Chelsea FC plc

Directors' report and financial statements

Registered number 2536231

30 June 2009

Contents

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2009.

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 and property development and management.

Review of the business

The loss for the year was £44.4m compared to £65.7m for the previous year.

The year saw turnover decrease to £206.4m from £213.1m, a decrease of £6.7m. Revenue from football activities reduced by £4.5m, largely as a result of a reduction in sponsorship revenues, due to the profile of receipts in a major contract being front end loaded. The football club were third in the FAPL, semi-finalists in the Champions League and winners of the FA Cup. In addition, Chelsea Leisure Services was transferred out of the Group during the year to an associated company, Stamford Bridge Projects Limited. Chelsea Leisure Services Limited contributed £nil to Chelsea FC plc turnover during the year *(2008: £1,358,000).*

Operating expenses at £263.7m were £10.4m down on the previous year. Increased payroll costs and depreciation of £4.5m and £1.2m respectively, were more than offset by a reduction in player amortisation of £8.3m and operating cost savings of £7.8m.

Exceptional items of £12.6m *(2008: £23.1m)* consist of termination payments made during the year to first team managers and assistant coaches.

The football club made a profit on player trading of £28.6m in the year *(2008: £22.2m)* principally due to the sales of Bridge and Ben Haim to Manchester City, Sidwell to Aston Villa and Alcides to PSV Eindhoven.

Balance Sheet

Intangible assets have decreased to £77.8m from £143.6m as a result of £1.2m of player acquisitions offset by the net book value of disposals of £18.0m and amortisation of £49.0m.

Tangible fixed assets are £199.5m at the year end. As in the prior year, the bulk of the £7.2m additions have been spent on improving facilities at Stamford Bridge and Youth Academy facilities in Cobham. The assets disposed of at a net book value of £2.7m largely relate to the assets of Chelsea Leisure Services Limited, which was transferred out of the Group during the year.

Our net current liabilities at £5.9m have decreased by £32.8m. This is largely as a result of an increase in trade debtors of £7.0m due to player sales in the year. In addition there was a reduction in trade creditors of £19.3m due to reduced player purchases compared to the prior year and a decrease in tax and social security costs of £1.6m due to the withholding tax on Manager terminations from the prior year being settled in the current year. Accruals and other creditors also reduced by £6.1m compared to the prior year as did other debtors and prepayments by £1.8m. Stock and cash increased by £0.2m and £0.4m respectively

Creditors falling due after more than one year of £31.2m has reduced by £332.7m from £363.9m in 2008. This is predominantly due to the parent Company Fordstam Limited (formerly Chelsea Limited) converting £340.0m of the loan into share capital (see note 20).

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance. These risks and uncertainties are monitored by the Board on a regular basis.

Income

The Group derives the bulk of its income from football activities and related merchandising of which three principal sources stand out; gate receipts, television and commercial income including merchandising.

All three sources of income are dependent on the performance of the first team and its appeal to football supporters. The performance of the first team is significantly influenced by the quality of the coaching staff and the players that the football club can attract in a highly competitive market both on the domestic and European levels.

Directors' report *(continued)*

Expenditure

In order to attract the talent which will continue to win domestic and European trophies and therefore drive increases in our revenue streams, the football club continually invests in the playing staff by way of both transfers and wages.

Regulatory Environment

The football club is regulated by the rules of the FA, FAPL, UEFA, and FIFA. These regulations have a direct impact on the football club as they cover areas such as the division of centrally negotiated television deals and the operation of the transfer market. The football club has staff whose roles include ensuring that the football club monitors the evolution of these rules and ensures compliance with them.

Funding

The Group is currently cash negative spending £16.9m in the last financial year *(2008: £107.4m)*. Funds are provided by the parent company Fordstam Limited *(formerly Chelsea Ltd)* which is supported by the ultimate owner, Mr. R Abramovich. The football club reviews and updates its forecasts on a regular basis and keeps the owner aware of its financial commitments going forward.

