

CHELSEA VILLAGE plc

Company Registration Number 2536231

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1997



CHELSEA VILLAGE plc

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FOR THE YEAR ENDED 30 JUNE 1997

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CHELSEA VILLAGE plc
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 1997

The directors present their annual report and financial statements for the year ended 30 June 1997.

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 1997 in the share capital of the Company, which were all beneficial, were as follows :

	30 June 1997 No. of shares	30 June 1996 or date of appointment No. of shares
Executive		
K.W. Bates	30,000,000	30,000,000
M.I. Russell	3,000	Nil
Non executive		
P.J. Middleton (Resigned 6 November 1996)	Nil	Nil
P.J. Murrin (Appointed 30 July 1996)	100	100
R.M. Taylor	Nil	Nil
S.O. Thompson	2,811,743	3,441,734

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

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

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CHELSEA VILLAGE plc
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 1997

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 £ 375,723 (1996 loss £ 2,954,480), 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. Two Directors and a senior member of the player management of Chelsea Football Club Limited have each independently valued the playing staff. The average of their aggregate valuation as at 30 June 1997 was £ 49,243,000. 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 1997 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 £ 2,730 (1996 £ 1,270). There were no political donations during the year (1996 £ 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 1997

Post balance sheet events

Since the year end the Group has :

1. Acquired 80% of the share capital of the Bidgleam Group, a travel agency Group based in the South East of England, with the remaining 20% to be acquired on the third anniversary of the acquisition. Payment for the above was made by cash and the issue of 1,750,001 ordinary shares in the Company.
2. Commenced trading of the Chelsea Megastore at Stamford Bridge.
3. Acquired the registration of four International players, and sold one.
4. Opened the new Umbro South Stand, with its extensive conference and banqueting facilities.
5. Commenced construction of phase 1 of the new West Stand.
6. Undertook the initial drawdown of the loan from MeesPierson / National Westminster plc for the Hotel and Apartment complex

Significant shareholdings

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

Swan Management Ltd	32.3%
N Y Nominees Ltd	25.8%
Haverling Ltd	4.7%

Corporate governance

The Directors take the view that since the Company's admission to the Alternative Investment Market it should comply with the Cadbury Committee's Code of Best Practice

The Board consists of two 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 three non executive directors, one of whom acts as Chairman. Each Committee has formal terms of reference approved by the Board.

The Audit Committee meets at least quarterly and has responsibility to monitor controls established to ensure the integrity of the financial information reported to the Shareholders.

The Remuneration Committee advises executive directors and the Board on the remuneration of senior executives of the Group. A Nominations Committee has not been established because the approval and appointment of directors is considered to be a matter for the entire Board.

CHELSEA VILLAGE plc
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 1997

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.

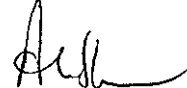
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CHELSEA VILLAGE plc
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 1997

Auditors

Messrs Hargreaves, Brown & Benson are to resign as auditors with effect from 24 October 1997. They have certified that there are no circumstances connected with the resignation which should be brought to the notice of members or creditors of the Company. Messrs Saffrey Champness, who have indicated their willingness to accept the appointment, have been appointed by the Directors to fill this casual vacancy. This appointment will be put before the members at the next Annual General Meeting.

Signed on behalf of the
Board of Directors



A.L. Shaw
Company Secretary

24 October 1997

CHELSEA VILLAGE plc
AUDITORS' REPORT TO THE MEMBERS OF CHELSEA VILLAGE plc
FOR THE YEAR ENDED 30 JUNE 1997

We have audited the financial statements on pages 7 to 32 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 the Company and Group affairs as at 30 June 1997 and of its loss 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

