Chelsea FC plc (formerly Chelsea Village plc)

Directors' report and financial statements

Registered number 2536231

30 June 2005

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

Principal activity

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

Review of the business

The results for the year are set out in the profit and loss account on page 5.

Directors and Directors Interests

The directors who held office during the year are as follows:

B Buck

P Kenyon

E Tenenbaum

Company Secretary

AL Shaw served as Company Secretary throughout the year.

Results and dividends

The net loss for the year, after taxation and minority interest, was £139,958,000 *(2004: £87,851,000)*. The directors do not recommend the payment of a dividend for the financial year *(2004: £nil)*.

Going concern basis

The Company is reliant on its parent undertaking, Chelsea Limited, for its continued financial support. The Company has received confirmation from its parent undertaking that sufficient funds will be provided to finance the business for the foreseeable future. The directors have therefore adopted the going concern basis in preparing these financial statements.

Fixed assets

The movements in fixed assets during the year are as shown in notes 10 to 12 to the financial statements. The intangible fixed assets include the unamortized portion of the cost of players' registrations.

At 30 June 2005 the directors do not consider there to be any significant difference between the book value and the market value of land and buildings.

Three officers of Chelsea Football Club Limited have each independently valued the playing staff. The average of their aggregate valuation as at 30 June 2005 was £227,000,000 *(2004: £185,000,000)*. The valuations assume willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

Suppliers

The Company agrees terms and conditions for its goods and services with suppliers and seeks to abide by these payment terms subject to the agreed terms and conditions being met by the supplier. Amounts due to the Company's suppliers at the balance sheet date represent approximately 50 days *(2004: 59 days)* credit based on the total amounts of goods and services invoiced by them.

Directors' report *(continued)*

Employees

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

Disabled persons are given full and fair consideration in all applications for employment. Equal consideration is also given for training, career development and opportunities for promotion. If an existing employee becomes disabled, such steps that are practical are taken, in respect of adjustments to premises or employment arrangements, to retain him/her in employment. Where appropriate, rehabilitation and suitable training are given.

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

AL Shaw
Secretary

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

22 January 2006

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 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP
St James Square
Manchester
M2 6DS

Independent auditor's report to the members of Chelsea FC plc (formerly Chelsea Village plc)

We have audited the financial statements on pages 5 to 26.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit 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 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 Group as at 30 June 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 January 2006

Consolidated profit and loss account

for the year ended 30 June 2005

	Note	**Operations excluding player trading 2005 £000**	**Player trading 2005 £000**	**Total 2005 £000**	2004 £000
Turnover: Group and share of joint venture	*2*	149,112	-	**149,112**	153,625
Less: Share of joint venture's turnover		(2,540)	-	**(2,540)**	(1,502)
Group turnover		146,572	-	**146,572**	152,123
Operating expenses		(162,131)	(82,550)	**(244,681)**	(228,812)
Exceptional items	*3*	(25,500)	-	**(25,500)**	-
Group operating loss	*3*	(41,059)	(82,550)	**(123,609)**	(76,689)
Share of operating loss in joint venture	*12*	(1,111)	-	**(1,111)**	(4,023)
Total operating loss: Group and share of joint venture		(42,170)	(82,550)	**(124,720)**	(80,712)
Loss on disposal of player registrations	*3*	-	(11,806)	**(11,806)**	(1,944)
Loss before interest and taxation		(42,170)	(94,356)	**(136,526)**	(82,656)
Other interest receivable and similar income	*6*	259	-	**259**	177
Interest payable and similar charges	*7*	(3,694)	-	**(3,694)**	(5,350)
Loss on ordinary activities before taxation	*3*	(45,605)	(94,356)	**(139,961)**	(87,829)
Taxation on loss on ordinary activities	*8*	-	-	**-**	(51)
Loss on ordinary activities after taxation		(45,605)	(94,356)	**(139,961)**	(87,880)
Minority interest		3	-	**3**	29
Retained loss for the year		(45,602)	(94,356)	**(139,958)**	(87,851)

All activities relate to continuing operations apart from the travel operation which was disposed of during 2004 (see note 2).

There were no recognised gains or losses in the current or proceeding year other than the losses included in the profit and loss account.