Key Performance Indicators

The principal key performance indicators for 2008/09 of both a financial and non-financial nature were as follows:-

Non-Financial

- Third place in the FAPL (*2008: Runners up*)
- Average league attendance of 41,496 (*2008: 41,074*)
- Winners of the FA Cup *(2008: Finalists in League Cup and quarter finalists in FA Cup)*
- Champions League semi-finalists (*2008: finalists*)

Financial (reviewed by the board on a monthly basis)

- Revenue growth
- Payroll costs
- Operating result before player trading and amortisation
- Gains/losses on player trading
- Player acquisition costs
- Capital expenditure
- Debt owed to group undertakings

Directors and Directors Interests

The Directors who held office during the year were as follows:

B Buck
P Kenyon
E Tenenbaum
R Gourlay (appointed 1 December 2009)

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 £44,395,000 *(2008: £65,672,000)*. The Directors do not recommend the payment of a dividend for the financial year *(2008: £nil)*.

Going concern basis

The Company is reliant on its parent undertaking, Fordstam Limited *(formerly Chelsea Ltd)*, 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.

Directors' report *(continued)*

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 unamortised portion of the cost of players' registrations.

At 30 June 2009 the Directors do not consider there to be any significant difference between the book value and the market value of land and buildings.

Officers of Chelsea Football Club Limited have independently valued the playing staff. The average of their aggregate valuation as at 30 June 2009 was £247,475,000 *(2008: £287,100,000)*. 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 40 days *(2008: 27 days)* credit based on the total amounts of goods and services invoiced by them.

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.

Political and charitable donations

The Group made charitable donations of £80,077 *(2008: £337,591)*.

Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the Board

AL Shaw
Secretary

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

1 December 2009

Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
St James Square
Manchester
M2 6DS

Independent auditor's report to the members of Chelsea FC plc

We have audited the financial statements of Chelsea FC Plc for the year ended 30 June 2009 set out on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Chelsea FC Plc *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

M Newsholme

M Newsholme (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James Square
Manchester
M2 6DS

1 December 2009

Consolidated profit and loss account

for the year ended 30 June 2009

	Note	Operations excluding player trading 2009	Player trading and exceptional items 2009	Total 2009	2008
		£000	£000	£000	£000
Turnover: Group and share of joint venture	2	206,424	-	206,424	213,106
Less: Share of joint venture's turnover		(3,120)	-	(3,120)	(2,920)
Group turnover		203,304	-	203,304	210,186
Operating expenses		(214,733)	(48,965)	(263,698)	(274,137)
Exceptional items	3	-	(12,613)	(12,613)	(23,073)
Group operating loss		(11,429)	(61,578)	(73,007)	(87,024)
Share of operating profit in joint venture		712	-	712	560
Total operating loss: Group and share of joint venture		(10,717)	(61,578)	(72,295)	(86,464)
Profit on disposal of player registrations	3	-	28,555	28,555	22,151
Loss on disposal of tangible fixed assets	3	(1)	-	(1)	(228)
Loss before interest and taxation		(10,718)	(33,023)	(43,741)	(64,541)
Other interest receivable and similar income	6	379	-	379	685
Interest payable and similar charges	7				
Group		(751)	-	(751)	(2,251)
Share of joint venture		(195)	-	(195)	(296)
		(946)	-	(946)	(2,547)
Loss on ordinary activities before taxation	3	(11,285)	(33,023)	(44,308)	(66,403)
Taxation on loss on ordinary activities	8				
Group		-	-	-	-
Share of joint venture		(87)	-	(87)	731
		(87)	-	(87)	731
Loss on ordinary activities after taxation		(11,372)	(33,023)	(44,395)	(65,672)
Minority interest		-	-	-	-
Loss for the financial year	20	(11,372)	(33,023)	(44,395)	(65,672)

All activities relate to continuing operations.

