Chelsea Football Club Limited

Directors' report and financial statements

Registered number 01965149

Year ended 30 June 2012

Contents

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2012

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 profit for the year, after taxation, was £200,000 (*2011 loss £71,962,000)* The Directors do not recommend the payment of a dividend for the financial year (*2011 £nil*)

Review of the business

Profit and Loss

The profit for the year was £0 2m compared to a loss of £72 0m for the previous year

Turnover of £227 3m was up on the previous year turnover of £205 2m by £22 1m This was predominantly due to an increase in the Champions League revenue as a result of being competition winners in the 2011/12 season Winning the FA Cup also contributed to an increase in turnover, but there was a reduction in FAPL distributions due to the football club finishing 6th in the domestic league compared to 2nd in the previous year

Operating expenses of £277 2m have increased by £24 2m compared with £253 0m in the previous year This was due to an increase in payroll costs (before exceptional items) of £7 2m, other operating expenses of £7 1m and player amortisation and depreciation of £9 9m

The business had an exceptional credit of £2 9m (*2011 cost £41 9m*) in the year These are explained in note 2 to the accounts

The football club made a profit on player trading of £28 8m in the year *(2011 £18 4m)* principally due to the sale of Yury Zhirkov to Anzhi Makhachkala, Slobodan Rajkovic to Hamburg, Alex Da Costa to Paris St Germain and Nicolas Anelka to Shanghai Shenhua

The football club also made a profit on the cancellation of £15 0m non-equity preference shares previously owned by British Sky Broadcasting Group plc (BSkyB) and the write back of £3 4m of accrued preference share dividend associated with these shares See note 11

Balance Sheet

Intangible assets have increased to £200 4m from £126 4m as a result of £130 6m of player acquisitions offset by an impairment of players' registrations of £1 8m, the net book value of disposals of £5 3m and amortisation of £49 5m

Tangible fixed assets are £143 9m at the year end As in prior years, the bulk of the £1 3m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham

Our net current liabilities at £111 3m have decreased by £18 2m This is as a result of a decrease in accruals and other creditors of £33 0m, mainly due to the exceptional items of the previous year being settled this year This has been offset by an increase in trade creditors of £16 4m due to player purchases in the year Other net movements have resulted in a change in working capital of £1 6m

Creditors falling due after more than one year of £736 1m include £692 5m owed to the Company's parent company, Chelsea FC plc This is the Company's source of finance In addition, during the year there was a cancellation of the £15 0m non-equity preference shares previously owned by British Sky Broadcasting Group plc (BSkyB) and a write back of £3 4m of accrued preference share dividend associated with these shares See note 11

Directors' report *(continued)*

Principal risks and uncertainties

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

Income

The football club derives its income from three principal sources gate receipts, television and commercial relationships

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

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

The introduction of the UEFA financial fair play regulations from the 2011-12 season provides a significant challenge The football club needs to continue to balance success on the field together with the financial imperatives of this new regime The result recorded in this financial year puts us in a good position to meet the assessment criteria for the initial periods

Funding

Funds are provided by the football club's parent company Chelsea FC plc which in turn is supported by Fordstam Limited The football 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 2011/12 of both a financial and non-financial nature were as follows -

Non Financial

- Champions League winners (*2011 quarter finalists*)
- FAPL 6th place (*2011 runners up*)
- Average league attendance of 40,344 (*2011 41,008*)

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
D Barnard
M Forde
R Gourlay

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

Directors' report *(continued)*

Company Secretary

AL Shaw served as Company Secretary throughout the year

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 comprises the unamortised portion of the cost of players' registrations

As at 30 June 2012 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 2012 was £278,500,000 *(2011 £256,880,000)* 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 funding 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 £190,239 during the year *(2011 £nil)* All other charitable donations are made via the Company's immediate parent Chelsea FC plc During the year, Chelsea FC plc made charitable donations of £423,058 *(2011 £494,558)*

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

Disclosure of information to 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

