

CHELSEA PITCH OWNERS PLC

FINANCIAL STATEMENTS

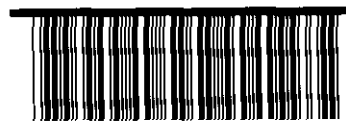
30 JUNE 1999

Registered number: 2800546

SEWELL ACCOUNTANCY

COMMERCIAL ACCOUNTANTS

Walton-on-Thames



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COMPANIES HOUSE

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CHELSEA PITCH OWNERS PLC
FINANCIAL STATEMENTS
for the year ended 30 June 1999

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The following page does not form part of the statutory accounts

| | |
|---|------------|
| Detailed trading and profit and loss account | Appendix 1 |
|---|------------|

CHELSEA PITCH OWNERS PLC

COMPANY INFORMATION

30 June 1999

| | |
|-------------------|---|
| INCORPORATED | England on 11 March 1993 |
| NUMBER | 2800546 |
| CHAIRMAN | Mr S J Frankham |
| OTHER DIRECTORS | Mr G Bell Ms B Charone Mr R G Hockings Mr D F Wise |
| SECRETARY | Mr R J Sewell |
| REGISTERED OFFICE | Stamford Bridge Grounds Fulham Road London SW6 1HS |
| BANKERS | Lloyds Bank plc Willesden Green Branch 1 Walm Lane London NW2 5SN |
| SOLICITORS | Mark Taylor & Company The Third Floor Stamford Bridge Fulham Road London SW6 1HS |
| ACCOUNTANTS | Sewell Accountancy Commercial Accountants First Floor, Brassey House New Zealand Avenue Walton-on-Thames Surrey KT12 1QD |
| AUDITORS | Hannaways Chartered Accountants and Registered Auditors Trios House Reform Road Maidenhead Berkshire SL6 8BY |

CHELSEA PITCH OWNERS PLC

DIRECTORS' REPORT

30 June 1999

The directors present their report and the audited financial statements for the year ended 30 June 1999.

Principal activity

The principal activity of the company remains that of acquiring the freehold interest in the land upon which Chelsea Football Club is situate and to ensure that the land is available for use as a football stadium and unavailable for any other use.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £880,255.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

| | 30 June 1999 Ordinary shares | 1 July 1998 Ordinary shares |
|-----------------|------------------------------------|-----------------------------------|
| Mr S J Frankham | 20 | 20 |
| Mr G Bell | 80 | 80 |
| Ms B Charone | 1 | 1 |
| Mr R G Hockings | 1 | 1 |
| Mr D F Wise | 1 | 1 |

In accordance with the Articles of Association, all the directors retire by rotation and offer themselves for re-election.

Future developments and Review of the past year

Shares continue to sell at a steady rate with the total number sold to date being 9,405.

The standing order scheme continues to flourish and is working satisfactorily alongside the Pay When You Can scheme.

We agreed to undertake the administration of the Football Club Lottery which has increased the revenue to the company considerably.

We also will continue to raise funds from the Chelsea Credit Card commission and matchday raffles. In addition we ran a very successful Anglo/Italian theme lunch in September 1999 and are actively looking to expand our event management in the coming months.

continued

CHELSEA PITCH OWNERS PLC

DIRECTORS' REPORT
(continued)

30 June 1999

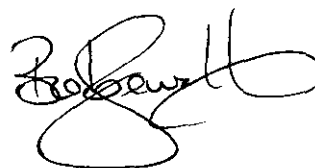
Share capital

The company issued a further 698 ordinary shares of £100 each during the year.

Auditors

Hannaways have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

A handwritten signature in black ink, appearing to read 'R J Sewell', with a large, stylized flourish at the end.

Mr R J Sewell
Secretary

Stamford Bridge Grounds
Fulham Road
London
SW6 1HS

3 November 1999

CHELSEA PITCH OWNERS PLC

STATEMENT OF 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the 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 to 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.

3 November 1999

On behalf of the board



Mr S J Frankham
Chairman

CHELSEA PITCH OWNERS PLC

AUDITORS' REPORT

Auditors' report to the members of

Chelsea Pitch Owners plc

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, 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 circumstances, consistently applied and adequately disclosed.