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

Consolidated statement of historical cost profits and losses
for the year ended 30 June 2009

	Note	**2009** **£000**	2008 £000
Loss on ordinary activities before taxation	*20*	**(44,395)**	(65,672)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	*20*	**1,289**	1,289
Historical cost loss on ordinary activities before taxation		**(43,106)**	(64,383)
Historical cost loss on ordinary activities after taxation		**(43,106)**	(64,383)

Balance sheets

at 30 June 2009

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Fixed assets					
Intangible assets	*10*	**77,834**	143,570	**-**	-
Tangible assets	*11*	**199,471**	204,046	**3,882**	5,505
Investments	*12*	**-**	-	**652,521**	642,492
		277,305	347,616	**656,403**	647,997
Current assets					
Stocks	*13*	**834**	601	**-**	-
Debtors: Due in one year	*14*	**62,264**	56,237	**56,809**	49,129
Due after one year	*14*	**19,790**	20,697	**19,790**	20,697
Total debtors		**82,054**	76,934	**76,599**	69,826
Cash at bank and in hand		**5,702**	5,339	**5,684**	5,319
		88,590	82,874	**82,283**	75,145
Creditors: Amounts falling due within one year	*15*	**(94,519)**	(121,592)	**(13,815)**	(13,499)
Net current (liabilities)/assets		**(5,929)**	(38,718)	**68,468**	61,646
Total assets less current liabilities		**271,376**	308,898	**724,871**	709,643
Creditors: Amounts falling due after one year	*16*	**(31,234)**	(363,932)	**(14,994)**	(339,766)
Provisions for liabilities and charges	*18*				
Investment in joint venture					
- share of gross assets		**3,171**	2,544	**-**	-
- share of gross liabilities		**(6,708)**	(6,510)	**-**	-
	18	**(3,537)**	(3,966)	**-**	-
Net (liabilities)/assets		**236,605**	(59,000)	**709,877**	369,877
Capital and reserves					
Called up share capital	*19*	**1,830**	1,730	**1,830**	1,730
Share premium account	*20*	**744,995**	405,095	**744,995**	405,095
Revaluation reserve	*20*	**28,838**	30,127	**6,555**	6,555
Profit and loss account	*20*	**(539,095)**	(495,989)	**(43,503)**	(43,503)
Shareholders' funds		**236,568**	(59,037)	**709,877**	369,877
Minority interests		**37**	37	**-**	-
		236,605	(59,000)	**709,877**	369,877

These financial statements were approved by the Board of Directors on 1 December 2009 and were signed on its behalf by:

Bruce M Buck

Mr B Buck
Director

Registered number 2536231

Consolidated cash flow statement

for the year ended 30 June 2009

	Note	2009 £000	2008 £000
Cash outflow from operating activities	*21*	**(13,103)**	(20,780)
Returns on investments and servicing of finance	*22*	**379**	(1,566)
Capital expenditure and financial investment	*22*	**(4,162)**	(85,052)
Financing	*22*	**17,249**	102,857
Increase/(decrease) in cash	23	**363**	(4,541)

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Increase / (decrease) in cash	*23*	**363**		(4,541)	
Cash inflow from change in net debt and lease financing	*23*	**(17,249)**		(102,857)	
			(16,886)		(107,398)
Amortisation of Eurobond issue costs	*23*		**-**		(96)
Debt repaid through issue of equity shares	*23*		**340,000**		-
Movement in net debt in period			**323,114**		(107,494)
Net debt at 1 July	*23*		**(357,807)**		(250,313)
Net debt at 30 June	*23*		**(34,693)**		(357,807)

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 2009 (see note 29). 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.

On 7 October 2005, the Group's shareholding in the ordinary share capital of Chelsea Digital Media was reduced from 80% to 65%, the remaining 35% 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 it has been accounted for in accordance with Financial Reporting Standard ('FRS') 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 408 of the Companies Act 2006 (see note 9).

Going concern

The Company is reliant on its parent undertaking, Fordstam Limited *(formerly 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.

Notes *(continued)*

1 Accounting policies *(continued)*

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
Assets in the course of construction	Not depreciated
Freehold and long leasehold buildings	50 years on a straight line basis
Plant and equipment	2 to 10 years on a straight line basis

Players' registrations

All costs associated with the acquisition of a player's 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

The charge for tax is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

Under FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividend policy) are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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. The Group is one of a number of employers in a shared defined benefit scheme for playing staff. The defined benefit scheme is a multi-employer scheme and in accordance with FRS 17 has been treated as a defined benefit contribution scheme.