Auditor

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

By order of the Board

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

AL Shaw
Secretary

12 December 2012

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)

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 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 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
Edward VII Quay
Navigation Way
Preston
PR2 2YF

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 2012 set out on pages 7 to 17 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 Chapter 3 of Part 16 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 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 auditor

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, and express an opinion on, 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/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its profit 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 Football Club Limited *(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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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
Preston

21 December 2012

Profit and loss account
for the year ended 30 June 2012

	Note	Operations excluding player trading 2012 £000	Player trading and exceptional items 2012 £000	Total 2012 £000	Total 2011 £000
Turnover	*1*	227,319	-	**227,319**	205,248
Operating expenses	*2*	(227,695)	(49,506)	**(277,201)**	(253,010)
Exceptional items	*2*	4,700	(1,787)	**2,913**	(41,862)
Operating profit/(loss)		4,324	(51,293)	**(46,969)**	(89,624)
Profit on disposal of player registrations	*2*	-	28,794	**28,794**	18,410
Profit on cancellation of shares	*2*	18,375	-	**18,375**	-
Profit/(loss) on ordinary activities before interest and taxation		22,699	(22,499)	**200**	(71,214)
Interest payable and similar charges	*5*	-	-	-	(748)
Profit/(loss) on ordinary activities before taxation	*2*	22,699	(22,499)	**200**	(71,962)
Tax on profit/(loss) on ordinary activities	*6*	-	-	-	-
Profit/(loss) for the financial year	*14, 15*	22,699	(22,499)	**200**	(71,962)

The results for the year relate to continuing operations

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

Note of historical cost profits and losses
for the year ended 30 June 2012

	Note	2012 £000	2011 £000
Reported profit/(loss) on ordinary activities before taxation		**200**	(71,962)
Difference between a historical cost depreciation charge and the depreciation charge calculated on the revalued amount	*14*	**1,216**	1,216
Historical cost profit/(loss) on ordinary activities before taxation		**1,416**	(70,746)
Historical cost profit/(loss) for the financial year		**1,416**	(70,746)

Balance sheet
at 30 June 2012

	Note	2012		2011	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*7*		**200,454**		126,415
Tangible assets	*8*		**143,921**		148,468
			344,375		274,883
Current assets					
Debtors	*9*	**4,169**		2,518	
Cash at bank and in hand		**5**		5	
		4,174		2,523	
Creditors: amounts falling due within one year	*10*	**(115,491)**		(132,037)	
Net current liabilities			**(111,317)**		(129,514)
Total assets less current liabilities			**233,058**		145,369
Creditors amounts falling due after more than one year	*11*		**(736,098)**		(648,609)
Net liabilities			**(503,040)**		(503,240)
Capital and reserves					
Called up share capital	*13*		**10**		10
Share premium account	*14*		**99,990**		99,990
Revaluation reserve	*14*		**17,869**		19,085
Profit and loss account	*14*		**(620,909)**		(622,325)
Equity shareholders' deficit	*15*		**(503,040)**		(503,240)

These financial statements were approved by the Board of Directors on 12 December 2012 and were signed on its behalf by

Mr B Buck
Director

Registered number 01965149

Notes

(forming part of the financial statements)

1 Accountıng policies

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal ın relatıon to the Company's financıal statements

Basıs of preparatıon

The financıal statements have been prepared ın accordance wıth applıcable accountıng standards, under the hıstorıcal cost conventıon and wıthın the requırements of the Companıes Act 2006, modıfied to ınclude the revaluatıon of freehold land and buıldıngs

Under Fınancıal Reportıng Standard ('FRS') Number 1, the Company ıs exempt from the requırement to prepare a cash flow statement on the grounds that a parent undertakıng ıncludes the Company ın ıts own consolıdated financıal statements

The financıal statements have been prepared on a goıng concern basıs whıch the Dırectors belıeve to be approprıate The Company ıs relıant on ıts ultımate parent undertakıng, Fordstam Lımıted, for ıts contınued financıal support Fordstam Lımıted has ındıcated ıts contınued support for the foreseeable future

