Chelsea FC plc

Directors' report and financial statements

Registered number 2536231

Year ended 30 June 2011

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Contents

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2011

Principal activities

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 £67 7m compared to £70 9m for the previous year

The year saw turnover increase to £225 6m from £209 5m, an increase of £16 1m This was due to an increase in the centralised FAPL distribution of overseas broadcasting revenues and also an increase in the Champions League market pool as a result of being domestic league champions in the 2009/10 season

Operating expenses of £266 6m were £9 3m down on the previous year A decrease in payroll costs (before exceptional items) of £4 4m and other operating expenses of £7 0m were offset by an increase in player amortisation of £2 1m

The business incurred £41 9m of exceptional costs (*2010 £nil*) which had a significant impact on the size of the losses in the financial year These are referred to in note 3 to the accounts

The football club made a profit on player trading of £18 4m in the year *(2010 loss £1 0m)* principally due to the sale of Miroslav Stoch to Fenerbahce, Ricardo Carvalho to Real Madrid, Franco DiSanto to Blackburn Rovers and Michael Mancienne to Hamburg

Balance Sheet

Intangible assets have increased to £126 4m from £64 0m as a result of £112 2m of player acquisitions offset by an impairment of players' registrations of £7 4m, the net book value of disposals of £2 6m and amortisation of £39 7m

Tangible fixed assets are £188 3m at the year end As in prior years, the bulk of the £6 0m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham In addition, the Directors have re-assessed the carrying value of investment property and have determined that a revaluation gain of £0 7m should be made against the value

Our net current liabilities at £92 1m have increased by £50 0m Trade creditors and trade debtors increased by £16 3m and £6 0m respectively, largely due to player trading during the year In addition, other creditors and accruals have increased by £13 8m and £24 7m respectively This is largely as a result of the exceptional items referred to in note 3 Other net movements have resulted in a decrease in working capital of £1 2m

Creditors falling due after more than one year of £125 4m have increased by £78 3m from £47 1m in 2010 This is predominantly due to funding received from the Parent Company, Fordstam Limited, which is the Group'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 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

The introduction of the UEFA financial fair play regulations from the 2011-12 season provides a significant challenge The football club needs to balance success on the field together with the financial imperatives of this new regime The board monitors on a regular basis the club's financial performance in relation to the criteria

Funding

The Group has increased net debt by £72m in the last financial year *(2010 reduction in net debt of £3 8m)* Funds are provided by the football club's parent company Fordstam Limited, 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 2010/11 of both a financial and non-financial nature were as follows -

Non-Financial

- FAPL runners up (*2010 Winners of the FAPL*)
- Average league attendance of 41,008 (*2010 41,422*)
- Champions League quarter finalists (*2010 1st knock out stage*)

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

The Directors who held office during the year were as follows

B Buck
E Tenenbaum
R Gourlay
PF Kenyon (resigned 9 August 2010)

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 £67,655,000 *(2010 £70,878,000)* The Directors do not recommend the payment of a dividend for the financial year *(2010 £nil)*

Going concern basis

The Company is reliant on its parent undertaking, Fordstam 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

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 2011 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 2011 was £256,880,000 *(2010 £215,713,000)* 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 18 days *(2010 20 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 £494,558 *(2010 £300,725)*

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

AL Shaw
Secretary

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

06 JANUARY 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 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, and
- 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

KPMG LLP
Edward VII Quay
Navigation Way
Preston
PR2 2YF

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 2011 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 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 Group's and of the Parent Company's affairs as at 30 June 2011 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 matters 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
Preston