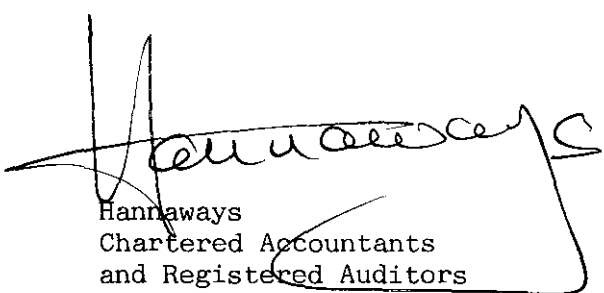
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from omission of consolidated accounts

As explained in note 17, consolidated accounts have not been prepared as required by Financial Reporting Standard 2. The subsidiary company did not trade from the date of acquisition and, as shown in note 17, the net assets of the subsidiary were not material.

Except for the failure to prepare consolidated accounts, in our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Maidenhead
3 November 1999



Hannaways
Chartered Accountants
and Registered Auditors

CHELSEA PITCH OWNERS PLC

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1999

| | Note | 1999 £ | 1998 £ |
|--|------|-----------|-----------|
| Turnover | 2 | 126,694 | 67,867 |
| Cost of sales | | (24,132) | (18,853) |
| Gross profit | | 102,562 | 49,014 |
| Net operating expenses | | | |
| Administrative expenses | | (96,581) | (39,948) |
| Operating profit | 3 | 5,981 | 9,066 |
| Investment income | 5 | 7,882 | 20,009 |
| Profit on ordinary activities before taxation | | 13,863 | 29,075 |
| Taxation | 6 | (1,724) | (4,158) |
| Profit on ordinary activities after taxation | | 12,139 | 24,917 |
| retained for the year | 15 | | |

Movements in reserves are shown in note 15.

None of the company's activities were acquired or discontinued during the above two financial years.

There were no recognised gains and losses in 1999 or 1998 other than the profit for the year.

CHELSEA PITCH OWNERS PLC

BALANCE SHEET

at 30 June 1999

| | Note | £ | 1999 | £ | £ | 1998 | £ |
|---|------|------------|-------------------|-------------------|------------|-------------------|-------------------|
| Fixed assets | | | | | | | |
| Tangible assets | 7 | | | 728 | | | 970 |
| Investments | 8 | | | 101 | | | 1 |
| | | | | <u>829</u> | | | <u>971</u> |
| Current assets | | | | | | | |
| Debtors | 9 | 10,095,267 | | | 10,068,552 | | |
| Cash at bank and in hand | | | 60,960 | | | 136,825 | |
| | | | <u>10,156,227</u> | | | <u>10,205,377</u> | |
| Creditors: amounts falling due within one year | 10 | (17,931) | | | | (17,290) | |
| Net current assets | | | | <u>10,138,296</u> | | | <u>10,188,087</u> |
| Total assets less current liabilities | | | | <u>10,139,125</u> | | | <u>10,189,058</u> |
| Creditors: amounts falling due after more than one year | 11 | | (9,258,870) | | | (9,390,743) | |
| | | | | <u>880,255</u> | | | <u>798,315</u> |
| Capital and reserves | | | | | | | |
| Called up share capital | 14 | | | 903,100 | | | 833,300 |
| Profit and loss account | 15 | | | (22,845) | | | (34,985) |
| Total shareholders' funds | 13 | | | <u>880,255</u> | | | <u>798,315</u> |

The financial statements on pages 5 to 15 were approved by the board of directors on 3 November 1999 and signed on its behalf by:



Mr S J Frankham
Chairman

CHELSEA PITCH OWNERS PLC

CASH FLOW STATEMENT

for the year ended 30 June 1999

| | Note | £ | 1999 | £ | £ | 1998 | £ |
|--|------|-----------|----------|----------|-----------|--------------|---|
| Net cash outflow from operating activities | 16 | | (17,410) | | | (10,001,912) | |
| Returns on investments and servicing of finance | | | | | | | |
| Interest received | | 6,907 | | | 19,802 | | |
| Other returns | | 239 | | | 207 | | |
| | | | | 7,146 | | 20,009 | |
| Taxation | | | | | | | |
| Corporation tax paid | | | (4,164) | | | (6,336) | |
| Capital expenditure and financial investment | | | | | | | |
| Purchase of fixed asset investments | | (100) | | | (1) | | |
| Sale of investments | | 736 | | | - | | |
| | | | | 636 | | (1) | |
| | | | (13,792) | | | (9,988,240) | |
| Financing | | | | | | | |
| Issue of share capital | | 69,800 | | | 102,100 | | |
| Debt due beyond a year: | | | | | | | |
| Other loan (repayments)/advances | | (131,873) | | | 9,390,743 | | |
| | | | | (62,073) | | 9,492,843 | |
| Decrease in cash | | | (75,865) | | | (495,397) | |

