<u>10,612,758</u>	<u>9,595,409</u>	<u>3,843,796</u>	<u>1,127,816</u>
After five years				
Bank loans	2,150,000	2,955	-	-
Convertible unsecured loan stock	-	5,000,000	-	5,000,000
Hire purchase and finance lease obligations	161,368	-	161,368	-
	<u>12,924,126</u>	<u>14,598,364</u>	<u>4,005,164</u>	<u>6,127,816</u>

Obligations under finance leases and hire purchase contracts are secured by the related leased assets. Payments under a subsidiary undertaking's finance lease is further secured by the hypothecation of monies due under a sponsorship contract in favour of the lessor, up to a maximum of £ 120,000 per quarter.

The bank loans and overdrafts are secured by debentures giving fixed and floating charges over the undertakings and all property and assets, present and future.

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

22. Borrowings and secured liabilities (cont.)

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Loans due after five years				
Included in amounts due after one year are amounts repayable in instalments, some of which fall due after five years :				
Due within five years :				
Bank loans	850,000	575,000	-	-
Hire purchase and finance lease liabilities	377,203	-	377,203	-
	<u>1,227,203</u>	<u>575,000</u>	<u>377,203</u>	<u>-</u>
Due after five years				
Bank loans	2,150,000	2,955	-	-
Hire purchase and finance lease liabilities	161,368	-	161,368	-
	<u>2,311,368</u>	<u>2,955</u>	<u>161,368</u>	<u>-</u>

The bank loan which totals £3,000,000 is repayable in variable annual instalments as follows :

For the year ended :

30 June 1998	100,000	100,000	-	-
30 June 1999	225,000	225,000	-	-
30 June 2000	250,000	250,000	-	-
30 June 2001	275,000	2,955	-	-
30 June 2002	325,000	-	-	-
30 June 2003	350,000	-	-	-
30 June 2004	375,000	-	-	-
30 June 2005	425,000	-	-	-
30 June 2006	450,000	-	-	-
30 June 2007	225,000	-	-	-

The year end rate of interest on the underlying borrowings is 8.4375%, which fluctuates dependant on LIBOR.

In addition the company entered into interest rate swap arrangement which have the effect of fixing the rate of interest at 10.4375% on borrowings totalling £ 2,000,000 until total repayment of the loan at 30 June 2007.

The finance lease due after more than five years is repayable in quarterly instalments of £ 29,058, including finance charges at an average rate of 9.9%

CHELSEA VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS
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	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
23. Football trust grants				
Grants receivable	2,800,000	2,600,000	-	-

The grants receivable from the Football Trust are in respect of the completed North Stand Development at the stadium.

24. Deferred taxation

No provision for deferred taxation has been made. An analysis of the deferred taxation (assets) / liabilities unprovided, calculated at 33 %, is as follows :

Accelerated capital allowances	1,313,588	779,465	(1,288)	(268)
Taxation losses	(2,710,377)	(1,081,417)	(241,327)	(153,804)
Short term timing differences	-	(28,802)	-	(143)
Other timing differences	2,043,794	1,993,617	-	-
	647,005	1,662,863	(242,615)	(154,215)
Property and investment revaluations	3,621,628	2,964,957	2,600,670	2,902,951
	4,268,633	4,627,820	2,358,055	2,748,736

25. Share capital

	1996		1995	
	Number	£	Number	£
Ordinary shares of 1p each				
Authorised	170,000,000	1,700,000	150,000,000	1,500,000
Allotted, issued and fully paid	119,401,241	1,194,012	102,648,083	1,026,481

Ordinary share capital was issued during the year to provide funds for the continuing development of the site, and conversion of the unsecured loan stock 2008.

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

26. Movement on reserves and reconciliation of movement in shareholders' funds

Group	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss £	Total shareholders funds £
At 1 July 1994 as previously reported	1,026,481	2,954,299	7,292,531	(3,837,767)	7,435,544
Prior year adjustment (note 1)	-	-	-	7,702,705	7,702,705
	1,026,481	2,954,299	7,292,531	3,864,938	15,138,249
Profit for the financial year	-	-	-	1,507,364	1,507,364
Reduction in deemed cost of lease	-	-	58,644	-	58,644
Unrealised deficit on revaluation of property	-	-	(310,825)	-	(310,825)
Balance at 30 June 1995	1,026,481	2,954,299	7,040,350	5,372,302	16,393,432
Loss for the financial year	-	-	-	(2,954,480)	(2,954,480)
Unrealised surplus on revaluation of property	-	-	2,197,270	-	2,197,270
Issue of share capital	167,531	5,945,119	-	-	6,112,650
Equity shareholders funds at 30 June 1996	1,194,012	8,899,418	9,237,620	2,417,822	21,748,872

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

26. Movement on reserves and reconciliation of movement in shareholders' funds (cont.)

Company	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss £	Total shareholders funds £
At 1 July 1994	1,026,481	2,954,299	4,766,005	(812,837)	7,933,948
Loss for the financial year	-	-	-	(238,401)	(238,401)
Reduction in deemed cost of lease	-	-	58,644	-	58,644
Investment revaluation	-	-	5,510,690	-	5,510,690
Unrealised deficit on revaluation of property	-	-	(2,823,849)	-	(2,823,849)
Balance at 30 June 1995	1,026,481	2,954,299	7,511,490	(1,051,238)	10,441,032
Loss for the financial year	-	-	-	(121,286)	(121,286)
Unrealised deficit on revaluation of property	-	-	(30,000)	-	(30,000)
Issue of share capital	167,531	5,945,119	-	-	6,112,650
Investment revaluation	-	-	6,356,142	-	6,356,142
Realised surplus on disposal of investment	-	-	(7,227,382)	7,227,382	-
Equity shareholders funds at 30 June 1996	1,194,012	8,899,418	6,610,250	6,054,858	22,758,538