11 January 2012

Consolidated profit and loss account

for the year ended 30 June 2011

	Note	Operations excluding player trading 2011 £000	Player trading and exceptional items 2011 £000	Total 2011 £000	Total 2010 £000
Turnover Group and share of joint venture	2	225,595	-	225,595	209 521
Less Share of joint venture's turnover		(3,333)	-	(3,333)	(3,724)
Group turnover		222,262	-	222,262	205,797
Operating expenses		(226,883)	(39,721)	(266,604)	(275,945)
Exceptional items	3	-	(41,862)	(41,862)	-
Group operating loss		(4,621)	(81,583)	(86,204)	(70,148)
Share of operating profit in joint venture		1,042	-	1,042	1,502
Total operating loss. Group and share of joint venture		(3,579)	(81,583)	(85,162)	(68,646)
Profit/(loss) on disposal of player registrations	3	-	18,410	18,410	(982)
Loss before interest and taxation		(3,579)	(63,173)	(66,752)	(69,628)
Other interest receivable and similar income	6				
Group		130	-	130	37
Share of joint venture		8	-	8	-
		138	-	138	37
Interest payable and similar charges	7				
Group		(749)	-	(749)	(751)
Share of joint venture		(55)	-	(55)	(51)
		(804)	-	(804)	(802)
Loss on ordinary activities before taxation	3	(4,245)	(63,173)	(67,418)	(70,393)
Taxation on loss on ordinary activities	8				
Group		-	-	-	-
Share of joint venture		(237)	-	(237)	(485)
		(237)	-	(237)	(485)
Loss for the financial year	20	(4,482)	(63,173)	(67,655)	(70,878)

All activities relate to continuing operations

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Loss for the financial year	20	**(67,655)**	(70,878)
Gain/(deficit) on revaluation of fixed assets	20	**733**	(3,402)
Total recognised gains and losses relating to the year		**(66,922)**	(74,280)

Consolidated statement of historical cost profits and losses
for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Loss on ordinary activities before taxation	20	**(67,655)**	(70,878)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	20	**1,260**	1,289
Historical cost loss on ordinary activities before taxation		**(66,395)**	(69,589)

Balance sheets
at 30 June 2011

	Note	Group		Company	
		2011	2010	**2011**	2010
		£000	£000	**£000**	£000
Fixed assets					
Intangible assets	*10*	**126,415**	64,039	-	-
Tangible assets	*11*	**188,310**	190,121	**2,413**	2,876
Investments	*12*	-	-	**761,500**	689,699
		314,725	254,160	**763,913**	692,575
Current assets					
Stocks	*13*	**1,039**	760	-	-
Debtors Due in one year	*14*	**34,821**	27 313	**30,056**	24 643
Due after one year	*14*	**9,992**	8,899	**9,992**	8,899
Total debtors		**44,813**	36,212	**40,048**	33,542
Cash at bank and in hand		**17,554**	20,558	**17,526**	20,542
		63,406	57,530	**57,574**	54,084
Creditors: Amounts falling due within one year	*15*	**(155,508)**	(99 659)	**(21,040)**	(15,750)
Net current (liabilities)/assets		**(92,102)**	(42,129)	**36,534**	38,334
Total assets less current liabilities		**222,623**	212,031	**800,447**	730,909
Creditors: Amounts falling due after one year	*16*	**(125,408)**	(47,136)	**(94,770)**	(25,232)
Provisions for liabilities and charges	*18*				
Investment in joint venture					
- share of gross assets		**4,581**	4,197	-	-
- share of gross liabilities		**(6,393)**	(6,767)	-	-
		(1,812)	(2,570)	-	-
Net assets		**95,403**	162 325	**705,677**	705 677
Capital and reserves					
Called up share capital	*19*	**1,830**	1,830	**1,830**	1,830
Share premium account	*20*	**744,995**	744,995	**744,995**	744,995
Revaluation reserve	*20*	**23,620**	24,147	**6,555**	6,555
Profit and loss account	*20*	**(675,079)**	(608,684)	**(47,703)**	(47,703)
Shareholders' funds		**95,366**	162,288	**705,677**	705,677
Minority interests		**37**	37	-	-
		95,403	162,325	**705,677**	705 677

These financial statements were approved by the Board of Directors on 06 JANUARY 2012 and were signed on its behalf by

