

Chelsea Football Club Limited

**Directors' report and financial
statements**

Registered number 01965149

30 June 2008

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements	4
Independent auditor's report to the members of Chelsea Football Club Limited	5
Profit and loss account	7
Note of historical costs profits and losses	7
Balance sheet	8
Notes	9

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2008.

Principal activity

The Company's principal activity during the year continued to be that of a Premier League football club.

Results for the year

The net loss for the year, after taxation, was £70,397,000 (2007: £66,779,000). The Directors do not recommend the payment of a dividend for the financial year (2007: £nil).

Review of the business

Profit and Loss

The loss for the year was £70.4m compared to £66.8m for the previous year.

The year saw turnover increasing to £190.1m from £165.3, an increase of £24.8m as a result of a strong performance on the pitch. The Club were runners up in the FAPL, finalists in the Champions League and League Cup and quarter finalists in the FA Cup. Operating expenses at £258.8m were £17.8m up on the previous year. This is largely as a result of a £14.8m increase in payroll costs, a net increase in depreciation and other operating costs of £10.7m, offset by a decrease in player amortisation of £7.7m.

The Club made a profit on player trading of £22.2m in the year (2007: £9.3m) principally due to the sales of Robben to Real Madrid, Johnson to Portsmouth and Diarra to Arsenal.

Balance Sheet

Intangible assets have increased to £143.6m from £130.7m as a result of £80.7m of player acquisitions offset by the net book value of disposals of £10.5m and amortisation of £57.3m. Acquisitions accounted for in the financial year include Anelka, Belletti, Bosingwa, Deco, DiSanto, Ivanovich and Malouda.

Tangible fixed assets are £154.6m at the year end. The bulk of the £14.0m additions have been spent on improving spectator facilities at Stamford Bridge and Youth Academy facilities in Cobham.

Our net current liabilities at £100.3m have increased by £26.4m. This is largely as a result of an increase in trade creditors of £15.5m, mostly due to player purchases during the year and an increase in tax and social security costs of £5.6m due to the withholding tax on Manager terminations. There was also an increase in accruals and other creditors of £6.4m, offset by an increase in other debtors and prepayments of £1.1m.

Creditors falling due after more than one year of £511.6m include £487.5m owed to the Company's parent company, Chelsea FC plc. This is the Company's source of finance.

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 Club derives its income from three principal sources; gate receipts, television and commercial relationships.

All three sources of income are dependant 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 Club can attract in a highly competitive market both on the domestic and European levels.

Directors' Report *(continued)*

Review of business *(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 Club continually invests in the playing staff by way of both transfers and wages.

Regulatory Environment

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

Funding

Funds are provided by the Club's parent company Chelsea FC plc who in turn are supported by Chelsea Limited and the ultimate owner, Mr R Abramovich. The Club reviews and updates its cash 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 2007/08 of both a financial and non-financial nature were as follows:-

Non Financial

- FAPL Runners Up (2007: *Runners up*)
- Average league attendance of 41,074 (2007: *41,551*)
- Finalists in League Cup and quarter finalists in FA Cup (2007: *Winners of FA Cup and League Cup*)
- Champions League finalists (2007: *semi - 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

Directors who held office during the year are as follows:

B Buck

E Tenenbaum

PF Kenyon

D Barnard

A Grant (resigned 24 May 2008)

LF Scolari (appointed 22 September 2008)

None of the Directors held any beneficial interest in the share capital of the Company.

Company Secretary

AL Shaw served as Company Secretary throughout the year.

Directors' Report *(continued)*

Fixed assets

The movements in fixed assets during the year are as shown in notes 7 and 8 to the Financial Statements. The intangible fixed assets include the unamortised portion of the cost of players' registrations.

As at 30 June 2008 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 the Company have independently valued the playing staff. The average of their aggregate valuation as at 30 June 2008 was £287,100,000 (2007: £266,000,000). This assumes willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

Going concern basis

The Company has received confirmation from the ultimate controlling party 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.

Political and charitable donations

The Company made charitable donations of £25,578 during the year (2007: £33,730).

The Company's immediate parent Chelsea FC plc, made charitable donations of £312,013 during the year (2007: £414,227).

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. Suppliers are paid via the Company's immediate parent undertaking, Chelsea FC plc, further disclosure is provided in their financial statements.

Employees

The Group recognises the importance of good employee relations and communications and involves employees as appropriate to the 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

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.