Consolidated statement of historical cost profit and losses

for the year ended 30 June 2005

	2005	2004
	£000	£000
Loss on ordinary activities before taxation	**(139,961)**	(87,829)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	**1,289**	1,227
Historical cost loss on ordinary activities before taxation	**(138,672)**	(86,602)
Historical cost loss on ordinary activities after taxation	**(135,872)**	(86,653)

Balance sheet
As at 30 June 2005

	Note	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Fixed assets					
Intangible assets	*10*	**144,938**	153,236	**-**	-
Tangible assets	*11*	**175,855**	174,394	**3,785**	1,933
Investments	*12*	**-**	-	**442,856**	285,759
		320,793	327,630	**446,641**	287,692
Current assets					
Stocks	*13*	**596**	1,181	**-**	-
Debtors: Due in one year	*14*	**19,305**	15,571	**14,536**	9,229
Due after one year	*14*	**18,294**	8,870	**18,294**	8,870
Total debtors		**37,599**	24,441	**32,830**	18,099
Cash at bank and in hand		**23,477**	13,489	**23,393**	13,437
		61,672	39,111	**56,223**	31,536
Creditors: Amounts falling due within one year	*15*	**(130,739)**	(127,992)	**(41,719)**	(12,445)
Net current (liabilities)/assets		**(69,067)**	(88,881)	**14,504**	19,091
Total assets less current liabilities		**251,726**	238,749	**461,145**	306,783
Creditors: Amounts falling due after one year	*16*	**(169,419)**	(167,592)	**(158,325)**	(150,645)
Provisions for liabilities and charges	*18*				
Investment in joint venture					
- share of gross assets		**1,270**	1,006	**-**	-
- share of gross liabilities		**(6,404)**	(5,029)	**-**	-
	18	**(5,134)**	(4,023)	**-**	-
Net assets		**77,173**	67,134	**302,820**	156,138
Capital and reserves					
Called up share capital	*19*	**1,720**	1,705	**1,720**	1,705
Share premium account	*20*	**305,105**	155,120	**305,105**	155,120
Revaluation reserve	*20*	**33,996**	35,285	**6,555**	6,555
Profit and loss account	*20*	**(278,726)**	(140,057)	**(10,560)**	(7,242)
Equity shareholders' funds		**62,095**	52,053	**302,820**	156,138
Minority interests		**15,078**	15,081	**-**	-
		77,173	67,134	**302,820**	156,138

These financial statements were approved by the board of directors on 22 Jan 2006 and were signed on its behalf by:

Bon M Buck

B Buck
Director

Consolidated cash flow statement

For the year ended 30 June 2005

	Note	**2005 £000**	2004 £000
Cash outflow from operating activities	*21*	**(6,857)**	(13,118)
Returns on investments and servicing of finance	*22*	**(3,435)**	(6,994)
Taxation		**-**	(51)
Capital expenditure and financial investment	*22*	**(140,849)**	(141,515)
Acquisition of subsidiary undertaking	*22*	**-**	(17)
Financing	*22*	**161,118**	171,227
Increase in cash		**9,977**	9,532

Reconciliation of net cash flow to movement in net debt

	Note	**2005 £000**	**2005 £000**	2004 £000	2004 £000
Increase in cash	*23*	**9,977**		9,532	
Cash outflow from change in net debt and lease financing	*23*	**(7,492)**		(71,228)	
			2,485		(61,696)
Amortisation of Eurobond issue costs	*23*		**(192)**		(192)
Movement in net debt in period			**2,293**		(61,888)
Net debt at 1 July	*23*		**(137,185)**		(75,297)
Net debt at 30 June	*23*		**(134,892)**		(137,185)

Notes

(forming part of the financial statements)

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.

Basis of preparation of financial statements

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention, as modified where applicable to include the revaluation of freehold and long leasehold land and buildings.

Basis of consolidation

The Group financial statements incorporate the financial statements of Chelsea FC plc and all its subsidiary undertakings for the year ended 30 June 2005 (see note 30). Acquisitions are accounted for under the acquisition method of accounting with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised in the consolidated balance sheet and amortised over its expected useful life, being 20 years.

Entities in which the Group holds an interest on a long-term basis, and which are jointly controlled by the Group and other parties, are treated as joint ventures.

Throughout the year, the Group owned 80% of the ordinary share capital of Chelsea Digital Media Limited ('CDM'), the remaining 20% being owned by Sky New Media Ventures Limited (SNMV), a wholly owned subsidiary of British Sky Broadcasting Group plc. The directors believe that the nature of control is that of a joint venture and as such CDM has been accounted for in accordance with Financial Reporting Standard ('FRS') number 9 'Associates and joint ventures'.