Bru M Buck

Mr B Buck
Director

Registered number 2536231

Consolidated cash flow statement

for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Cash outflow from operating activities	21	(5,522)	(11,660)
Returns on investments and servicing of finance	22	130	37
Capital expenditure and financial investment	22	(66,648)	15 455
Financing	22	69,036	11,024
(Decrease)/Increase in cash	23	(3,004)	14,856

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
(Decrease)/increase in cash	23	(3,004)		14,856	
Cash outflow from change in net debt and lease financing	23	(69,036)		(11,024)	
Movement in net debt in period			(72,040)		3,832
Net debt at 1 July	23		(19,669)		(23 501)
Net debt at 30 June	23		(91,709)		(19,669)

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 have been prepared in accordance with applicable accounting standards, under the historical cost convention, as modified where applicable to include the revaluation of freehold and long leasehold land and buildings, and within the requirements of the Companies Act 2006

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 2011 (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, 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 therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

Investment in subsidiaries

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

Tangible fixed assets and depreciation

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

Freehold land	Not depreciated
Long leasehold land	Not depreciated
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

Notes *(continued)*

1 Accounting policies *(continued)*

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

The Directors review the carrying value of the players' registrations for impairment where events or changes in circumstances indicate that the carrying value of the asset may not be recoverable To the extent that the carrying value exceeds the recoverable amount, the asset is impaired and the impairment loss is recognised in the profit and loss account

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

Investment properties

In accordance with Statements of Standard Accounting Practice ("SSAP") 19 "Accounting for Investment Properties", investment properties are revalued periodically and the aggregate surplus or deficit is transferred to a revaluation reserve No depreciation is provided in respect of investment properties

Compliance with SSAP 19 requires departure from the requirements of the Companies Act 2006 relating to depreciation and an explanation of the departure is given below

The Companies Act 2006 requires all properties to be depreciated However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19 The Directors consider that, as these properties are held for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view

If this departure from the Act had not been made, the profit for the year would have been decreased by a charge for depreciation However, the amount of depreciation can not reasonably be quantified because depreciation is only one of many factors reflected in the periodic valuations and the amount which might otherwise have been shown cannot be separately identified or quantified

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 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

	2011 £000	2010 £000
Football activities	**201,277**	185,469
Hotel/Catering	**8,565**	8,252
Merchandising	**11,880**	11 241
Car parking/Events/Other	**428**	709
Property sales/leasing	**112**	126
	222,262	205,797
Share of joint venture turnover – Digital Media	**3,333**	3,724
	225,595	209,521

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

3 Loss on ordinary activities before taxation

	2011 £000	2010 £000
Loss on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation of tangible fixed assets	**8,567**	8,723
Amortisation of intangible assets	**39,721**	37,647
Operating lease rentals		
Land and buildings	**70**	88
Plant and equipment	**62**	196
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**15**	29
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	**54**	49
Tax services	**40**	38
All other services	**140**	70
(Profit)/Loss on disposal of player registrations	**(18,410)**	982
Exceptional items	**41,862**	-

Exceptional items consist of impairment of player registrations (£7 4m), termination payments and compensation in relation to the changes in the first team management structure during the year (£28 0m) and also 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)*

4 Staff numbers and costs

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

	2011 Number	2010 Number
Playing staff, managers and coaches	**69**	75
Administration and commercial	**482**	473
	551	548

The Group also employs approximately 550 (*2010 550*) temporary staff on match days

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

	2011 £000	2010 £000
Wages and salaries	**156,908**	147,370
Social security costs	**16,053**	16,176
Other pension costs	**16,578**	9 007
	189,539	172,553

In 2011, wages and salaries includes £21,435,000 *(2010 £nil)* of exceptional items See note 3

5 Directors' remuneration

	2011 £000	2010 £000
Directors' emoluments	**2,155**	750
Company contributions to money purchase pension schemes	**98**	75
	2,253	825

	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	**917**	750
Money purchase pension contributions	**-**	75
	917	825

6 Other interest receivable and similar income

	2011 £000	2010 £000
Bank interest	**138**	37

Notes *(continued)*

7 Interest payable and similar charges

	2011 £000	2010 £000
Finance costs on shares classified as liabilities	**749**	751
	749	751
Share of joint venture interest	**55**	51
	804	802