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

27 November 2008

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 Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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; and
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 Football Club Limited

We have audited the Financial Statements of Chelsea Football Club Limited for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the 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.

Independent auditor's report to the members of Chelsea Football Club Limited (*continued*)

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008 and of its loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

5 January 2009

Profit and loss account

for the year ended 30 June 2008

	Note	Operations excluding player trading 2008 £000	Player Trading and exceptional items 2008 £000	Total 2008 £000	2007 £000
Turnover	1	190,082	-	190,082	165,341
Operating expenses		(201,525)	(57,281)	(258,806)	(241,035)
Exceptional items	2	-	(23,073)	(23,073)	-
Operating loss		(11,443)	(80,354)	(91,797)	(75,694)
Profit on disposal of player registrations		-	22,151	22,151	9,291
Loss on ordinary activities before interest and taxation		(11,443)	(58,203)	(69,646)	(66,403)
Interest payable and similar charges	5	(751)	-	(751)	(376)
Loss on ordinary activities before taxation	2	(12,194)	(58,203)	(70,397)	(66,779)
Tax on loss on ordinary activities	6	-	-	-	-
Loss for the financial year	14, 15	(12,194)	(58,203)	(70,397)	(66,779)

The results for the period relate to continuing operations.

The Company had no recognised gains or losses during the current or preceeding periods, other than the losses reported in the profit and loss account.

Note of historical costs profits and losses

for the year ended 30 June 2008

	Note	2008 £000	2007 £000
Reported loss on ordinary activities before taxation		(70,397)	(66,779)
Difference between a historical cost depreciation charge and the depreciation charge calculated on the revalued amount	14	1,216	1,216
Historical cost loss on ordinary activities before taxation		(69,181)	(65,563)
Historical cost loss for the financial year		(69,181)	(65,563)

Balance sheet

at 30 June 2008

	Note	2008 £000	2007 £000
Fixed assets			
Intangible assets	7	143,570	130,684
Tangible assets	8	154,562	124,570
		<u>298,132</u>	<u>255,254</u>
Current assets			
Debtors	9	5,076	3,990
Cash at bank and in hand		5	9
		<u>5,081</u>	<u>3,999</u>
Creditors: amounts falling due within one year	10	<u>(105,384)</u>	<u>(77,923)</u>
Net current liabilities		(100,303)	(73,924)
Total assets less current liabilities		<u>197,829</u>	<u>181,330</u>
Creditors: amounts falling due after more than one year	11	<u>(511,648)</u>	<u>(424,752)</u>
Net liabilities		<u>(313,819)</u>	<u>(243,422)</u>
Capital and reserves			
Called up share capital	13	10	10
Share premium account	14	99,990	99,990
Revaluation reserve	14	22,733	23,949
Profit and loss account	14	(436,552)	(367,371)
Equity shareholders' funds	15	<u>(313,819)</u>	<u>(243,422)</u>

These financial statements were approved by the Board of Directors on 27 November 2008 and were signed on its behalf by:



Mr B Buck
Director

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 Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of freehold land and buildings.

Under Financial Reporting Standard ('FRS') Number 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own consolidated financial statements.

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate. The Company is reliant on its ultimate parent undertaking, Chelsea Limited, for its continued financial support. Chelsea Limited has indicated its continued support for the foreseeable future provided that the Company remains in the Group.

Related party transactions

As the Company is a wholly owned subsidiary of Chelsea Limited the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Chelsea Limited, within which this Company is included, can be obtained from the address given in note 19.

Turnover

Turnover is stated net of value added tax and amounts due to the Football Association and visiting clubs, and includes gate receipts, sponsorships, advertising, television fees, donations and sundry net related income.

Players' registrations

All costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets and are amortised evenly over the period of the players' initial contract of employment with the Company. In the event that the initial contract is renegotiated prior to completion, 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.

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
Construction in progress	Not depreciated
Long leasehold buildings:	
Structures	50 to 100 years on a straight line basis
Computers	4 years on a straight line basis
Fixtures, fittings & equipment	2 to 10 years on a straight line basis

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 Company

Under FRS 25, financial instruments issued by the Company 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 Company to deliver cash or other financial assets or to exchange financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) Where the instrument will or may be settled in the Company'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 Company'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 shareholders' funds (see dividend policy) are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' 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.

Pensions

The Company is one of a number of employers in a shared defined benefit scheme for playing staff and defined contribution scheme for certain other members of staff. The defined benefit scheme is a multi-employer scheme and in accordance with FRS 17 has been treated as a defined contribution scheme. The Company also operates other defined contribution schemes.