Going concern

The Company ıs relıant on ıts parent undertakıng, Chelsea FC plc, for ıts contınued financıal support The Company has receıved confirmatıon from ıts parent undertakıng that suffıcıent funds wıll be provıded to finance the busıness for the foreseeable future The Dırectors have therefore adopted the goıng concern basıs ın preparıng these financıal statements

Related party transactions

As the Company ıs a wholly owned subsıdıary of the ultımate parent undertakıng Fordstam Lımıted, the Company has taken advantage of the exemptıon contaıned ın FRS 8 and has therefore not dısclosed transactıons or balances wıth entıtıes whıch form part of the Group (or ınvestees of the Group qualıfyıng as related partıes) The consolıdated financıal statements of Fordstam Lımıted, wıthın whıch thıs Company ıs ıncluded, can be obtaıned from the address gıven ın note 18

Turnover

Turnover ıs stated net of value added tax and amounts due to the Football Assocıatıon and vısıtıng clubs, and ıncludes gate receıpts, sponsorshıps, advertısıng, televısıon fees, donatıons and sundry net related ıncome

Players' registrations

All costs assocıated wıth the acquısıtıon of players' regıstratıons are capıtalısed as ıntangıble fixed assets and are amortısed evenly over the perıod of the players' ınıtıal contract of employment wıth the Company In the event that the ınıtıal contract ıs renegotıated prıor to completıon, the wrıtten down value at the date of renegotıatıon ıs amortısed over the extended perıod Fees receıvable are set off agaınst the players' net book value at the date of sale, plus any payments made ın settlement of the contracts, and the dıfference ıs treated as a profit or loss on dısposal

The Dırectors revıew the carryıng value of the players' regıstratıons for ımpaırment where events or changes ın cırcumstances ındıcate that the carryıng value of the asset may not be recoverable To the extent that the carryıng value exceeds the recoverable amount, the asset ıs ımpaıred and the ımpaırment loss ıs recognısed ın 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
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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

	2012	2011
	£000	£000
This is stated after charging/(crediting)		
Depreciation of tangible fixed assets	**5,808**	5,660
Amortisation of intangible assets	**49,506**	39,721
Profit on disposal of player registrations	**(28,794)**	(18,410)
Profit on cancellation of preference shares	**(18,375)**	-
Exceptional items	**(2,913)**	41,862
Auditor's remuneration		
- fees payable to the Company auditor for the audit of the Company's annual accounts	**24**	23
- fees payable to the Company auditor for the audit of the Company's interim accounts	**7**	20
- other fees payable to the Company auditor	**2**	2
- tax services	**21**	21
Operating lease rentals		
Plant and equipment	**-**	4

Exceptional items consist of impairment of player registrations (£1 8m) (2011 £7 4m), and a release of a provision for termination payments and compensation in relation to the changes in the first team management structure during the year (credit £4 7m) (2011 debit £28 0m) In the prior year there were amounts paid to HMRC in relation to a settlement of the industry wide investigation into the taxation of payments under image rights (£6 4m)

Notes *(continued)*

3 Remuneration of directors

	2012 £000	2011 £000
Emoluments for qualifying services	**414**	1,319
Company pension contributions to money purchase schemes	**30**	20
	444	1,339

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounts to 2 *(2011 3)*

One director was paid for his services by the Parent Company Chelsea FC plc Disclosure of these amounts is given in the financial statements of Chelsea FC plc Two other directors do not receive any emoluments for their services from the Group

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

	2012 £000	2011 £000
Emoluments for qualifying services	**218**	917

4 Staff numbers and costs

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

	2012 Number	2011 Number
Playing staff (including managers/coaches)	**89**	69
Administration and commercial	**144**	145
	233	214

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	**128,382**	146,724
Social security costs	**17,426**	15,117
Other pension costs	**13,209**	16,146
	159,017	177,987