8 Taxation

	2011 £000	2010 £000
Current tax:		
UK corporation tax at 27 5% *(2010 28%)*	-	-
Share of joint venture	**(237)**	(485)
Tax charge for the year	**(237)**	(485)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	**(67,418)**	(70,393)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 27 5% *(2010 28%)*	**(18,540)**	(19,710)
Effects of		
Non deductible expenditure	**8,041**	5,277
Losses available to carry forward	**13,277**	14,493
Group relief (claimed)	**(749)**	(418)
Utilisation of losses brought forward	**(821)**	(755)
Movement on deferred tax not provided	**(1,208)**	1,113
	18,540	19,710
Current tax charge	-	-
Losses available to carry forward at 30 June	**605,303**	557,023

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 *(2010 £4,200,023)*

Notes *(continued)*

10 Intangible fixed assets

Group	Cost of players' registrations £000
Cost	
At 1 July 2010	261 949
Additions	112,179
Disposals	(36 325)
At 30 June 2011	**337,803**
Amortisation	
At 1 July 2010	197,910
Charge for the year	39 721
Impairment of players registrations	7,435
Disposals	(33,678)
At 30 June 2011	**211,388**
Net book value	
At 30 June 2011	**126,415**
At 30 June 2010	64,039

11 Tangible fixed assets

Group	Investment property freehold £000	Land and buildings £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation					
At 1 July 2010	1 858	188 213	34,383	522	224,976
Additions	-	-	5,089	934	6,023
Disposals	-	-	(3,444)	-	(3 444)
Completed assets in the course of construction	-	-	1,105	(1,105)	-
Revaluation	733	-	-	-	733
At 30 June 2011	**2,591**	**188,213**	**37,133**	**351**	**228,288**
Depreciation					
At 1 July 2010	-	20,612	14,243	-	34 855
Charge for the year	-	3 356	5 211	-	8,567
On Disposals	-	-	(3 444)	-	(3,444)
At 30 June 2011	-	**23,968**	**16,010**	-	**39,978**
Net book value					
At 30 June 2011	**2,591**	**164,245**	**21,123**	**351**	**188,310**
At 30 June 2010	1,858	167,601	20 140	522	190,121

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 (*2010 £2,003,000*)

As required under FRS 11 'Impairment of fixed assets and goodwill' the Directors have re-assessed the carrying value of the freehold buildings and have determined that a revaluation adjustment of £733,000 should be made against the value of the investment property This gain has been taken to the existing revaluation surplus within reserves

Notes *(continued)*

11 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises	2011 £000	2010 £000
Freehold	**38,619**	39 599
Long leasehold	**128,207**	129,850
Short leasehold	**10**	10
	166,836	169,459

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

Group	2011 £000	2010 £000
Cost		
Freehold property	**40,984**	40 984
Long leasehold property	**122,495**	122,495
	163,479	163,479
Depreciation		
Freehold property	**7,018**	6,399
Long leasehold property	**18,731**	16,281
	25,749	22,680
Net book value		
Freehold property	**33,966**	34,585
Long leasehold property	**103,764**	106,214
	137,730	140,799

Company	Freehold land £000	Plant and Equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 1 July 2010	312	5,978	-	6,290
Additions	-	514	343	857
Disposals	-	(1,574)	-	(1,574)
At 30 June 2011	**312**	**4,918**	**343**	**5,573**
Depreciation				
At 1 July 2010	-	3 414	-	3,414
Charge for the year	-	1 320	-	1,320
Disposals	-	(1 574)	-	(1,574)
At 30 June 2011	-	**3,160**	-	**3,160**
Net book value				
At 30 June 2011	**312**	**1,758**	**343**	**2,413**
At 30 June 2010	312	2,564	-	2,876