Taxation

The charge for taxation 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. Full provision without discounting is made for deferred taxation in accordance with FRS 19.

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.

Players' signing on fees

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

Deferred income

Deferred income comprises amounts received on sales of millennium suites relating to future seasons, in addition to advance sales of season tickets and sponsorship income. These amounts will be released over the periods for which the income relates.

Notes (continued)

1 Accounting policies (continued)

Stadium development

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2 Loss on ordinary activities before taxation

	2008 £000	2007 £000
This is stated after charging:		
Depreciation of tangible fixed assets	4,012	3,631
Amortisation of intangible assets	57,281	64,968
Profit on disposal of player registrations	(22,151)	(9,291)
Exceptional items	23,073	-
Auditor's remuneration:		
- fees payable to the Company auditor for the audit of the Company's annual accounts	19	19
- tax services	-	20
Operating lease rentals:		
Plant and equipment	30	30
	<u>23,073</u>	<u>-</u>

Exceptional items consist of termination payments made during the year to first team managers and assistant coaches (2007: £nil).

3 Remuneration of directors

	2008 £000	2007 £000
Emoluments for qualifying services	1,942	1,842
Company pension contributions to money purchase schemes	58	55
	<u>2,000</u>	<u>1,897</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounts to 1 (2007: 1).

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2008 £000	2007 £000
Emoluments for qualifying services	1,942	1,842
Company pension contributions to money purchase schemes	58	55
	<u>2,000</u>	<u>1,897</u>

Notes (continued)

4 Staff numbers and costs

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

	2008 Number	2007 Number
Playing staff (including managers/coaches)	83	87
Administration and commercial	112	96
	<u>195</u>	<u>183</u>

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	144,007	110,266
Social security costs	16,158	12,254
Other pension costs	486	259
	<u>160,651</u>	<u>122,779</u>

Wages and salaries include £23,073,000 of exceptional items relating to termination payments made during the year to first team managers and assistant coaches (2007: nil). The Company also employs approximately 550 (2007: 550) temporary staff on match days.

5 Interest payable and similar charges

	2008 £000	2007 £000
Hire purchase interest	-	1
Finance costs on shares classified as liabilities	751	375
	<u>751</u>	<u>376</u>

6 Taxation

	2008 £000	2007 £000
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	(70,397)	(66,779)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 29.5% (2007: 30%)	(20,767)	(20,034)
Effects of:		
Non deductible expenditure	1,365	199
Movement on deferred tax	254	1,115
Losses carried forward	18,715	17,820
Group relief surrendered	433	900
	<u>20,767</u>	<u>20,034</u>
Current tax charge	-	-
Losses available to carry forward at 30 June	<u>435,655</u>	<u>375,201</u>

A potential deferred tax asset of £119,884,000 (2007: £110,179,000) has not been recognised due to uncertainty over future profits.

Notes (continued)

7 Intangible fixed assets

	Players registrations £000
<i>Cost</i>	
At 1 July 2007	327,484
Additions	80,727
Disposals	(56,527)
At 30 June 2008	351,684
<i>Depreciation</i>	
At 1 July 2007	196,800
Charge for the year	57,281
On disposal	(45,967)
At 30 June 2008	208,114
<i>Net book value</i>	
At 30 June 2008	143,570
At 30 June 2007	130,684

8 Tangible fixed assets

	Freehold land £000	Long lease land & buildings £000	Computers, fixtures and fittings £000	Construction in progress £000	Total £000
<i>Cost or valuation</i>					
At 1 July 2007	8,723	118,042	5,749	3,669	136,183
Additions	-	89	1,982	11,880	13,951
Completed assets under construction	-	25,177	3,827	(29,004)	-
Transfers (to)/from Group Companies	-	-	38	20,911	20,949
Disposals	-	(958)	(2,162)	-	(3,120)
At 30 June 2008	8,723	142,350	9,434	7,456	167,963
<i>Depreciation</i>					
At 1 July 2007	275	7,984	3,354	-	11,613
Charge for the year	547	2,051	1,414	-	4,012
Disposals	-	-	(2,224)	-	(2,224)
At 30 June 2008	822	10,035	2,544	-	13,401
<i>Net book value</i>					
At 30 June 2008	7,901	132,315	6,890	7,456	154,562
At 30 June 2007	8,448	110,058	2,395	3,669	124,570

As required under FRS 11 'Impairment of fixed assets and goodwill' the Directors have re-assessed the carrying values and are of the opinion that no impairments are required in the current year (2007: £nil).