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.

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'.

Notes *(continued)*

2 Segmental analysis of turnover

	2009 £000	2008 £000
Football activities	**185,229**	189,770
Hotel/Catering	**7,689**	8,340
Merchandising	**9,735**	9,569
Leisure services	**-**	1,358
Car parking/Events/Other	**522**	1,063
Property sales/leasing	**129**	86
	203,304	210,186
Share of joint venture turnover – Digital Media	**3,120**	2,920
	206,424	213,106

All turnover arises in the United Kingdom and relates to continuing operations.

Chelsea Leisure Services was transferred out of the Group during the year to an associated company, Stamford Bridge Projects Limited. Chelsea Leisure Services Limited contributed £nil to Chelsea FC plc turnover during the year *(2008: £1,358,000)*.

3 Loss on ordinary activities before taxation

	2009 £000	2008 £000
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible fixed assets (see note 11):		
Owned	**8,921**	7,740
Amortisation of intangible assets	**48,965**	57,281
Operating lease rentals:		
Land and buildings	**88**	88
Plant and equipment	**30**	30
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**29**	26
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**49**	59
Tax services	**38**	131
All other services	**117**	27
Profit on disposal of player registrations	**(28,555)**	(22,151)
Loss on disposal of tangible fixed assets	**1**	228
Exceptional items	**12,613**	23,073

Exceptional items consist of termination payments made during the year to first team managers and assistant coaches *(2008: £23,073,000)*

Notes *(continued)*

4 Staff numbers and costs

The average number of employees (including directors) of the Group during the year was as follows:

	2009 Number	2008 Number
Playing staff, managers and coaches	79	83
Administration and commercial	494	516
	573	599

The Group also employees approximately 550 (*2008: 550*) temporary staff on match days.

The aggregate payroll costs of these employees (including directors) were as follows:	2009 £000	2008 £000
Wages and salaries	148,706	153,896
Social security costs	15,907	17,025
Other pension costs	995	699
	165,608	171,620

Wages and salaries include £12,613,000 of exceptional items relating to termination payments made during the year to first team managers and assistant coaches *(2008: £23,073,000)*

5 Directors' remuneration

	2009 £000	2008 £000
Directors' emoluments	1,800	1,942
Company contributions to money purchase pension schemes	200	58
	2,000	2,000

	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	1,800	1,942
Money purchase pension contributions	200	58
	2,000	2,000

6 Other interest receivable and similar income

	2009 £000	2008 £000
Bank interest	379	685

Notes *(continued)*

7 Interest payable and similar charges

	2009 £000	2008 £000
Eurobond 2007	-	1,500
Finance costs on shares classified as liabilities	751	751
	751	2,251
Share of joint venture interest	195	296
	946	2,547

8 Taxation

	2009 £000	2008 £000
Current tax:		
UK corporation tax at 28% *(2008: 29.5%)*	-	-
Share of joint venture	(87)	731
Tax credit for the year	(87)	731
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	(44,308)	(66,403)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 28% *(2008: 29.5%)*	(12,406)	(19,589)
Effects of:		
Non deductible expenditure	1,274	2,314
Losses available to carry forward	10,486	18,974
Group relief (claimed)	(720)	(254)
Utilisation of losses brought forward	(516)	(2,358)
Movement on deferred tax not provided	1,882	913
	12,406	19,589
Current tax charge	-	-
Losses available to carry forward at 30 June	505,262	467,812

9 Company result for the financial year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The loss for the financial year dealt within the accounts of Chelsea FC plc was £nil *(2008: £25,810,490)*.