In 2012, wages and salaries there is an exceptional credit of £4,700,000 (*2011 cost £21,435,000*) See note 2

The Company also employs approximately 550 (*2011 550*) temporary staff on match days

5 Interest payable and similar charges

	2012 £000	2011 £000
Finance costs on shares classified as liabilities (see note 11)	**-**	748

Notes *(continued)*

6 Taxation

	2012 **£000**	2011 £000
Factors affecting the tax charge for the year:		
Profit /(Loss) on ordinary activities before taxation	**200**	(71,962)
Profit /(Loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 25 5% *(2010 27 5%)*	**51**	(19,790)
Effects of		
Non deductible expenditure	**4,202**	5,709
Income not taxable	**(4,686)**	-
Utilisation of losses brought forward	**(271)**	-
Movement on deferred tax	**732**	301
Losses carried forward	**-**	13,277
Group relief surrendered	**(28)**	503
	(51)	19,790
Current tax charge	**-**	-
Losses available to carry forward at 30 June	**569,840**	570,903

A potential deferred tax asset of £139,260,264 (*2011 £150,454,000*) has not been recognised due to uncertainty over future profits

7 Intangible fixed assets

	Players registrations £000
Cost	
At 1 July 2011	337,803
Additions	130,641
Disposals	(92,010)
At 30 June 2012	**376,434**
Amortisation	
At 1 July 2011	211,388
Charge for the year	49,506
Impairment of players' registrations	1,787
On disposal	(86,701)
At 30 June 2012	**175,980**
Net book value	
At 30 June 2012	**200,454**
At 30 June 2011	126,415

Notes *(continued)*

8 Tangible fixed assets

	Freehold land & buildings £000	Long lease land & buildings £000	Computers, fixtures and fittings £000	Construction in progress £000	Total £000
Cost or valuation					
At 1 July 2011	8,899	142,350	24,945	7	176,201
Additions	-	-	1,212	49	1,261
Disposals	-	-	(267)	-	(267)
At 30 June 2012	**8,899**	**142,350**	**25,890**	**56**	**177,195**
Depreciation					
At 1 July 2011	3,144	16,145	8,444	-	27,733
Charge for the year	847	2,036	2,925	-	5,808
Disposals	-	-	(267)	-	(267)
At 30 June 2012	**3,991**	**18,181**	**11,102**	-	**33,274**
Net book value					
At 30 June 2012	**4,908**	**124,169**	**14,788**	**56**	**143,921**
At 30 June 2011	5,755	126,205	16,501	7	148,468

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 (*2011 £nil*)

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

	Total £000
Cost	
At 1 July 2011 and 30 June 2012	**129,562**
Depreciation	
At 1 July 2011	19,697
Charge for the year	2,591
At 30 June 2012	**22,288**
Net book value	
At 30 June 2012	**107,274**
At 30 June 2011	109,865

9 Debtors

	2012 £000	2011 £000
Other debtors	**1,190**	191
Prepayments and accrued income	**2,979**	2,327
	4,169	2,518

Notes *(continued)*

10 Creditors. amounts falling due within one year

	2012	2011
	£000	£000
Trade creditors	**42,188**	25,753
Other creditors	**5,051**	15,670
Taxes and social security costs	**5,906**	485
Accruals and deferred income	**62,346**	90,129
	115,491	132,037

£33,252,000 (*2011 £34,526,000)* of the accruals and deferred income balance represents season ticket sales for the 2012/13 season

11 Creditors: amounts falling due after more than one year

	2012	2011
	£000	£000
Trade creditors	**43,622**	16,145
Amounts owed to Group undertakings	**692,476**	617,464
Preference share capital	**-**	15,000
	736,098	648,609

	2012	2011	**2012**	2011
Preference share capital	**Number**	Number	**£000**	£000
Authorised				
Cumulative preference shares of £1 each	**-**	15,000,000	**-**	15,000
Allotted, called up and fully paid				
Cumulative preference shares of £1 each	**-**	15,000,000	**-**	15,000