24 October 1997

CHELSEA VILLAGE plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1997

	Note	1997 £'000	1996 £'000
Turnover	2	23,729	15,948
Direct operating costs		(15,673)	(10,593)
Gross profit		8,056	5,355
Administrative expenses		(5,885)	(4,701)
Profit before interest and player amortisation	4	2,171	654
Player amortisation	3	(1,921)	(2,635)
Operating profit		250	(1,981)
Interest receivable and similar income	8	434	79
Provision for diminution in investment		-	(4)
Interest payable	9	(1,060)	(1,048)
		(626)	(973)
Loss on ordinary activities before taxation		(376)	(2,954)
Taxation	10	-	-
Loss on ordinary activities after taxation	26	(376)	(2,954)
Retained profit brought forward		2,418	5,372
Retained profit carried forward		2,042	2,418
Loss per share	12	(0.24p)	(2.47p)

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 1997

	1997 £'000	1996 £'000
Loss for the financial year	(376)	(2,954)
Unrealised (deficit) / surplus on revaluation of short leasehold properties	(4,499)	2,199
Unrealised surplus / (deficit) on revaluation of freehold properties	4,931	(2)
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	<hr/> 56	<hr/> (757)

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

Movement 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 1997

	Note	Group		Company	
		1997 £'000	1996 £'000	1997 £'000	1996 £'000
Fixed assets					
Intangible assets	13	16,316	6,193	-	-
Tangible assets	14	62,355	36,551	12,606	6,848
Investments	15	-	-	21,088	20,613
		78,671	42,744	33,694	27,461
Current assets					
Stock	16	32	30	-	-
Debtors	17	6,613	1,998	1,187	32
Short term development	18	1,110	131	555	131
Cash at bank and in hand		5,195	43	14,560	1
		12,950	2,202	16,302	164
Creditors :					
Amounts falling due within one year	19	(18,274)	(6,063)	(955)	(598)
Income in advance	19	(8,399)	(2,985)	-	-
		(26,673)	(9,048)	(955)	(598)
Net current liabilities		(13,723)	(6,846)	15,347	(434)
Total assets less current liabilities		64,948	35,898	49,041	27,027
Creditors :					
Amounts falling due after one year	20	14,028	9,349	785	2,268
Convertible Liabilities	21	-	2,000	-	2,000
Football Trust grants	23	3,000	2,800	-	-
Capital and reserves					
Called up share capital	25	1,561	1,194	1,561	1,194
Share premium account	26	34,648	8,900	34,648	8,900
Revaluation reserve	26	9,669	9,237	6,753	6,610
Profit and loss account	26	2,042	2,418	5,294	6,055
Shareholders' funds	26	47,920	21,749	48,256	22,759
		64,948	35,898	49,041	27,027

These financial statements were approved by the Board of Directors on 24 October 1997

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 1997

	Note	1997 £'000	1996 £'000
Cash flow from operating activities	27.1	19,332	3,965
Returns on investments and servicing of finance	27.2	(626)	(969)
Capital expenditure and financial investment	27.2	(35,896)	(8,021)
Acquisitions and disposals	27.2	(898)	-
Cash outflow before use of liquid resources and financing		(18,088)	(5,025)
Management of liquid resources	27.2	(5,036)	522
Financing : Issue of shares	27.2	24,115	1,112
Reduction in debt	27.2	(78)	2,646
		24,037	3,758
		913	(745)
Reconciliation of net cash flow to movement in net debt	27.3		
Increase / (decrease) in cash in year		913	(745)
Cash outflow / (inflow) from reduction in debt and lease financing		78	(2,646)
Cash outflow / (inflow) from increase / decrease in liquid resources		5,036	(522)
Change in net debt resulting from cash flows		6,027	(3,913)
New hire purchase and finance leases		(2,147)	(770)
Loans converted to share capital		2,000	5,000
Movement in net debt in period		5,880	317
Net debt at 1 July 1996		(12,882)	(13,199)
Net debt at 30 June 1997		(7,002)	(12,882)

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

CHELSEA VILLAGE PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

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 1997.