A separate profit and loss account dealing with the results of the Company alone has not been presented as permitted by Section 230 of the Companies Act 1985 (see note 9).

Going concern

The Company is reliant on its parent undertaking, Chelsea Limited, for its continued financial support. The Company has received confirmation from its parent undertaking that sufficient funds will be provided to finance the business for the foreseeable future. The directors have therefore adopted the going concern basis in preparing these financial statements.

Related party transactions

The directors have taken advantage of the exemption in FRS 8, paragraph 3(a), and have not disclosed transactions or balances between Group entities that have been eliminated on consolidation.

Investment in subsidiaries

Subsidiary companies are valued in the parent Company balance sheet at cost. Where an impairment in value occurs and it is considered to be permanent, the impairment below the cost of the investment, including loans, is written off to the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold land	Not depreciated
Long leasehold land	Not depreciated
Freehold and long leasehold buildings	50 years on a straight line basis
Plant and equipment	4 to 10 years on a straight line basis

Notes *(continued)*

1 Accounting policies *(continued)*

Players' registrations

All costs associated with the acquisition of a players' registration are capitalised as intangible fixed assets and are amortised evenly over the period of the players' initial contract of employment with the Group. In the event that the initial contract is renegotiated prior to expiry, the written down value at the date of renegotiation is amortised over the extended period. Fees receivable are set off against the 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.

Players' signing on fees

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

Stadium development

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

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 for that project.

Taxation

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

Turnover

Turnover represents all income arising from the ordinary activities of the Group excluding transfer fees and excluding Value Added Tax. Principal sources of income include match day, media, commercial and operation of hotel and stadium facilities.

Leasing and hire purchase commitments

Assets held under hire purchase contracts and finance leases, and the related obligations, are recorded in the balance sheet at the fair value of the assets at the inception of each contract or lease. The amounts by which the payments exceed the recorded obligations are amortised over each contract or lease term to give a constant rate of charge on the remaining balance of the obligation.

Operating leases

Payments made under leases regarded as operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

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

Stocks

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

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the transaction date. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

Deferred income

Income from season tickets, sponsorship, broadcasting and other commercial contracts, which has been received prior to the year end in respect of future football seasons is treated as deferred income.

Notes *(continued)*

1 Accounting policies *(continued)*

Debt

Debt is initially stated at the amount of the net proceeds after deducting any issue costs which are amortised over the life of the debt, in accordance with FRS 4 'Capital Instruments'.

2 Segmental analysis of turnover

	2005 £000	2004 £000
Football activities	**122,657**	117,873
Hotel/Catering/Nightclub	**13,961**	13,509
Merchandising	**7,733**	8,846
Leisure services	**1,131**	1,198
Car parking/Events/Other	**971**	687
Property sales/leasing	**119**	135
Travel agency	-	9,875
	146,572	152,123
Share of joint venture turnover – digital media	**2,540**	1,502
	149,112	153,625

All turnover arises in the United Kingdom and relates to continuing operations other than the travel operation which was disposed of in 2003/04.

3 Loss on ordinary activities before taxation

	2005 £000	2004 £000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets (see note 11):		
Owned	**9,092**	6,169
Leased	-	92
Amortisation of intangible assets	**82,550**	55,932
Operating lease rentals:		
Land and buildings	**1,448**	981
Plant and equipment	**355**	1,247
Auditor's remuneration - in respect of audit services	**75**	75
- in respect of other services	**103**	152
Profit/(loss) on disposal of tangible fixed assets	**58**	(1,245)
Loss on disposal of player registrations	**11,806**	1,944
Exceptional item	**25,500**	-

Included in auditor's remuneration above is £20,000 (*2004: £19,000*) relating to the audit of the parent company.

Exceptional item

During the year, it was agreed that the sponsorship agreement with Umbro plc for the supply of playing and training kit and the sale and distribution of replica products would terminate by mutual agreement in June 2006, ahead of the contract end date of June 2011. Chelsea will pay Umbro £25,500,000 in June 2006 in respect of the early termination and this amount has been charged to the profit and loss account in the current year.

Loss on disposal of player registrations

The net loss on disposal of player registrations of £11,806,000 includes a write off of a registration value of £13,814,000 following the termination of Mr A Mutu's employment contract.