The £15,000,000 of non-equity preference shares were owned by British Sky Broadcasting Group plc (BSkyB) On 31 January 2012 BSkyB cancelled these shares and agreed to waive the fixed cumulative preference dividend that had been accruing at a rate of 5p per share per annum for the period 1 January 2007 to 31 January 2012 This cancellation has resulted in an exceptional profit on disposal of £18,375,000 in the current year, consisting of £15,000,000 in respect of the preference shares and £3,375,000 in respect of the accrued dividend

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 The latest actuarial valuation as at 31 August 2008 highlighted that the Group share of the deficit was £199,443 The revised deficit is being paid off over a period of 10 years from 01 September 2009 The charge for the year was £30,828 *(2011 £10,884)*

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 £13,208,551 (*2011 £16,146,080)* Amounts owed to the schemes at the year end amounted to £824,681 (*2011 £1,428,576*), which represents the current amount due to be paid across to the schemes within the statutory time frame

Notes *(continued)*

13 Called up share capital

	2012 Number	2011 Number	2012 £000	2011 £000
Authorised				
Ordinary shares of £1 each	**1,000,000**	1,000,000	**1,000**	1,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**10,100**	10,100	**10**	10

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

14 Statement of movement on reserves

	Share premium account £000	Revaluation reserve £000	Profit & loss account £000	Total £000
Balance at 1 July 2011	99,990	19,085	(622,325)	(503,250)
Retained profit for the year	-	-	200	200
Difference on depreciation	-	(1,216)	1,216	-
Balance at 30 June 2012	**99,990**	**17,869**	**(620,909)**	**(503,050)**

15 Reconciliation of movements in shareholders' deficit

	2012 £000	2011 £000
Profit/(loss) for the financial year	**200**	(71,962)
Opening equity shareholders' deficit	**(503,240)**	(431,278)
Closing equity shareholders' deficit	**(503,040)**	(503,240)

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 £3,388,000 *(2011 £3,752,000)*

17 Financial commitments

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

	Plant and equipment	
	2012 £000	2011 £000
Expiry date		
Within one year	-	4
Within two to five years	-	-
	-	4

Notes *(continued)*

18 Ultimate Parent Company

The Directors consider the Ultimate Parent Undertaking to be Fordstam Limited, a company incorporated in England and Wales and the Ultimate Controlling Party is Mr R Abramovich The largest group of undertakings in which the Company's results are included is Fordstam 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

19 Post Balance Sheet Events

Since the year end the Club has acquired the registration of six football players at an initial cost of £42,985,000 (*2011 £64,656,000*) and disposed of the registration of one player at a profit of £539,000 (*2011 £25,612,000*)

The Group also received £1,476,000 (*2011 £nil*) in respect of sell on clauses for players disposed of in previous years

On 21st November 2012, the Club parted company with First Team Manager Roberto DiMatteo and appointed Rafael Benitez as Interim First Team Manager until the end of the season

20 Transactions with related parties

The Company conducts business transactions on a normal commercial basis with the following related Company

Company	**2012 Sales to related party £000**	**2012 Purchases from related party £000**	**2012 Balance receivable £000**	**2012 Balance payable £000**
Mr R Abramovich	3,000	-	-	-
Skadden, Arps, Slate, Meagher & Flom UK	-	4	-	-

Company	2011 Sales to related party £000	2011 Purchases from related party £000	2011 Balance receivable £000	2011 Balance payable £000
Mr R Abramovich	2,000	-	-	-
Skadden, Arps, Slate, Meagher & Flom UK	-	10	-	-

Sales to the Ultimate Controlling Party, Mr R Abramovich were in relation to corporate hospitality boxes These sales were made at current market rates in line with other corporate hospitality box sales

Purchases from Skadden, Arps, Slate, Meagher & Flom UK were in relation to legal and professional fees Mr Buck is a partner of Skadden, Arps, Slate, Meagher & Flom