CHELSEA PITCH OWNERS PLC

NOTES ON FINANCIAL STATEMENTS

30 June 1999

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

| | |
|-----------------------|---------------------------|
| Fixtures and fittings | 25% on written down value |
|-----------------------|---------------------------|

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

2 Turnover

The whole of the turnover is attributable to the UK market.
The turnover attributable to the different classes of the company's business are:

| | 1999 £ | 1998 £ |
|------------------------------------|----------------|---------------|
| By activity | | |
| Sales of tickets for events | 29,949 | 21,055 |
| Credit card income | 16,134 | 29,441 |
| Sundry income inc auctions/raffles | 19,567 | 17,371 |
| Lottery management fees | 61,044 | - |
| | <u>126,694</u> | <u>67,867</u> |

3 Operating profit

| | 1999 £ | 1998 £ |
|---|--------------|--------------|
| Operating profit is stated after charging: | | |
| Auditors' remuneration | <u>2,500</u> | <u>2,500</u> |
| Depreciation of tangible fixed assets (note 7): | | |
| Owned assets | <u>243</u> | <u>324</u> |

CHELSEA PITCH OWNERS PLC

NOTES ON FINANCIAL STATEMENTS

30 June 1999

4 Directors and employees

| | 1999 Number | 1998 Number |
|---|----------------|----------------|
| Average monthly number employed including executive directors: | | |
| Office and management | 2 | 1 |
| Directors | 5 | 5 |
| | <u>7</u> | <u>6</u> |

5 Investment income

| | 1999 £ | 1998 £ |
|--------------------------|--------------|---------------|
| Interest receivable | 6,907 | 19,802 |
| Other non-trading income | 975 | 207 |
| | <u>7,882</u> | <u>20,009</u> |

The figure shown above includes the sum of £239 relating to dividends received from Halifax plc. The figure also includes £736 which arose on the conversion of the Halifax plc shares to Halifax Group plc shares.

6 Taxation

| | 1999 £ | 1998 £ |
|---|--------------|--------------|
| Corporation tax on profit on ordinary activities at 21% (1998 21%) | 1,586 | 4,158 |
| Under provision in earlier years | 138 | - |
| | <u>1,724</u> | <u>4,158</u> |

CHELSEA PITCH OWNERS PLC

NOTES ON FINANCIAL STATEMENTS

30 June 1999

7 Tangible fixed assets

| | Fixtures and Fittings £ |
|------------------------|----------------------------------|
| Cost | |
| 1 July 1998 | |
| and | |
| 30 June 1999 | <u>4,427</u> |
| Depreciation | |
| 1 July 1998 | 3,457 |
| Charge for the | |
| year | <u>243</u> |
| 30 June 1999 | <u>3,700</u> |
| Net book amount | |
| 30 June 1999 | <u><u>728</u></u> |
| 1 July 1998 | <u><u>970</u></u> |

CHELSEA PITCH OWNERS PLC

NOTES ON FINANCIAL STATEMENTS

30 June 1999

8 Fixed asset investments

| | Investments other than loans | |
|-----------------------------|------------------------------------|------------|
| | 1999 | 1998 |
| | £ | £ |
| Shares in group undertaking | 1 | 1 |
| Listed investments | 100 | 100 |
| | <u>101</u> | <u>101</u> |

The company owns 100% of the ordinary share capital of Chelsea Stadium Limited (see note 17.)

During the year the company purchased 10,000 shares in Chelsea Village plc for £100. The market value of the shares at 30 June 1999 was 66.5p per share.

During the year the company converted 1181 Halifax plc shares into 1092 Halifax Group plc shares. The market value of the shares at 30 June 1999 was 757p per share. The cost of the Halifax plc shares was nil.