Notes *(continued)*

4 Staff numbers and costs

The average number of employees of the Group during the year was as follows:

	2005 Number	2004 Number
Playing staff, managers and coaches	**87**	91
Administration and commercial	**510**	553
	597	644

The Group also employees approximately 535 (*2004: 455*) temporary staff on match days.

The aggregate payroll costs of these employees (including directors) were as follows:

	£000	£000
Wages and salaries	**99,411**	107,453
Social security costs	**8,969**	7,591
Other pension costs	**507**	521
	108,887	115,565

5 Directors' remuneration

	2005 £000	2004 £000
Aggregate emoluments	**1,683**	3,802
Compensation for loss of office	**-**	2,407
Pension contributions to money purchase schemes	**51**	28
	1,734	6,237

	Number	Number
The number of directors to whom retirement benefits are accruing is:		
Money purchase schemes	**1**	1

The emoluments of the highest paid director were:

	£000	£000
Aggregate emoluments	**1,683**	3,533
Money purchase pension contributions	**51**	20
	1,734	3,553

In 2004, £3,000,000 of directors' remuneration was borne by the Company's ultimate parent undertaking.

Notes *(continued)*

6 Other interest receivable and similar income

	2005 £000	2004 £000
Bank interest	**259**	177

7 Interest payable and similar charges

	2005 £000	2004 £000
Eurobond 2007	**3,234**	4,326
Bank loan, overdraft and other interest	**457**	1,014
Finance lease charges	**3**	10
	3,694	5,350

8 Taxation

	2005 £000	2004 £000
Current tax:		
UK corporation tax at 30%	-	-
Share of joint venture	-	-
Adjustment in relation to previous year	-	51
Total current tax	-	**51**
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	***(139,961)***	*(87,829)*
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 30% *(2004: 30%)*	**(41,988)**	(26,348)
Effects of:		
Non deductible expenditure	**2,904**	2,283
Losses available to carry forward	**39,084**	24,051
Adjustment in respect of prior years	-	51
Chargeable gain	-	14
	41,988	26,399
Current tax charge	-	51
Losses available to carry forward at 30 June	**275,356**	100,181

Notes *(continued)*

9 Company result for the financial year

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The loss for the financial year dealt with in the accounts of Chelsea FC plc was £3,318,000 *(2004: £4,177,000)*.

10 Intangible fixed assets

Group	Cost of players' registrations £000
Cost	
At 1 July 2004	203,630
Additions	100,953
Disposals	(59,835)
At 30 June 2005	244,748
Amortisation	
At 1 July 2004	50,394
Charge for the year	82,550
Disposals	(33,134)
At 30 June 2005	99,810
Net book value	
At 30 June 2005	**144,938**
At 30 June 2004	153,236

11 Tangible fixed assets

Group	Land and *buildings* £000	Plant and *equipment* £000	Assets in *the course of* construction £000	Total £000
Cost or valuation				
At 1 July 2004	164,048	12,698	6,858	183,604
Additions	3,493	2,557	8,296	14,346
Disposals	-	(1,144)	-	(1,144)
Completed assets in the course of construction	4,996	2,391	(7,387)	-
Transfer of assets in the course of construction to Group undertaking	-	-	(3,630)	(3,630)
At 30 June 2005	172,537	16,502	4,137	193,176
Depreciation				
At 1 July 2004	4,087	5,123	-	9,210
Charge for the year	5,426	3,666	-	9,092
On Disposals	-	(981)	-	(981)
At 30 June 2005	9,513	7,808	-	17,321
Net book value				
At 30 June 2005	**163,024**	**8,694**	**4,137**	**175,855**
At 30 June 2004	159,974	7,600	6,820	174,394

The Group does not hold any fixed assets under hire purchase or finance lease at the year end. Finance costs capitalised included in the value of tangible fixed assets amount to £2,003,000 (2004: *£2,003,000)*. As required under FRS 11 'Impairment of fixed assets and goodwill' the directors have re-assessed the carrying value of the leisure club. As a result depreciation of freehold buildings has been accelerated by £2,800,000 in the period.