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%
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CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

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 1997

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) Commercial rights

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

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

2. Turnover

Turnover (excluding value added tax) represents the following :

	1997 £'000	1996 £'000
Primary football activities	21,899	14,756
Property leasing	297	202
Catering facilities	1,485	916
Event organisations	48	74
	<hr/>	<hr/>
	23,729	15,948
	<hr/>	<hr/>

All turnover arises in the United Kingdom.

3. Transfer fees

Amortisation of cost of players' registrations	5,881	3,723
Gain on disposal of players' registrations	(3,960)	(1,088)
	<hr/>	<hr/>
	1,921	2,635
	<hr/>	<hr/>

4. Operating profit / (loss)

This is stated after charging :

Depreciation of tangible fixed assets :		
Owned	134	102
Leased	114	23
Amortisation of Other Intangible Fixed Assets	499	-
Operating lease rentals :		
Land and buildings	1,720	1,704
Other	4	98
Auditors remuneration and expenses		
Audit	64	46
Other	9	40
	<hr/>	<hr/>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

5. Staff numbers and costs	1997 No.	1996 No.
The average number of employees of the Group during the year was as follows :		
Playing staff, managers and coaches	58	64
Ground staff	8	8
Administration and commercial	59	48
	<u>125</u>	<u>120</u>
The aggregate payroll costs of these employees were as follows :		
	£'000	£'000
Wages and salaries	13,426	8,261
Social Security costs	1,315	839
Other pension costs	132	119
	<u>14,873</u>	<u>9,219</u>
6. Directors' emoluments		
Other emoluments	65	102
Company contributions to		
Money purchase pension scheme	8	6
Gain made on exercise of share options	<u>375</u>	<u>-</u>
	<u>448</u>	<u>108</u>
On 18 December 1996 Mr. K. W. Bates transferred the benefits under a share option agreement over 7,500,000 shares for 5p per share which gave rise to a profit of £375,000.		
The emoluments of the chairman was	<u>376</u>	<u>1</u>
The emoluments of the highest paid director was	<u>64</u>	<u>61</u>
Other directors emoluments were within the following ranges :		
£ 0 - £ 5,000	4	4
£ 35,001 - £ 40,000	<u>-</u>	<u>1</u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

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 1997 the Group expended £ 122,425 (1996 £ 135,719) in respect of publicity and promotion of the Group's business, under the principal terms of that contract.

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 1997 was £ 2,917 (1996 £ 7,917)

In June 1996 Rysaffe Ltd had provided a £ 2,000,000 loan facility to the Company which was converted into ordinary shares of 1p each in the Company at 60p per share on 12 August 1996.

	1997 £'000	1996 £'000
8. Interest receivable		
Bank interest	434	79
	<hr/> 434	<hr/> 79

9. Interest payable and similar charges

Interest payable on bank loans and overdrafts :		
repayable within five years	251	516
repayable after five years	322	144
Other loans	36	7
Finance lease charges	451	381
	<hr/> 1,060	<hr/> 1,048

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

10. Taxation

No liability to corporation tax has arisen due to losses incurred and the availability of group relief. (1996 £ nil)

11. Loss for the financial year

The loss for the financial year of the Group includes a profit of £ 289,690 (1996 loss £ 121,287) dealt with in the individual accounts of Chelsea Village plc.

12. Loss per share

The calculation of loss per share is based on the loss for the year of £ 375,723 (1996 loss £ 2,954,480) and on 156,081,152 (1996 119,401,200) ordinary shares in issue.

13. Intangible fixed assets

Group	Other Intangibles £'000	Cost of Players' Registrations £'000	Total £'000
Cost			
At 1 July 1996	-	13,621	13,621
Additions	1,018	17,310	18,328
Disposals	-	(5,574)	(5,574)
At 30 June 1997	1,018	25,357	26,375
Amortisation			
At 1 July 1996	-	7,428	7,428
Charge for the year	499	5,881	6,380
Disposals	-	(3,749)	(3,749)
At 30 June 1997	499	9,560	10,059
Net Book Value			
At 30 June 1996	-	6,193	6,193
At 30 June 1997	519	15,797	16,316