9 Debtors

| | 1999 £ | 1998 £ |
|-------------------------------------|-------------------|-------------------|
| Amounts falling due within one year | | |
| Trade debtors | - | 270 |
| Amounts owed by group undertakings | 10,040,743 | 10,040,743 |
| Other debtors | - | 49 |
| Prepayments and accrued income | 54,524 | 27,490 |
| | <u>10,095,267</u> | <u>10,068,552</u> |

CHELSEA PITCH OWNERS PLC

NOTES ON FINANCIAL STATEMENTS

30 June 1999

- 10 **Creditors:** amounts falling due within one year

| | 1999 £ | 1998 £ |
|------------------------------------|---------------|---------------|
| Trade creditors | 8,919 | 9,664 |
| Corporation tax | 1,586 | 4,026 |
| Other taxation and social security | 3,213 | - |
| Other creditors | 97 | - |
| Accruals and deferred income | 4,116 | 3,600 |
| | <u>17,931</u> | <u>17,290</u> |

- 11 **Creditors:** amounts falling due after more than one year

| | 1999 £ | 1998 £ |
|-----------------------------------|------------------|------------------|
| Other liabilities | | |
| Other loans | 9,258,870 | 9,390,743 |
| | <u>9,258,870</u> | <u>9,390,743</u> |
| Maturity of debt | | |
| In one year or less, or on demand | - | - |
| In more than five years | 9,258,870 | 9,390,743 |
| | <u>9,258,870</u> | <u>9,390,743</u> |

The loan was advanced by Chelsea Village plc on 17 December 1997.

The loan is repayable by the company by 14 December 2012. However, the company has an option to extend the loan period for a further 10 years and can continue to exercise this option provided that the loan is repaid within 199 years of the initial advance date of 17 December 1997.

The loan is unsecured and is interest free.

CHELSEA PITCH OWNERS PLC
NOTES ON FINANCIAL STATEMENTS

30 June 1999

12 Called up share capital

| | 1999 | | 1998 | |
|---|---------------------|------------------|---------------------|------------------|
| | Number of shares | £ | Number of shares | £ |
| Authorised | | | | |
| Authorised share capital | <u>70,000</u> | <u>7,000,000</u> | <u>70,000</u> | <u>7,000,000</u> |
| Allotted, called up and fully paid | | | | |
| Authorised share capital | <u>9,031</u> | <u>903,100</u> | <u>8,333</u> | <u>833,300</u> |

During the year 698 ordinary shares of £100 each were issued at par and fully paid.

13 Reconciliation of movements in shareholders' funds

| | 1999 £ | 1998 £ |
|--|----------------|----------------|
| Profit for the financial year | 12,139 | 24,917 |
| New share capital subscribed | <u>69,800</u> | <u>102,100</u> |
| Net addition to shareholders' funds | 81,939 | 127,017 |
| Opening shareholders' funds | <u>798,316</u> | <u>671,298</u> |
| Closing shareholders' funds | <u>880,255</u> | <u>798,315</u> |
| Represented by:- | | |
| Equity interests | <u>880,255</u> | <u>798,315</u> |

14 Profit and loss account

| | 1999 £ |
|------------------------------|-----------------|
| 1 July 1998 | (34,984) |
| Retained profit for the year | <u>12,139</u> |
| 30 June 1999 | <u>(22,845)</u> |

CHELSEA PITCH OWNERS PLC

NOTES ON FINANCIAL STATEMENTS

30 June 1999

15 Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

| | 1999 £ | 1998 £ |
|---|-------------------|---------------------|
| Operating profit | 5,981 | 9,066 |
| Depreciation charges | 243 | 324 |
| Decrease in stocks | - | 410 |
| Increase in debtors | (26,715) | (10,012,852) |
| Increase in creditors | 3,081 | 1,140 |
| | <u> </u> | <u> </u> |
| Net cash outflow from operating activities | <u>(17,410)</u> | <u>(10,001,912)</u> |