Notes *(continued)*

11 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises:	**2005 £000**	2004 £000
Freehold	**51,429**	48,163
Long leasehold	**111,585**	111,801
Short leasehold	**10**	10
	163,024	159,974

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

Group	**2005 £000**	2004 £000
Net book value	-	4
Depreciation charged in year	-	92

Company	**Freehold land £000**	**Assets in the course of construction £000**	**Plant and Equipment £000**	**Total £000**
Cost or valuation				
At 1 July 2004	-	-	2,823	2,823
Additions	312	387	500	1,199
Disposals	-	-	(248)	(248)
Transfers from group undertakings	-	-	2,430	2,430
At 30 June 2005	312	387	5,505	6,204
Depreciation				
At 1 July 2004	-	-	890	890
Charge for the year	-	-	647	647
Eliminated on disposals	-	-	(248)	(248)
Transfers from group undertakings	-	-	1,130	1,130
At 30 June 2005	-	-	2,419	2,419
Net book value				
At 30 June 2005	**312**	**387**	**3,086**	**3,785**
At 30 June 2004	-	-	1,933	1,933

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Valuations

At 30 June 2004, the directors obtained a depreciated replacement cost valuation of one of the subsidiary's freehold properties (The Chelsea Club) by Rawley & Co. surveyors, valuers and property consultants in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. The value of the land and buildings was £8.4m. This had previously been valued at £9.9m on an open market value basis. The difference of £1.5m was charged to the profit and loss account.

The remainder of the Group's freehold land and leasehold interests in the hotel, car park and stadium were valued by Chesterton International Plc, as at 30 June 2003 in the sum of £152.3m on the basis of their existing use to the Group and their depreciated replacement cost value and in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

The Group's freehold and leasehold residential and retail units were valued by Rawley & Co. Surveyors, Valuers and Property Consultants as at 30 June 2003 in the sum of £1.9m on an existing use basis in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

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

Group

	2005	2004
	£000	£000
Cost		
Freehold property	**50,636**	44,179
Long leasehold property	**94,147**	92,417
	144,783	136,596
Depreciation		
Freehold property	**6,306**	1,658
Long leasehold property	**5,005**	3,123
	11,311	4,781
Net book value		
Freehold property	**44,330**	42,521
Long leasehold property	**89,142**	89,294
	133,472	131,815

Notes *(continued)*

12 Fixed asset investments

Group	**Joint Venture £000**
Cost	
At 1 July 2004	-
Share of loss of joint venture	(1,111)
Transfer to provision for liabilities and charges	1,111
At 30 June 2005	-
Net book value	
At 30 June 2005 and 30 June 2004	-

Company	**Subsidiary undertakings £000**	**Loan to group undertaking £000**	**Total £000**
Cost			
At 1 July 2004	112,225	177,818	290,043
Additions	-	157,097	157,097
At 30 June 2005	112,225	334,915	447,140
Amortisation			
At 1 July 2004 and 30 June 2005	2,922	1,362	4,284
Net book value			
At 30 June 2005	**109,303**	**333,553**	**442,856**
At 30 June 2004	109,303	176,456	285,759

The directors believe it to be appropriate to account for Chelsea Digital Media Limited, of which the Group owned 80% of the ordinary share capital throughout the year, as a joint venture in accordance with FRS9 'Associates and joint ventures'. Chelsea Digital Media Limited is currently funded by way of preference share capital subscribed for by SNMV.

In accordance with FRS9, 'Associates and joint ventures', the Group's share of losses from its investment in the joint venture of £1,111,000 (*2004: £4,023,000*) has been calculated by reference to the proportion of ordinary shares it owned. The Group's cash investment is £1,000, of which £1,000 has been paid at 30 June 2004. The cumulative losses of the Company are financed 100% by SNMV through preference shares to a limit of £7,000,000 at which point the losses will then be financed in proportion to shareholdings held. As at the year end, the maximum allocation of preference shares were subscribed for. Subsequent to year end, the funding arrangements for the future were revised, see note 29.

Notes *(continued)*

13 Stocks

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Goods held for resale	**596**	1,181	**-**	-

14 Debtors

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Due in less than one year				
Trade debtors	**14,117**	9,400	**13,480**	8,118
Other debtors	**2,907**	3,794	**40**	244
Prepayments and accrued income	**2,281**	2,377	**1,016**	867
	19,305	15,571	**14,536**	9,229
Due after one year:				
Trade debtors	**9,500**	-	**9,500**	-
Other debtors	**8,794**	8,870	**8,794**	8,870
	18,294	8,870	**18,294**	8,870

As part of the Eurobond issue in 1997 the Company made a loan to Chelsea Pitch Owners plc of £11,151,000, which is interest free and has an unspecified repayment date. This was used to acquire the share capital of Chelsea Stadium Limited (previously Stardust Investments Limited) and discharge the debts of that Company in order to leave the freehold interest in the stadium site unencumbered.