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

	1996 £	1995 £
27 Notes to the Cash Flow Statement		
Reconciliation of operating profit to net cash inflow from operating activities		
Operating (loss) / profit	(1,980,457)	1,979,461
Depreciation charge	125,477	76,074
Profit on sale of intangible fixed assets	(1,088,735)	(2,034,244)
Amortisation of players' registrations	3,723,365	3,065,360
Increase in stocks	(19,075)	(11,268)
Decrease in debtors	399,356	453,749
Increase / (Decrease) in creditors	529,592	(1,566,405)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,689,523	1,962,727
	<hr/>	<hr/>
Analysis of changes in cash and cash equivalents during the year		
Balance at 1 July 1995	(2,183,070)	(685,976)
Net cash inflow / (outflow)	1,361,079	(1,497,094)
	<hr/>	<hr/>
Balance at 30 June 1996	(821,991)	(2,183,070)
	<hr/>	<hr/>
Analysis of changes in cash and cash equivalents during the year as shown in the balance sheet		
Cash at bank and in hand	42,423	1,399,797
Bank overdraft	(864,414)	(3,582,867)
	<hr/>	<hr/>
	(821,991)	(2,183,070)
	<hr/>	<hr/>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

27 Notes to the Cash Flow Statement (cont.)

Analysis of changes in finance during the year

	Share capital £	Share premium £	Loan stock £	Hire purchase and finance lease obligations £	Bank loans £	Total £
Balance at 1 July 1995	1,026,481	2,954,299	5,000,000	2,937,548	577,955	12,496,283
Net cash inflow from financing	24,674	1,087,976	2,000,000	145,384	6,173,825	9,431,859
Conversion of loan stock	142,857	4,857,143	(5,000,000)	-	-	-
Balance at 30 June 1996	1,194,012	8,899,418	2,000,000	3,082,932	6,751,780	21,928,142

28. Capital commitments

The annual commitments under non-cancellable operating leases are :

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Land and buildings :				
Lease s expiring within one year	60,000	-	-	-
Leases expiring within two to five years	12,000	-	-	-
Leases expiring in more than five years	2,038,000	1,567,376	1,557,376	1,557,376
	2,110,000	1,567,376	1,557,376	1,557,376
Other				
Leases expiring within two to five years	9,891	-	-	-
Capital expenditure commitments were as follows :				
Contracted for but not provided	360,000	2,548,727	-	-
Authorised but not contracted for	-	33,854	-	-

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

29. Contingent liabilities

- a) The Company has guaranteed the bank loans and overdrafts of its subsidiary undertakings.
The amount covered by this guarantee at 30 June 1996 was £ 3,649,031.
- b) The Company has guaranteed a hire purchase liability of a subsidiary undertaking. The amount covered by this guarantee at 30 June 1996 was £2,156,252.
- c) Grants totalling £ 564,217 have been received in respect of the refurbishment of residential freehold property. If conditions attaching to the grants are not complied with until 1998, then the whole or a part of the grants may become repayable.
- d) Chelsea Football Club Limited in common with other clubs in the F.A. Premier league, was requested by the Inland Revenue to commission the preparation of a report on tax sensitive issues.
The Company considers the Inland Revenues' estimated assessment which shows net tax payable of £ 1,166,667 has no merit and an appeal has been accepted by the Revenue.
Contingent upon the outcome, the Group may or may not face these tax liabilities in respect of periods ended 30 June 1996.

30. Pension commitments

A subsidiary undertaking contributes to pension schemes providing benefits based both upon contributions made and upon final salary. Both schemes are administered by the Football League Limited. 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 £ 119,017 (1995 £ 93,136) is payable to these funds.

31. Post balance sheet events

Since 30 June 1996 the Group has acquired the registrations of three professional football players and sold three others. The net expenditure of these transfers was £ 5,298,000.

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

32. 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 development and operation
Chelsea Village Catering Limited	Catering services
Eurofest '96 Limited	Event organisation
Fulham Securities Limited	Property lessors and development
Stamford Bridge Properties Limited	Property lessors
Stamford Bridge Securities Limited	Property lessors and development
Chelsea Limited	Holding company of Chelsea Football Club Limited
 Dormant	
Chelsea Caterers Limited	
Chelsea Collection Limited	
Chelsea Financial Consultants Limited	
Chelsea Garden Village Limited	
Chelsea Leisure Services Limited	
Chelsea Pensioner Limited	
Chelsea Television Limited	
Chelsea T.V. Limited	
Chelsea Village Hotel Limited	
Chelsea Vintners Limited	
Chelsea Worldwide Travel Limited	
Chelsea Village Events Limited (formerly Eurex '96 Limited)	
The Chelsea Style Limited	

During the year the Company sold its entire interest in Chelsea Football Club Limited to its subsidiary undertaking Chelsea Limited.

All of the above companies are incorporated in Great Britain and registered in England and Wales.

The entire share capital of Chelsea Car Parks Limited is held by The Co-Operative Bank plc, and though the voting rights attached to those shares are exercised at the direction of the Company and the Company directs the financial and operating policies of Chelsea Car Parks Limited.

The entire share capital and control of 100% of the voting rights of all the other subsidiary undertakings is held by the Company.