Notes *(continued)*

10 Intangible fixed assets

Group	Cost of players' registrations £000
Cost	
At 1 July 2008	351,684
Additions	1,206
Disposals	(69,233)
At 30 June 2009	283,657
Amortisation	
At 1 July 2008	208,114
Charge for the year	48,965
Disposals	(51,256)
At 30 June 2009	205,823
Net book value	
At 30 June 2009	**77,834**
At 30 June 2008	143,570

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 2008	203,376	24,888	10,444	238,708
Additions	97	2,297	4,762	7,156
Disposals	(10,079)	(7,110)	(199)	(17,388)
Completed assets in the course of construction	-	13,820	(13,820)	-
Transfers to Associated Companies	-	-	(131)	(131)
At 30 June 2009	193,394	33,895	1,056	228,345
Depreciation				
At 1 July 2008	23,432	11,230	-	34,662
Charge for the year	3,364	5,557	-	8,921
On Disposals	(9,595)	(5,114)	-	(14,709)
At 30 June 2009	17,201	11,673	-	28,874
Net book value				
At 30 June 2009	**176,193**	**22,222**	**1,056**	**199,471**
At 30 June 2008	179,944	13,658	10,444	204,046

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 (*2008: £2,003,000*).

As required under FRS 11 'Impairment of fixed assets and goodwill' the Directors have re-assessed the carrying value of freehold buildings and believe the current value to be appropriate.

During the year, the ownership of Chelsea Leisure Services Limited was transferred from Chelsea FC plc to Stamford Bridge Projects Limited. As a result the fixed assets of Chelsea Leisure Services were transferred out of the Group at a net book value of £2,569,000.

Notes *(continued)*

11 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises:	**2009 £000**	2008 £000
Freehold	**45,671**	45,976
Long leasehold	**132,315**	133,957
Short leasehold	**10**	10
	177,996	179,943

Company	**Freehold land £000**	**Plant and Equipment £000**	**Assets in the course of construction £000**	**Total £000**
Cost or valuation				
At 1 July 2008	312	6,853	2,447	9,612
Additions	-	363	626	989
Completed assets in the course of construction	-	2,150	(2,150)	-
Disposals	-	(2,340)	(7)	(2,347)
Transfers from other Group Companies	-	-	(916)	(916)
At 30 June 2009	312	7,026	-	7,338
Depreciation				
At 1 July 2008	-	4,107	-	4,107
Charge for the year	-	1,689	-	1,689
Disposals	-	(2,340)	-	(2,340)
At 30 June 2009	-	3,456	-	3,456
Net book value				
At 30 June 2009	**312**	**3,570**	**-**	**3,882**
At 30 June 2008	312	2,746	2,447	5,505

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

Group	**2009 £000**	2008 £000
Cost		
Freehold property	**40,905**	51,126
Long leasehold property	**122,495**	122,495
	163,400	173,621
Depreciation		
Freehold property	**5,779**	8,711
Long leasehold property	**13,832**	11,382
	19,611	20,093
Net book value		
Freehold property	**35,126**	42,415
Long leasehold property	**108,663**	111,113
	143,789	153,528

Notes *(continued)*

12 Fixed asset investments

Group	**Joint Venture £000**
Cost	
At 1 July 2008	-
Share of profit of joint venture	429
Transfer from provision for liabilities and charges	(429)
At 30 June 2009	-
Net book value	
At 30 June 2008 and 30 June 2009	-

The Directors believe it to be appropriate to account for Chelsea Digital Media Limited, of which the Group owned 65% of the ordinary share capital at the year end, as a joint venture in accordance with FRS 9 'Associates and joint ventures'. Chelsea Digital Media Limited is currently funded by way of preference share capital subscribed for by SNMV.

In accordance with FRS 9, 'Associates and joint ventures', the Group's share of profits from its investment in the joint venture of £429,000 *(2008: £994,000)* 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 fully paid.

Company	**Subsidiary undertakings £000**	**Loan to group undertaking £000**	**Total £000**
Cost			
At 1 July 2008	110,771	561,320	672,091
Additions	-	-	-
Disposals	-	(15,286)	(15,286)
At 30 June 2009	110,771	546,034	656,805
Provision			
At 1 July 2008	2,922	26,677	29,599
Disposals	-	(25,315)	(25,315)
At 30 June 2009	2,922	1,362	4,284
Net book value			
At 30 June 2009	**107,849**	**544,672**	**652,521**
At 30 June 2008	107,849	534,643	642,492

As required under FRS 11 'Impairment of fixed assets and goodwill', the Directors have assessed the carrying values and believe the current investment values to be appropriate (*2008: £25,315,000 impairment*).