Notes *(continued)*

12 Fixed asset investments

Group	Joint Venture £000
Cost	
At 1 July 2010	-
Share of profit of joint venture	758
Transfer to provision for liabilities and charges	(758)
At 30 June 2011	-
Net book value	
At 30 June 2010 and 30 June 2011	-

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 £758,000 *(2010 £967,000)* 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 2010	110,771	583,212	693,983
Additions	-	71,801	71,801
At 30 June 2011	**110,771**	**655,013**	**765,784**
Provision			
At 1 July 2010 and 30 June 2011	**2,922**	**1,362**	**4,284**
Net book value			
At 30 June 2011	**107,849**	**653,651**	**761,500**
At 30 June 2010	107,849	581,850	689,699

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

Notes *(continued)*

13 Stocks

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Goods held for resale	**1,039**	760	**-**	-

14 Debtors

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Due in less than one year				
Trade debtors	**29,194**	24 469	**28,753**	23,996
Other debtors	**1,296**	945	**189**	-
Prepayments and accrued income	**4,331**	1 899	**1,114**	647
	34,821	27,313	**30,056**	24,643
Due after one year:				
Trade debtors	**1,280**	53	**1,280**	53
Other debtors	**8,562**	8,846	**8,562**	8,846
Prepayments and accrued income	**150**	-	**150**	-
	9,992	8,899	**9,992**	8,899

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 2011 was £8,562,094 (*2010 £8,645,944*) The directors believe that the balance outstanding will be ultimately recovered

15 Creditors: amounts falling due within one year

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Trade creditors	**32,261**	15,963	**5,798**	3 492
Other taxes and social security	**12,827**	11,733	**12,342**	9 438
Other creditors	**16,280**	2,488	**69**	69
Accruals and deferred income	**94,140**	69,475	**2,831**	2,751
	155,508	99 659	**21,040**	15,750

£34,526,000 *(2010 £31,511,000)* of the accruals and deferred income balance represents season ticket sales for the 2011/12 season

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Trade creditors	**16,145**	2 229	-	-
Amounts owed to group undertakings	**94,263**	25,227	**94,770**	25 232
Other creditors	-	2 627	-	-
Deferred income	-	2,053	-	-
Preference shares classified as liabilities	**15,000**	15,000	-	-
	125,408	47,136	**94,770**	25.232

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

	2011	2010	**2011**	2010
Preference share capital	**Number**	Number	**£000**	£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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Preference shares classified as liabilities	**15,000**	15 000	-	-
	15,000	15,000	-	-

Borrowings are repayable as follows

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Repayable between two and five years				
Preference shares classified as liabilities	**15,000**	15 000	-	-

Notes *(continued)*

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		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Accelerated capital allowances	**2,594**	2 194	**2,281**	2 419
Tax losses	**153,671**	151,542	**31**	629
Unrecognised deferred tax asset	**156,265**	153,736	**2,312**	3 048

Investment in joint ventures

	Group £000
At 1 July 2010	(2,570)
Profit for the year transferred from fixed asset investment	758
At 30 June 2011	**(1,812)**

19 Called up share capital

	Company		Company	
	2011 Number	2010 Number	**2011 £000**	2010 £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	**183,005,000**	183 005 000	**1,830**	1.830

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 2010	1,830	744 995	24,147	(608,684)	162,288
Loss for the financial year	-	-	-	(67,655)	(67 655)
Difference on depreciation	-	-	(1,260)	1,260	-
Gain on revaluation	-	-	733	-	733
Shareholders' funds at 30 June 2011	**1,830**	**744,995**	**23,620**	**(675,079)**	**95,366**
Company					
Equity shareholders' funds at 1 July 2010 and 30 June 2011	**1,830**	**744,995**	**6,555**	**(47,703)**	**705,677**

Notes *(continued)*

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

	2011 £000	2010 £000
Operating loss	**(86,204)**	(70,148)
Depreciation	**8,567**	8,723
Amortisation of intangible fixed assets	**39,721**	37,647
Impairment of players' registrations	**7,435**	-
(Increase)/decrease in stocks	**(279)**	74
(Increase)/decrease in debtors	**(13,890)**	8,994
Increase in creditors	**39,128**	3,050
Net cash outflow from operating activities	**(5,522)**	(11,660)