On the same date, Chelsea Stadium Limited (previously Stardust Investments Limited) granted a long leasehold interest over the stadium site at a peppercorn rent to Chelsea Football Club Limited. Chelsea Pitch Owners plc is obliged to repay the debt in full. The balance outstanding at 30 June 2005 was £8,794,000 (2004: £8,870,000). The directors believe that the balance outstanding will be ultimately recovered.

15 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Bank loans and overdrafts	**41**	30	**8**	8
Trade creditors	**60,182**	63,475	**29,324**	4,553
Other taxes and social security	**14,021**	9,531	**4,933**	175
Other creditors	**4,916**	5,365	**246**	194
Accruals and deferred income	**51,579**	49,591	**7,208**	7,515
	130,739	127,992	**41,719**	12,445

£30,348,000 (*2004: £29,338,000*) of the accruals and deferred income balance represents season ticket sales and Millennium Suite income for the forthcoming season.

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Trade creditors	**10,749**	10,603	**-**	-
Amounts owed to group undertakings	**117,343**	114,882	**122,370**	114,882
Other loans	**35,955**	35,763	**35,955**	35,763
Other creditors	**41**	92	**-**	-
Deferred income	**5,331**	6,252	**-**	-
	169,419	167,592	**158,325**	150,645

Deferred income included above represents that part of amounts received as at 30 June 2005 from the sale of 10 year licences on the Millennium Suites, which relate to the 2006/07 season and beyond.

17 Borrowings and secured liabilities

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
The aggregate borrowings amounted to:				
Bank loans and overdrafts	**41**	30	**8**	8
Eurobond 2007	**35,955**	35,763	**35,955**	35,763
	35,996	35,793	**35,963**	35,771

Borrowings are repayable as follows:

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Repayable within one year or on demand:				
Bank loans and overdrafts	**41**	30	**8**	8
	41	30	**8**	8
Repayable between one and five years:				
Eurobond 2007	**35,955**	35,763	**35,955**	35,763
	35,955	35,763	**35,955**	35,763

On 17 December 1997 Chelsea FC plc (formerly Chelsea Village plc) issued a £75,000,000 Eurobond. The coupon rate is 8.875% payable annually on the anniversary of the issue. The Trustee of the issue holds a first mortgage debenture over the Group's assets. Following the change in ownership of Chelsea FC plc (formerly Chelsea Village plc) in 2003, the Company made an offer to the bondholders to redeem the £75,000,000 8.875% First Mortgage Debenture Bonds due 2007 as required under the trust deed. £38,565,000 was redeemed in 2004 following the offer.

Notes (continued)

18 Provisions for liabilities and charges

Deferred taxation

No deferred tax asset has been recognised in either year for the Company or the Group due to the uncertainty over the ability to utilise losses against future profits.

The Group and the Company have unrecognised deferred tax (liabilities)/assets as follows:

	Group		Company	
	2005	2004	**2005**	2004
	£000	£000	**£000**	£000
Accelerated capital allowances	**(1,081)**	(2,618)	**526**	142
Short term timing differences	**50**	1,510	**1,601**	1,400
Tax losses	**82,607**	30,054	**33**	140
Unrecognised deferred tax asset	**81,576**	28,946	**2,160**	1,682

Investment in joint ventures

	Group
	£000
At 1 July 2004	4,023
Loss for the year transferred from fixed asset investment	1,111
At 30 June 2005	**5,134**

19 Called up share capital

	Company		Company	
	2005	2004	**2005**	2004
	Number	Number	**£000**	£000
Authorised				
Ordinary shares of 1p each	**200,000,000**	200,000,000	**2,000**	2,000
Allotted, issued and fully paid				
Ordinary shares of 1p each	**172,000,000**	170,500,000	**1,720**	1,705

Allotment during the year

The Company made an allotment of 1,500,000 ordinary shares of £0.01 each at £100 per share. The difference between the total consideration of £150,000,000 and the total nominal value of £15,000 has been credited to the share premium account (£149,985,000).