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

14. Tangible fixed assets

Group	Land and Buildings £'000	Plant and Equipment £'000	Site Development Costs £'000	Total £'000
Cost / valuation				
At 1 July 1996	35,220	777	813	36,810
Additions	15,753	1,623	8,400	25,776
Revaluation	432	-	-	432
Umbro contribution	(75)	-	-	(75)
Transfer to short term development	(81)	-	-	(81)
At 30 June 1997	51,249	2,400	9,213	62,862
Amortisation				
At 1 July 1996	4	255	-	259
Charge for the year	8	240	-	248
At 30 June 1997	12	495	-	507
Net Book Value				
At 30 June 1996	35,216	522	813	36,551
At 30 June 1997	51,237	1,905	9,213	62,355
Cost or valuation comprises :				
At cost	3,874	2,400	9,213	15,487
At 30 June 1997 valuation	47,375	-	-	47,375
At 30 June 1997	51,249	2,400	9,213	62,862
The net book value of land and buildings comprises :		1997 £'000		1996 £'000
Freehold land and buildings		11,558		2,705
Long leasehold building		-		81
Short leasehold land and buildings		39,679		32,430
		51,237		35,216

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

14. Tangible fixed assets (cont.)

Company

	Land and Buildings £'000	Plant and Equipment £'000	Site Development Costs £'000	Total £'000
Cost / valuation				
At 1 July 1996	5,351	828	706	6,885
Additions	3,663	71	547	4,281
Revaluation	211	-	-	211
Group transfers	(81)	-	1,391	1,310
At 30 June 1997	9,144	899	2,644	12,687
Amortisation				
At 1 July 1996	-	37	-	37
Charge for the year	-	44	-	44
At 30 June 1997	-	81	-	81
Net Book Value				
At 30 June 1996	5,351	791	706	6,848
At 30 June 1997	9,144	818	2,644	12,606
Cost or valuation comprises :				
At cost	-	899	2,644	3,543
At 30 June 1997 valuation	9,144	-	-	9,144
At 30 June 1997	9,144	899	2,644	12,687

The net book value of land and buildings comprises :

	1997 £'000	1996 £'000
Freehold land and buildings	8,844	250
Long leasehold building	-	81
Short leasehold land and buildings	300	5,020
	9,144	5,351

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

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 club shop and stadium was valued by Chesterton plc, International Property Consultants as at 30 June 1997 in the sum of £ 47,747,031 in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Included within this valuation are ;

The stadium was valued at £ 27,362,031 calculated on a depreciated replacement cost basis.

The Club Shop, which has been valued at £4,190,000 calculated to existing use value as have the hotel, office block site and car park.

The open market value of the Groups freehold interest in the leisure developments and the Groups freehold and leasehold residential properties were valued by Rawley & Co., Surveyors, Valuers and Property Consultants as at 30 June 1997 in the sum of £ 3,765,000 in accordance with the Appraisal and Valuation Manual 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 1997 in the sum of £ 7,843,541 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 freehold interest in the leisure developments were valued by Rawley & Co., Surveyors, Valuers and Property Consultants as at 30 June 1997 in the sum of £ 1,300,000 in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Group	1997 £'000	1996 £'000
Included in revalued land and buildings are :		
Finance arrangement costs	184	69
Interest payable	70	70
	<hr/>	<hr/>
	254	139
	<hr/>	<hr/>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1997

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	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Cost				
Freehold property	11,481	2,332	8,945	204
Short leasehold property	29,594	23,676	-	5,078
Long leasehold property	-	81	-	81
	<u>41,075</u>	<u>26,089</u>	<u>8,945</u>	<u>5,363</u>
Depreciation				
Freehold property	675	-	675	-
Short leasehold property	206	870	-	675
Long leasehold property	-	-	-	-
	<u>881</u>	<u>870</u>	<u>675</u>	<u>675</u>
Net book value				
Freehold property	10,806	2,332	8,270	204
Short leasehold property	29,388	22,806	-	4,403
Long leasehold property	-	81	-	81
	<u>40,194</u>	<u>25,219</u>	<u>8,270</u>	<u>4,688</u>
Included in fixed assets are assets which are held under finance leases and hire purchase contracts as follows :				
Net book value	<u>6,182</u>	<u>4,148</u>	<u>752</u>	<u>781</u>
Depreciation charged in the year	<u>114</u>	<u>23</u>	<u>38</u>	<u>23</u>