On 29 August 2008, the ownership of the 2 ordinary shares of £1.00 each in Chelsea Leisure Services Limited was transferred from Chelsea FC plc to Stamford Bridge Projects Limited at the nominal value of £1.00 each.

Notes *(continued)*

13 Stocks

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Goods held for resale	**834**	601	**-**	-

14 Debtors

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Due in less than one year				
Trade debtors	**57,005**	49,148	**56,414**	48,460
Other debtors	**1,337**	3,956	**-**	-
Prepayments and accrued income	**3,922**	3,133	**395**	669
	62,264	56,237	**56,809**	49,129
Due after one year:				
Trade debtors	**11,144**	12,049	**11,144**	12,049
Other debtors	**8,646**	8,648	**8,646**	8,648
	19,790	20,697	**19,790**	20,697

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 2009 was £8,645,944 *(2008: £8,647,995)*. The directors believe that the balance outstanding will be ultimately recovered.

15 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Trade creditors	**7,893**	27,222	**2,205**	3,438
Other taxes and social security	**11,619**	13,244	**9,271**	6,987
Other creditors	**6,286**	6,080	**69**	565
Accruals and deferred income	**68,721**	75,046	**2,270**	2,509
	94,519	121,592	**13,815**	13,499

£35,953,000 *(2008: £41,880,000)* of the accruals and deferred income balance represents season ticket sales for the 2009/10 season.

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Trade creditors	**2,031**	4,509	**-**	-
Amounts owed to group undertakings	**14,203**	339,763	**14,994**	339,766
Other creditors	**-**	13	**-**	-
Deferred income	**-**	4,647	**-**	-
Preference shares classified as liabilities	**15,000**	15,000	**-**	-
	31,234	363,932	**14,994**	339,766

Under FRS 25 the preference share capital is classified as a financial liability. The preference share capital of £15,000,000 is in the Company's subsidiary, Chelsea Football Club Limited.

Preference share capital	**2009 Number**	2008 Number	**2009 £000**	2008 £000
Authorised				
Cumulative preference shares of £1 each	**15,000,000**	15,000,000	**15,000**	15,000
Allotted, called up and fully paid				
Cumulative preference shares of £1 each	**15,000,000**	15,000,000	**15,000**	15,000

The cumulative preference shares attract a fixed cumulative preferential dividend at the rate of 5p per share per annum, with the first such dividend accruing in respect of the period 1 January 2007 to 31 December 2007. On the winding-up of Chelsea Football Club Limited, the assets of that company available for distribution among the members shall be applied, in priority to any payment to holders of any other class of shares, in repaying the holders of the cumulative preference shares a sum equal to the nominal capital paid up or credited as paid up thereon.

17 Borrowings and secured liabilities

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
The aggregate borrowings amounted to:				
Preference shares classified as liabilities	**15,000**	15,000	**-**	-
	15,000	15,000	**-**	-

Notes *(continued)*

17 Borrowings and secured liabilities (continued)

Borrowings are repayable as follows:

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Repayable between two and five years				
Preference shares classified as liabilities	**15,000**	15,000	**-**	-

18 Provisions for liabilities and changes

Deferred tax

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 assets as follows:

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Accelerated capital allowances	**739**	(987)	**1,902**	1,603
Tax losses	**137,348**	130,259	**2**	-
Unrecognised deferred tax asset	**138,087**	129,272	**1,904**	1,603

Investment in joint ventures

	Group £000
At 1 July 2008	3,966
Profit for the year transferred from fixed asset investment	(429)
At 30 June 2009	**3,537**

Notes *(continued)*

19 Called up share capital

	Company 2009 Number	Company 2008 Number	Company 2009 £000	Company 2008 £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	**173,005,000**	173,005,000	**1,730**	1,730