16 Notes to the cash flow statement (continued)

Analysis of changes in net debt

| | At start of year £ | Cash flows £ | At end of year £ |
|--------------------------|--------------------------|--------------------|------------------------|
| Cash at bank and in hand | 136,825 | (75,865) | 60,960 |
| | | <u>(75,865)</u> | |
| Debt due after 1 year | (9,390,743) | 131,873 | (9,258,870) |
| | | <u>131,873</u> | |
| Total | <u>(9,253,918)</u> | <u>56,008</u> | <u>(9,197,910)</u> |

Reconciliation of net cash flow to movement in net debt

| | 1999 £ | 1998 £ |
|---|--------------------|--------------------|
| Decrease in cash in the year | (75,865) | (495,397) |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease financing | 131,873 | (9,390,743) |
| | <u> </u> | <u> </u> |
| Change in net debt resulting from cash flows | 56,008 | (9,886,140) |
| Net debt at 1 July 1998 | (9,253,918) | 632,222 |
| | <u> </u> | <u> </u> |
| Net debt at 30 June 1999 | <u>(9,197,910)</u> | <u>(9,253,918)</u> |

CHELSEA PITCH OWNERS PLC

NOTES ON FINANCIAL STATEMENTS

30 June 1999

17 Related parties

Subsidiary undertaking

On 17 December 1997, the company purchased the entire ordinary share capital of Chelsea Stadium Limited (formerly Stardust Investments Limited). Chelsea Stadium Limited owns the freehold interest in the pitch at Stamford Bridge.

The latest audited accounts available for Chelsea Stadium Limited are for the year ended 30 September 1996. Draft figures are available for the year ended 30 September 1997 and for the period to 17 December 1997.

The accounts have not yet been finalised due to the complexity of the Matthew Harding estate.

As a result of the above, the accounts for Chelsea Stadium Limited for the year to 30 June 1999 have not been consolidated as required by Financial Reporting Standard 2.

The Directors of Chelsea Stadium Limited consider that the summary of the Balance Sheet at 30 June 1999 would show:-

| | |
|---------------------------|-------------------|
| | £ |
| Investment Properties | 10,040,000 |
| Loans from Parent Company | 10,040,000 |
| | <u> </u> |

Chelsea Stadium Limited has not traded during the period 17 December 1997 to 30 June 1999.

CHELSEA PITCH OWNERS PLC

TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1999

| | 1999 | | 1998 | |
|--|--------|----------------|--------|---------------|
| | £ | £ | £ | £ |
| Turnover | | | | |
| Sales of tickets for luncheon | | 29,949 | | 21,055 |
| Income from auctions and raffles | | 12,480 | | 14,443 |
| Sundry income | | 7,087 | | 2,928 |
| Credit card income | | 16,134 | | 29,441 |
| Lottery management fees | | 61,044 | | - |
| | | <u>126,694</u> | | <u>67,867</u> |
| Cost of sales | | | | |
| Opening stock | | - | | 410 |
| Function costs | 23,166 | | 16,379 | |
| Raffle prizes | 966 | | 2,064 | |
| | | <u>24,132</u> | | <u>18,853</u> |
| Gross profit | | 102,562 | | 49,014 |
| Less overheads | | | | |
| Motor and travelling expenses | 936 | | 515 | |
| Wages and NIC | 52,521 | | 10,402 | |
| Telephone charges | 1,190 | | 650 | |
| Annual general meeting costs | 7,547 | | 7,293 | |
| Printing postage and stationery | 24,875 | | 12,946 | |
| Advertising | 1,690 | | 1,499 | |
| Repairs and renewals | 58 | | - | |
| Sundry expenses | 781 | | - | |
| Bank charges | 53 | | 46 | |
| Cardnet and credit card fees | 625 | | 1,370 | |
| Auditors' remuneration | 2,500 | | 2,500 | |
| Accountants' fees | 3,562 | | 2,403 | |
| Depreciation fixtures and fittings | 243 | | 324 | |
| | | <u>96,581</u> | | <u>39,948</u> |
| Net trading profit for the year | | 5,981 | | 9,066 |
| Other income | | | | |
| Franked investment income | 239 | | 207 | |
| Profit on sale of investments | 736 | | - | |
| Bank deposit interest | 2,757 | | - | |
| Building society interest | 4,150 | | 19,802 | |
| | | <u>7,882</u> | | <u>20,009</u> |
| Net profit for the year | | <u>13,863</u> | | <u>29,075</u> |