CHELSEA VILLAGE plc
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15. Fixed asset investments

Company	Shares £'000	Current Accounts £'000	Total £'000
Investment in subsidiary undertakings			
Cost / valuation			
At 1 July 1996	7,264	13,445	20,709
Additions	-	-	-
Disposals	-	-	-
Revaluation	(68)		(68)
Movement during the year	-	1,593	1,593
At 30 June 1997	<u>7,196</u>	<u>15,038</u>	<u>22,234</u>
Provision for diminution			
At 1 July 1996	1	95	96
Release	-	-	-
Charge during the year	-	1,050	1,050
At 30 June 1997	<u>1</u>	<u>1,145</u>	<u>1,146</u>
Net book value			
At 30 June 1996	<u>7,263</u>	<u>13,350</u>	<u>20,613</u>
At 30 June 1997	<u>7,195</u>	<u>13,893</u>	<u>21,088</u>

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

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
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	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
16. Stocks				
Food and beverages	32	30	-	-
17. Debtors				
Trade debtors	3,610	1,810	1	-
Other debtors	2,045	45	826	30
Prepayments and accrued income	958	143	360	2
	6,613	1,998	1,187	32
Included in the above are the following amounts which are due after one year :				
Other debtors	-	4	-	3
Prepayments and accrued income	174	-	-	-
	174	4	-	3
Included in Group prepayments is pre - opening expenditure of £174,043 in respect of the Hotel. This will be amortised over a period of five years once the Hotel has commenced trading.				
18. Current asset investments				
Unlisted investments	-	131	-	131
Short term development	1,110	-	555	-
	1,110	131	555	131
The property development held for resale is due for completion in October 1997. It represents the development of 8 residential apartments which will be sold on long term leases.				
19. Creditors :				
Amounts falling due within one year :				
Bank loans and overdrafts	671	864	24	180
Trade creditors	12,414	2,261	147	87
Corporation tax	147	101	-	-
Other loans	100	100	-	-
Other creditors	863	311	-	-
Other tax and social security	1,788	1,033	12	10
Accruals and deferred income	1,019	667	654	223
Hire purchase and finance lease obligations	1,272	726	118	98
	18,274	6,063	955	598
Payments received in advance	8,399	2,985	-	-
	26,673	9,048	955	598

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	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
20. Creditors :				
Amounts falling due after one year				
Bank loans and overdrafts	7,028	6,752	78	1,102
Payments received in advance	65	115	-	-
Trade creditors	3,796	-	-	-
Other loans	25	125	-	-
Other creditors	12	-	-	-
Amounts owed to group undertakings	-	-	192	541
Hire purchase and finance lease obligations	3,102	2,357	515	625
	<u>14,028</u>	<u>9,349</u>	<u>785</u>	<u>2,268</u>

Other loans represent an interest free loan of £ 125,000 (1996 £ 225,000) to Chelsea Football Club Limited from the Football Trust.

21. Convertible liabilities

Loan stock (note 7)	-	2,000	-	2,000
	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>

The loan stock was converted into 3,333,333 ordinary 1p shares on 12 August 1996 at 60p per share.