Notes *(continued)*

20 Reconciliation of movement in equity shareholders' funds

Group	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 July 2004	1,705	155,120	35,285	(140,057)	52,053
Loss for the financial year	-	-	-	(139,958)	(139,958)
Difference on depreciation	-	-	(1,289)	1,289	-
Issues of shares	15	149,985	-	-	150,000
Equity shareholders' fund at 30 June 2005	**1,720**	**305,105**	**33,996**	**(278,726)**	**62,095**
Company					
At 1 July 2004	1,705	155,120	6,555	(7,242)	156,138
Loss for the financial year	-	-	-	(3,318)	(3,318)
Issues of shares	15	149,985	-	-	150,000
Equity shareholders' funds at 30 June 2005	**1,720**	**305,105**	**6,555**	**(10,560)**	**302,820**

21 *Reconciliation of operating loss to net cash inflow from operating activities*

	2005 £000	2004 £000
Operating loss	**(123,609)**	(76,689)
Depreciation	**9,092**	4,746
Loss on disposal of tangible fixed assets	**(58)**	1,245
Revaluation of property	-	1,515
Amortisation of Eurobond issue costs	**192**	192
Amortisation of intangible fixed assets	**82,550**	55,931
Decrease in stocks	**585**	148
Increase in debtors	**(3,399)**	(7,122)
Increase in creditors	**27,790**	6,916
Net cash outflow from operating activities	**(6,857)**	(13,118)

Notes *(continued)*

22 Analysis of cash flows for headings netted in the cash flow statement

	2005 £000	2004 £000
Returns on investments and servicing of finance		
Interest received	**259**	177
Interest paid	**(3,691)**	(7,163)
Interest elements of finance lease rental payments	**(3)**	(8)
	(3,435)	(6,994)
Capital expenditure		
Purchase of tangible fixed assets	**(14,346)**	(11,616)
Sale of tangible fixed assets	**221**	1,150
Purchase of intangible fixed assets	**(126,980)**	(132,582)
Sale of intangible fixed assets	**256**	1,533
	(140,849)	(141,515)
Acquisitions and disposals		
Acquisition of subsidiary	**-**	(17)
	-	(17)
Financing		
Issue of shares	**150,000**	100,000
Capital elements of finance lease repayments	**-**	(39)
Repayment of loans	**(5,500)**	(143,565)
Receipt from borrowings	**16,618**	214,881
	161,118	171,277

Notes *(continued)*

23 Analysis of net debt

	At 1 July 2004 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2005 £000
Cash movements				
Cash at bank and in hand	13,489	9,988	-	**23,477**
Bank loans and overdrafts	(30)	(11)	-	**(41)**
	13,459	9,977	-	**23,436**
Debt due within one year	-	-	-	-
Debt due after one year	(150,644)	(11,122)	3,438	**(158,328)**
Net debt	(150,644)	(11,122)	3,438	**(158,328)**
	(137,185)	(1,145)	3,438	**(134,892)**

24 Pension Commitments

a) Defined Benefit Scheme

Certain employees of the Group are members of The Football League Limited Pension and Life Assurance Scheme ('the scheme'). Accrual of benefits under a final salary basis was suspended with effect from 31 August 1999 following an actuarial review which revealed a substantial deficit.

As one of a number of participating employers, the Group is advised only of its share of the deficit in the scheme and was advised that its contributions to make good the deficit amounted to £272,000 and this has been charged to the profit and loss account in previous years. The latest actuarial valuation was at 31 August 2002 and the Group was advised that the deficit has increased and further contributions amounting to £54,000 were required. This amount was charged to the profit and loss account in full in the prior period as it is principally attributable to employees who have left the Group or retired. The revised deficit is being paid off over a period of 10 years from April 2003.

b) Defined Contribution Schemes

The Group also contributes to other schemes providing benefits based upon contributions made. The assets of these other schemes are held separately from those of the Company in independently administered funds. The pension charge for the year was £507,000 *(2004: £521,000)*.

Notes *(continued)*

25 Operating leases and capital commitments

The annual commitments under non-cancellable operating leases are as follows for the Group:

	Group	
	2005	2004
	£000	£000
Land and buildings:		
Leases expiring within one year	**1,079**	723
Leases expiring between two to five years	**280**	280
Leases expiring in more than five years	**223**	280
	1,582	1,283
Other		
Leases expiring within one year	-	559
Leases expiring between two and five years	-	-
	-	559
Capital expenditure commitments were as follows:		
Contracted for but not provided:		
Tangible	**4,542**	3,473
	4,542	3,473

There are no operating leases or capital commitments in the Company.