20 Reconciliation of movement in equity shareholders' funds

Group	**Share Capital £000**	**Share premium account £000**	**Revaluation reserve £000**	**Profit and loss account £000**	**Equity shareholders' funds £000**
At 1 July 2008	1,730	405,095	30,127	(495,989)	(59,037)
Loss for the financial year	-	-	-	(44,395)	(44,395)
Difference on depreciation	-	-	(1,289)	1,289	-
Allotment during the year	100	339,900	-	-	340,000
Shareholders' funds at 30 June 2009	**1,830**	**744,995**	**28,838**	**(539,095)**	**236,568**
Company					
At 1 July 2008	1,730	405,095	6,555	(43,503)	369,877
Share issue	100	339,900	-	-	340,000
Equity shareholders' funds at 30 June 2009	**1,830**	**744,995**	**6,555**	**(43,503)**	**709,877**

The Company made an allotment of 10,000,000 ordinary shares of £0.01 each at £34 per share. The difference between the total consideration of £340,000,000 and the nominal value of £100,000 has been credited to the share premium account (£339,900,000).

21 Reconciliation of operating loss to net cash outflow from operating activities

	2009 £000	2008 £000
Operating loss	**(73,007)**	(87,024)
Depreciation	**8,921**	7,740
Amortisation of Eurobond issue costs	**-**	96
Amortisation of intangible fixed assets	**48,965**	57,281
Decrease / (increase) in stocks	**(233)**	563
Decrease / (increase) in debtors	**22,687**	(8,356)
(Decrease) / increase in creditors	**(20,436)**	8,920
Net cash outflow from operating activities	**(13,103)**	(20,780)

Notes *(continued)*

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

	2009 £000	2008 £000
Returns on investments and servicing of finance		
Interest received	379	685
Interest paid	-	(2,251)
	379	(1,566)
Capital expenditure		
Purchase of tangible fixed assets	(7,156)	(38,816)
Sale of tangible fixed assets	-	-
Purchase of intangible fixed assets	(18,275)	(64,632)
Sale of intangible fixed assets	21,269	18,396
	(4,162)	(85,052)
Financing		
Repayment of loans	(15,500)	(52,195)
Receipt from borrowings	32,749	155,052
	17,249	102,857

23 Analysis of net debt

	At 1 July 2008 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2009 £000
Cash movements				
Cash at bank and in hand	5,339	363	-	5,702
	5,339	363	-	5,702
Debt due after one year	(363,146)	(17,249)	340,000	(40,395)
Net debt	(363,146)	(17,249)	340,000	(40,395)
	(357,807)	(16,886)	340,000	(34,693)

Notes *(continued)*

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 1 April 2006 and the Group was advised that the deficit has increased and further contributions amounting to £130,000 were required. The revised deficit is being paid off over a period of 10 years from April 2006. The charge for the year is £28,087 *(2008: £28,087).*

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 £966,913 (*2008: £670,913).* Amounts owed to the Scheme at the year end amounted to £99,476 (*2008: £nil*).

25 Operating leases and capital commitments

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

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Land and buildings:				
Leases expiring in more than five years	**88**	88	-	-
	88	88	-	-
Plant and equipment:				
Leases expiring between two to five years	**30**	30	-	-
	30	30	-	-
Capital expenditure commitments were as follows:				
Contracted for but not provided:				
Tangible fixed assets	-	4,289	-	182
	-	4,289	-	182

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 £4,282,000 (*2008: £3,654,000).*

Notes *(continued)*

27 Control

The Directors consider Fordstam Limited (formerly 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 Fordstam Limited (formerly 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 Post balance sheet events

Acquisition and disposal of players

Since the year end the Group has acquired the registration of several football players at a initial cost of £12,416,000 (*2008: £nil)* and disposed of the registrations of players at a profit of £2,643,000 (*2008: £8,513,000).*

The Group also received £nil *(2008: £128,000)* in respect of sell on clauses for players disposed of in previous years.

29 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 Limited	Hotel management and catering services
Chelsea FC Merchandising Limited	Merchandising, mail order and publications
Stamford Bridge Securities Limited	Property holding

Dormant	**Struck off in the year**
Chelsea TV Limited	Briskspring Limited
Chelsea Village Radio Limited	
Fulham Holdings Limited	

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 are held by the Company, with the exception of Chelsea Digital Media Limited which was 65% owned at year end.

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