CHELSEA VILLAGE plc
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22. Borrowings and secured liabilities

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
The aggregate borrowings amounted to:				
Bank loans and overdrafts	7,699	7,616	102	1,281
Hire purchase and finance lease obligations	4,374	3,083	633	723
Convertible unsecured loan stock	-	2,000	-	2,000
Other loans	125	225	-	-
	<u>12,198</u>	<u>12,924</u>	<u>735</u>	<u>4,004</u>

Which are repayable as follows :

Within one year or on demand

Bank loans and overdrafts	671	864	24	179
Hire purchase and finance lease obligations	1,272	726	118	98
Other loans	100	100	-	-
	<u>2,043</u>	<u>1,690</u>	<u>142</u>	<u>277</u>

Between two and five years

Bank loans	5,203	4,602	78	1,102
Hire purchase and finance lease obligations	3,046	2,195	459	464
Other loans	25	125	-	-
Convertible loan stock	-	2,000	-	2,000
	<u>10,317</u>	<u>10,612</u>	<u>679</u>	<u>3,843</u>

After five years

Bank loans	1,825	2,150	-	-
Convertible unsecured loan stock	-	-	-	-
Hire purchase and finance lease obligations	56	162	56	161
	<u>12,198</u>	<u>12,924</u>	<u>735</u>	<u>4,004</u>

Obligations under finance leases and hire purchase contracts are secured by the related leased assets. Liabilities under hire purchase agreements amounting to £ 2,506,557 are further secured by an assignment and first fixed and floating legal and equitable charge over all rights and monies due to the Group under a sponsorship agreement dated 30 November 1995.

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.

A bank loan of £3,300,000 being the amount drawn down at 30 June 1997 out of a total development loan facility of £9,000,000 is secured by a debenture dated 16 October 1966 giving fixed and floating charges over the undertaking, and all property and assets present and future. The total facility is repayable as follows :

	£'000
Within one year	500
Between two and five years	4,000
After five years	4,500
	<u>9,000</u>

The portion of the Bank loan due after five years is repayable in equal quarterly instalments up to, and including 30 June 2006

CHELSEA VILLAGE plc
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22. Borrowings and secured liabilities (cont.)

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£

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	1,175	850	-	-
Hire purchase and finance lease liabilities	539	377	539	377
	<u>1,714</u>	<u>1,227</u>	<u>539</u>	<u>377</u>

Due after five years

Bank loans	1,825	2,150	-	-
Hire purchase and finance lease liabilities	56	161	56	161
	<u>1,881</u>	<u>2,311</u>	<u>56</u>	<u>161</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	275,000	-	-
30 June 2002	325,000	325,000	-	-
30 June 2003	350,000	350,000	-	-
30 June 2004	375,000	375,000	-	-
30 June 2005	425,000	425,000	-	-
30 June 2006	450,000	450,000	-	-
30 June 2007	225,000	225,000	-	-

The year end rate of interest on the underlying borrowings is 9.41489%, 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 31 December 2006.

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%

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	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
23. Football trust grants				
Grants receivable	3,000	2,800	-	-

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 31%, is as follows :

Accelerated capital allowances	653	1,314	(3)	(1)
Taxation losses	(4,737)	(2,710)	(132)	(241)
Short term timing differences	-	-	-	-
Other timing differences	4,834	2,044	-	-
	750	648	(135)	(242)
Property and investment revaluations	3,341	3,622	2,444	2,601
	4,091	4,270	2,309	2,359

25. Share capital

	1997		1996	
	Number	£	Number	£
Ordinary shares of 1p each				
Authorised	170,000,000	1,700	170,000,000	1,700
Allotted, issued and fully paid	156,081,100	1,561	119,401,241	1,194

Ordinary share capital was issued during the year to provide funds for the continuing development of the site, and the exercising of part of the company's option to acquire the freehold of the site.