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

	2011 £000	2010 £000
Returns on investments and servicing of finance		
Interest received	**130**	37
Capital expenditure		
Purchase of tangible fixed assets	**(6,023)**	(2,775)
Purchase of intangible fixed assets	**(85,022)**	(23,716)
Sale of intangible fixed assets	**24,397**	41,946
	(66,648)	15,455
Financing		
Repayment of loans	**(16,000)**	(18,000)
Receipt from borrowings	**85,036**	29,024
	69,036	11,024

23 Analysis of net debt

	At 1 July 2010 £000	Cash flow £000	Other non-cash changes £000	**At 30 June 2011 £000**
Cash movements				
Cash at bank and in hand	20 558	(3 004)	-	**17,554**
	20 558	(3.004)	-	**17,554**
Debt due after one year	(40 227)	(69 036)	-	**(109,263)**
Net debt	(19 669)	(72 040)	-	**(91,709)**

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 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 is £10,884 *(2010 £19,944)*

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 £16,578,000 *(2010 £8,986,742)* Amounts owed to the Scheme at the year end amounted to £1,549,853 *(2010 £105,076)*, which represents the current amount due to be paid across to the schemes within the statutory time frame

25 Operating leases and capital commitments

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

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Land and buildings				
Leases expiring in more than five years	**70**	70	-	-
	70	70	-	-
Plant and equipment				
Leases expiring in one year	**15**	151	**9**	140
Leases expiring between two to five years	**40**	51	**36**	45
	55	202	**45**	185
Capital expenditure commitments were as follows:				
Contracted for but not provided				
Tangible fixed assets	**900**	4 400	**900**	-
	900	4 400	**900**	-

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 £3,752,000 *(2010 £3,755,000)*

Notes *(continued)*

27 Control

The Directors consider Fordstam 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

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 nine football players at an initial cost of £64,656,000 (*2010 £26,521,000*) and disposed of the registrations of players at a profit of £25,612,000 (*2010 £15,411,700*)

The Group also received £nil (*2010 £1,000,000*) 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

Chelsea TV Limited
Chelsea Limited
Chelsea Financial Consultants Limited
Fulham Holdings Limited
Briskspring 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

Notes *(continued)*

30 Transactions with related parties

The Company conducts business transactions on a normal commercial basis with, and receives a number of services from the following related Companies

Group	**2011 Sales to related party £000**	**2011 Purchases from related party £000**	**2011 Balance receivable £000**	**2011 Balance payable £000**
Chelsea Digital Media Limited	**673**	**1,295**	**127**	**341**
Skadden, Arps, Slate, Meagher & Flom UK	**-**	**10**	-	**-**

Company	**2011 Sales to related party £000**	**2011 Purchases from related party £000**	**2011 Balance receivable £000**	**2011 Balance payable £000**
Chelsea Digital Media Limited	**112**	**197**	**-**	**-**
Skadden, Arps, Slate, Meagher & Flom UK	-	-	-	-

Group	2010 Sales to related party £000	2010 Purchases from related party £000	2010 Balance receivable £000	2010 Balance payable £000
Chelsea Digital Media Limited	662	1,496	47	482
Skadden, Arps, Slate, Meagher & Flom UK	-	228	-	-

Company	2010 Sales to related party £000	2010 Purchases from related party £000	2010 Balance receivable £000	2010 Balance payable £000
Chelsea Digital Media Limited	104	89	-	-
Skadden, Arps Slate, Meagher & Flom UK	-	11	-	-

Sales to Chelsea Digital Media Limited included recharges for studio hire and staff costs Purchases included advertising, sponsorship and merchandising Purchases from Skadden, Arps, Slate, Meagher & Flom UK were in relation to legal and professional fees

Chelsea Digital Media are a joint venture

Mr Buck is a partner at Skadden, Arps, Slate, Meagher & Flom