Notes (continued)

8 Tangible fixed assets (continued)

Comparable historical cost for the land and buildings included at valuation:

	Total £000
<i>Cost</i>	
At 1 July 2007	105,078
Additions	25,266
Disposals	(958)
At 30 June 2008	<u>129,386</u>
<i>Depreciation</i>	
At 1 July 2007	9,337
Charge for the year	2,588
At 30 June 2008	<u>11,925</u>
<i>Net book value</i>	
At 30 June 2008	<u>117,461</u>
At 30 June 2007	<u>95,741</u>

9 Debtors

	2008 £000	2007 £000
Other debtors	3,211	1,111
Prepayments and accrued income	1,865	2,879
	<u>5,076</u>	<u>3,990</u>

10 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	23,779	8,279
Other creditors	5,204	4,975
Taxes and social security costs	6,063	458
Accruals and deferred income	70,338	64,211
	<u>105,384</u>	<u>77,923</u>

£41,880,000 (2007: £32,764,000) of the accruals and deferred income balance represents season ticket sales for the forthcoming season.

Notes (continued)

11 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Trade creditors	4,509	3,913
Amounts owed to Group undertakings	487,479	399,283
Other creditors	13	31
Accruals and deferred income	4,647	6,525
Preference share capital	15,000	15,000
	<u>511,648</u>	<u>424,752</u>

Deferred income included above represents that part of amounts received as at 30 June 2008 from the sale of 10 year licences on the Millennium Suites, which relate to the 2008/2009 season and beyond.

	2008 Number	2007 Number	2008 £000	2007 £000
Preference share capital				
<i>Authorised</i>				
Cumulative preference shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000</u>	<u>15,000</u>
Allotted, called up and fully paid				
Cumulative preference shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000</u>	<u>15,000</u>

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 winding-up of the Company, the assets of the 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.

12 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 had 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.

b) Defined Contribution Schemes

The Group also contributes to other schemes providing benefits based upon contributions made. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension charge for the year was £486,000 (2007: £259,000). Amounts owed to the scheme at the year end amounted to £nil (2007: £nil).

Notes (continued)

13 Called up share capital

	2008 Number	2007 Number	2008 £000	2007 £000
<i>Authorised</i>				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	10,100	10,100	10	10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Articles of Association limit dividends payable on ordinary shares to 15% of the paid up share capital in any one year.

Under FRS 25 the preference share capital is classified as a financial liability.

14 Statement of movement on reserves

	Share premium account £000	Revaluation Reserve £000	Profit & loss account £000	Total £000
Balance at 1 July 2007	99,990	23,949	(367,371)	(243,432)
Retained loss for the year	-	-	(70,397)	(70,397)
Difference on depreciation	-	(1,216)	1,216	-
Balance at 30 June 2008	<u>99,990</u>	<u>22,733</u>	<u>(436,552)</u>	<u>(313,829)</u>

15 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Loss for the financial year	(70,397)	(66,779)
Opening equity shareholders' funds	(243,422)	(176,643)
Closing equity shareholders' funds	<u>(313,819)</u>	<u>(243,422)</u>

Notes (continued)

16 Contingent liabilities

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Company if certain conditions are met. The maximum amount that could be payable is £3,654,000 (2007: £2,574,000).

17 Financial commitments

At 30 June the Company had annual commitments under non-cancellable operating leases as follows:

	Plant and equipment	
	2008 £000	2007 £000
Expiry date:		
Within two to five years	30	30

18 Capital commitments

At the 30 June the Company had capital commitments as follows:

	2008 £000	2007 £000
Contracted for but not provided in the financial statements	4,107	7,831

19 Ultimate parent Company

The Directors consider the Ultimate Parent Undertaking to be Chelsea Limited, a company incorporated in England and Wales. The largest group of undertakings in which the Company's results are included is Chelsea Limited. The smallest group of undertakings in which the Company's results are included is Chelsea FC plc.

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

20 Post Balance Sheet Events

Since the year end the Company has acquired the registration of one football player at a cost of £nil (2007: £23,635,000) and disposed of the registrations of players at a profit of £8,513,000 (2007: £18,660,000).

The Company also received £129,000 (2007: £1,526,000) in respect of sell on clauses for players disposed of in previous years.