CHELSEA VILLAGE plc
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26. 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 1995	1,026	2,955	7,040	5,372	16,393
Loss for the financial year	-	-	-	(2,954)	(2,954)
Unrealised surplus on revaluation of property	-	-	2,197	-	2197
Issue of share capital	168	5,945	-	-	6,113
Balance at 30 June 1996	1,194	8,900	9,237	2,418	21,749
Loss for the financial year	-	-	-	(376)	(376)
Unrealised surplus on revaluation of property	-	-	432	-	432
Issue of share capital	367	25,925	-	-	26,292
Issue costs	-	(177)	-	-	(177)
Equity shareholders funds at 30 June 1997	1,561	34,648	9,669	2,042	47,920
Company					
Balance at 30 June 1995	1,026	2,955	7,511	(1,051)	10,441
Loss for the financial year	-	-	-	(121)	(121)
Unrealised deficit on revaluation of property	-	-	(30)	-	(30)
Issue of share capital	168	5,945	-	-	6,113
Investment revaluation	-	-	6,356	-	6,356
Realised surplus on disposal of investment	-	-	(7,227)	7,227	-
Balance at 30 June 1996	1,194	8,900	6,610	6,055	22,759
Profit for the financial year	-	-	-	(761)	(761)
Unrealised surplus on revaluation of property	-	-	211	-	211
Issue of share capital	367	25,925	-	-	26,292
Investment revaluation	-	(177)	-	-	(177)
Realised surplus on disposal of investment	-	-	(68)	-	(68)
Equity shareholders funds at 30 June 1997	1,561	34,648	6,753	5,294	48,256

CHELSEA VILLAGE plc
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27.1 Reconciliation of operating profit to operating cash flows	1997 £'000	1996 £'000
Operating profit / (loss)	250	(1,981)
Depreciation charges	248	126
Profit in sale of Intangible Fixed Assets	(3,960)	(1,088)
Amortisation of players' registrations	5,881	3,723
Amortisation of commercial rights	499	-
Increase in stocks	(2)	(19)
(Increase) / decrease in debtors	(4,620)	399
Increase in creditors	21,036	2,805
	<hr/>	<hr/>
Net cash inflow from operating activities	19,332	3,965
	<hr/>	<hr/>
27.2 Analysis of cash flows for headings netted in the Cash Flow Statement		
Returns on investments and servicing of finance		
Interest received	434	79
Interest paid	(609)	(667)
Interest element of finance lease rental payments	(451)	(381)
	<hr/>	<hr/>
	(626)	(969)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(23,554)	(5,506)
Purchase of : intangible fixed assets	(18,328)	(4,841)
contract settlements	(879)	(124)
Grants received	200	200
Sale of intangible fixed assets	6,665	2,250
	<hr/>	<hr/>
	(35,896)	(8,021)
	<hr/>	<hr/>
Acquisitions and disposals		
Cost of short term development	(1,029)	-
Sale of interest in joint venture	131	-
	<hr/>	<hr/>
Net cash outflow for acquisitions and disposals	(898)	-
	<hr/>	<hr/>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
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**27.2 Analysis of cash flows for headings netted
in the Cash Flow Statement (cont.)**

	1997		1996	
	£'000	£'000	£'000	£'000
Management of liquid resources				
Cash deposited on 7 day deposit		<u>(5,036)</u>		<u>522</u>
Net cash outflow from management of liquid resources		<u>(5,036)</u>		<u>522</u>
Financing				
Issue of ordinary share capital		24,115		1,112
Debt due within one year				
Increase in short term borrowings	479		202	
Repayment of short term borrowings	(100)		(2,580)	
Debt due after one year				
New secured loan	2,800		5,649	
Repayment of secured loan	(1,400)		-	
Repayment of unsecured loan	(1,000)		-	
Hire purchase and capital element of finance lease rental payments	<u>(856)</u>	<u>(77)</u>	<u>(625)</u>	<u>2,646</u>
		<u>24,038</u>		<u>3,758</u>

CHELSEA VILLAGE plc
NOTES TO THE FINANCIAL STATEMENTS
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27.3 Analysis of net debt	At 1 July 1996 £'000	Cash flow £'000	Other non - cash changes £'000	At 1 July 1997 £'000
Cash at bank and in hand	43	117	-	160
Bank overdrafts	(843)	796	-	(47)
		<u>913</u>		
Convertible loan	(2,000)	-	2,000	-
Debt due within one year	(6,877)	(400)	224	(7,053)
Debt due after one year	(122)	(378)	(224)	(724)
Hire purchase and finance leases	(3,083)	856	(2,147)	(4,374)
		<u>78</u>		
Current asset : 7 day deposit	-	5,036	-	5,036
	<u>(12,882)</u>	<u>6,027</u>	<u>(147)</u>	<u>(7,002)</u>