26 Contingent liabilities

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Group if certain conditions are met. The maximum amount that could be payable is £2,812,000 (*2004: £2,860,000*).

27 Control

The directors consider Chelsea Limited to be the ultimate parent Company of the Group, and the ultimate controlling party is Mr R Abramovich. The largest group of undertakings for which group accounts have been drawn up is that headed by Chelsea Limited.

The consolidated accounts of this Company and its parent Company may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

28 Related party transactions

During the year, in the normal course of business, Mr B Buck, a director of Chelsea FC plc, through his legal firm, Skadden, Arps, Slate, Meagher & Flom (UK) LLP, invoiced £253,000 (*2004:£159,000*) in legal fees to the Company or its subsidiary undertakings. The balance owing to Skadden, Arps, Slate, Meagher & Flom (UK) LLP at the year end was £nil (*2004: £nil*).

Notes *(continued)*

29 Post balance sheet events

Acquisition and disposal of players

Since the year end the Group has acquired the registrations of several football players at a cost of £52,800,000 (*2004: £81,700,000*) and disposed of the registrations of players at a profit of £1,000,000 (*2004: loss £100,000*).

Chelsea Digital Media Limited

As at the year end, SNMV's total investment in preference shares had reached the maximum allocation totalling £7,000,000. On 14 September 2005, SNMV and Chelsea FC plc together provided funding of £250,000 to Chelsea Digital Media Limited by way of a subscription for ordinary shares pro-rata to their shareholdings at that date. On 7 October 2005, SNMV subscribed to a further £500,000 of ordinary shares in Chelsea Digital Media Limited increasing SNMV's percentage share holding in Chelsea Digital Media Limited from 20% to 35%. SNMV has also undertaken to provide further funding of up to £1,000,000 in new and ordinary preference shares as and when required by Chelsea Digital Media Limited.

30 Principal subsidiary undertakings

The Company has the following subsidiary undertakings:

Trading	**Nature of Business**
Chelsea Car Parks Limited	Car park management
Chelsea Digital Media Limited	Television and Internet broadcasters
Chelsea Football Club Limited	Professional football club
The Hotel at Chelsea (formerly Chelsea Village Hotels Limited)	Hotel management and catering services
Chelsea Village Management Limited	Group utilities and facilities
Chelsea FC Merchandising Limited (formerly Chelsea Village Merchandising Limited)	Merchandising, mail order and publications
Chelsea Leisure Services Limited	Health and fitness club/visitor attraction
Midnight at Chelsea Limited	Nightclub operator
Paramont Limited	Property holding
Stamford Bridge Securities Limited	Property holding

Non-trading at year end

Chelsea Village Radio Limited	Radio broadcaster
Chelsea Village Travel Limited	Travel agent

Dormant

Bidgleam Limited	Chelsea Village Catering Limited
Briskspring Limited	Chelsea Village Communications Limited
Bulmer Travel Associates Limited	Chelsea Village Contractors Limited
Chelsea Club Limited	Chelsea Village European Travel Limited
Chelsea Events Limited	Chelsea Village Television Limited
Chelsea Exclusive Events Limited	Chelsea Village Travel Limited
Chelsea Financial Consultants Limited	Chelsea World of Sport Limited
Chelsea Football Club SPV plc	Chelsea Worldwide Travel Limited
Chelsea Pacific Limited	Elizabeth Duff Travel Limited
Chelsea Pensioner Limited	Fulham Holdings Limited
Chelsea Sports and Leisure Limited	Fulham Securities Limited
Chelsea TV Limited	Stamford Bridge Properties Limited

Notes *(continued)*

30 Principal subsidiary undertakings *(continued)*

The trade and assets of Chelsea Village Travel Limited were disposed of in the year ended 30 June 2004.

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

The entire ordinary share capital and control of 100% of the voting rights of all the subsidiary undertakings is held by the Company, with the exception of Chelsea Exclusive Events Limited which is 50% owned, Chelsea Digital Media Limited which was 80% owned at year end (see note 29), and Midnight at Chelsea Limited which is 75% owned.

£15,000,000 of non-equity preference shares in Chelsea Football Club Limited are owned by British Sky Broadcasting Group plc.