27 Major non - cash transactions

- a) During the year the Group entered into hire purchase and finance lease arrangements in respect of assets with a total capital value at the inception of the agreements and leases of £2,147,320. (1996 £ 770,000)
- b) During the year a £ 2,000,000 convertible loan was converted into ordinary share capital of the Company.
- c) During the preceeding year £ 5,000,000 loan stock 2008 was converted into ordinary share capital of the Company.

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NOTES TO THE FINANCIAL STATEMENTS
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28. Capital commitments

The annual commitments under non-cancellable operating leases are :

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Land and buildings :				
Leases expiring within one year	-	60	-	-
Leases expiring within two to five years	12	12	-	-
Leases expiring in more than five years	1,725	2,038	1,179	1,557
	<u>1,737</u>	<u>2,110</u>	<u>1,179</u>	<u>1,557</u>
Other				
Leases expiring within two to five years	<u>9,514</u>	<u>9,891</u>	<u>-</u>	<u>-</u>
Capital expenditure commitments were as follows :				
Contracted for but not provided	21,500	360	-	-
Authorised but not contracted for	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>

CHELSEA VILLAGE plc
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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 1997 was £ 15,721,495.
- b) The Company has guaranteed a hire purchase liability of a subsidiary undertaking. The amount covered by this guarantee at 30 June 1997 was £2,506,557.
- 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 May 1998, then the whole or a part of the grants may become repayable.
- d) The Inland Revenue has made estimated assessments on the Company, which if successful would in the worst case give rise to a tax charge of £1,250,000. The Company considers the assessments have no merit and disagree that a charge arises.
The Directors have sought professional taxation advice when formulating the Company's tax liability however, the Inland Revenue are disputing the treatment of a subsidiary company's expenditure which, if successful, would result in deferred taxation losses being reduced to £ nil and a tax charge of £695,000 being payable. All advice taken confirms this view has no grounds and the Directors are firmly of the same opinion.

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 £ 131,730 (1996 £ 119,017) is payable to these funds.

31. Post balance sheet events

Since 30 June 1997 the Group has acquired the registrations of four professional football players and sold one other. The net expenditure of these transfers was £ 5.3m.

The Company has acquired 80% of the entire share capital of the Bidgleam Group of Companies. The cost of this investment was £2,319,001, with a commitment to acquire the remaining 20% within a period of 3 years at a price determined by that Groups profit performance.
The purchase consideration was paid by the issues of 1,750,001 shares at £1.20 each and cash of £219,000.

CHELSEA VILLAGE PLC
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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 management
Chelsea Communications Limited	Publications, Radio and Internet operations
Chelsea Village Catering Limited	Catering services
Chelsea Village Hotel Limited	Hotel development
Chelsea Village Merchandising Limited	Merchandising and Mail Order
Chelsea Events Limited	Event organisation
Fulham Securities Limited	Property lessors and development
Stamford Bridge Properties Limited	Property lessors
Stamford Bridge Securities Limited	Property lessors and development

Dormant

Arkles Limited
Chelsea Limited
Chelsea Caterers Limited
Chelsea Financial Consultants Limited
Chelsea Garden Village Limited
Chelsea Leisure Services Limited
Chelsea Pacific Limited
Chelsea Pensioner Limited
Chelsea Television Limited
Chelsea T.V. Limited
Chelsea Village Contractors Limited
Chelsea Village Management Limited
Chelsea Vintners Limited
Chelsea Worldwide Travel Limited
London Voice Limited
Midnight At Chelsea Limited
The Chelsea Style Limited
Virjeans 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.