Chelsea FC plc

Directors' report and financial statements

Registered number 2536231

30 June 2008

Contents

Directors' report

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

Principal activity

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

Review of the business

The loss for the year was £65.7m compared to £74.8m for the previous year.

The year saw turnover increasing to £213.1m from £190.5m, an increase of £22.6m. Revenue from football activities grew by £24.5m. The Football 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 £274.1m were £6.0m up on the previous year. Of this increase, £15.7m was the result of higher payroll costs and other operating costs increased by £3.3m. This was offset by a reduction in depreciation of £5.3m, mainly due to a prior year impairment of Chelsea Leisure Services Limited tangible fixed assets and a £7.7m reduction in intangible amortisation.

Exceptional items of £23.1m *(2007: £nil)* consist of termination payments made during the year to first team managers and assistant coaches.

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 £10.6m 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 £204.0m at the year end, the bulk of the £19.8m additions have again been spent at our new training facilities in Cobham and in improving spectator facilities at Stamford Bridge.

Our net current liabilities, at £38.7m, have decreased by £28.5m. This is largely as a result of the repayment of the £36.3m Eurobond loan during the year, which was included within current liabilities in the prior year and an increase in trade debtors of £21.6m due to player sales in the year. This is offset by an increase in trade creditors of £16.3m due to player purchases during the year, tax and social security costs of £5.9m due to the withholding tax on manager terminations, and a net decrease in stock, cash and other debtors of £4.0m and an increase in accruals and other creditors of £3.2m.

Creditors falling due after more than one year of £363.9m includes £339.8m owed to the Company's parent company, Chelsea Limited.

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 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 Club continually invests in the playing staff by way of both transfers and wages.

Directors' report *(continued)*

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

The Group is currently cash negative spending £107.4m in the last financial year *(2007: £70.5m)*. Funds are provided by the Club's parent company Chelsea Ltd who are supported by the ultimate owner, Mr. R Abramovich. The 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 2007/08 of both a financial and non-financial nature were as follows:-

Non-Financial

- FAPL Runners Up *(2007: FAPL Runners Up)*
- Average league attendance of 41,074 *(2007: 41,551)*
- Finalists in the League Cup and quarter finalists in the 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 and Directors Interests

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

B Buck
P Kenyon
E Tenenbaum

Company Secretary

AL Shaw served as Company Secretary throughout the year.

Results and dividends

The net loss for the year, after taxation and minority interest, was £65,672,000 *(2006: £74,791,000)*. The Directors do not recommend the payment of a dividend for the financial year *(2007: £nil)*.

Going concern basis

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

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 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 Chelsea Football Club Limited 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)*. 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 27 days *(2007: 26 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 £337,591 *(2007: £414,227)*.

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 the Directors have elected to prepare the Group and the Parent Company Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group and Parent Company Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that 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 1985. They have a 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
St James Square
Manchester
M2 6DS

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

We have audited the Group and Parent Company Financial Statements (the ''Financial Statements'') of Chelsea FC plc for the year ended 30 June 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Historical Cost Profits and Losses, the Consolidated Cash Flow Statement, 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 Directors' Report and 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 not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement 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 Group's and 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 FC plc *(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 Group's and the Parent Company's affairs as at 30 June 2008 and of the Group's loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the Financial Statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

5 January 2009

Consolidated 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: Group and share of joint venture	*2*	213,106	-	213,106	190,452
Less: Share of joint venture's turnover		(2,920)	-	(2,920)	(2,912)
Group turnover		210,186	-	210,186	187,540
Operating expenses		(216,856)	(57,281)	(274,137)	(268,050)
Exceptional items	*3*	-	(23,073)	(23,073)	-
Group operating loss		(6,670)	(80,354)	(87,024)	(80,510)
Share of operating profit/(loss) in joint venture		560	-	560	(94)
Total operating loss: Group and share of joint venture		(6,110)	(80,354)	(86,464)	(80,604)
Profit on disposal of player registrations	*3*	-	22,151	22,151	9,291
Loss on disposal of tangible fixed assets	*3*	(228)	-	(228)	-
Loss before interest and taxation		(6,338)	(58,203)	(64,541)	(71,313)
Other interest receivable and similar income	*6*	685	-	685	443
Interest payable and similar charges	*7*				
Group		(2,251)	-	(2,251)	(3,660)
Share of joint venture		(296)	-	(296)	(261)
		(2,547)	-	(2,547)	(3,921)
Loss on ordinary activities before taxation	*3*	(8,200)	(58,203)	(66,403)	(74,791)
Taxation on loss on ordinary activities	*8*				
Group		-	-	-	-
Share of joint venture		731	-	731	-
		731	-	731	-
Loss on ordinary activities after taxation		(7,469)	(58,203)	(65,672)	(74,791)
Minority interest		-	-	-	-
Loss for the financial year	*20*	(7,469)	(58,203)	(65,672)	(74,791)

All activities relate to continuing operations.

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

Consolidated statement of historical cost profits and losses
for the year ended 30 June 2008

	Note	2008 £000	2007 £000
Loss on ordinary activities before taxation	*20*	**(65,672)**	(74,791)
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	*20*	**1,289**	1,290
Historical cost loss on ordinary activities before taxation		**(64,383)**	(73,501)
Historical cost loss on ordinary activities after taxation		**(64,383)**	(73,501)

Balance sheets
at 30 June 2008

	Note	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Fixed assets					
Intangible assets	10	**143,570**	130,684	**-**	-
Tangible assets	11	**204,046**	174,112	**5,505**	4,470
Investments	12	**-**	-	**642,492**	607,487
		347,616	304,796	**647,997**	611,957
Current assets					
Stocks	13	**601**	1,164	**-**	-
Debtors: Due in one year	14	**56,237**	22,513	**49,129**	17,064
Due after one year	14	**20,697**	31,749	**20,697**	31,749
Total debtors		**76,934**	54,262	**69,826**	48,813
Cash at bank and in hand		**5,339**	9,880	**5,319**	9,853
		82,874	65,306	**75,145**	58,666
Creditors: Amounts falling due within one year	15	**(121,592)**	(132,531)	**(13,499)**	(51,221)
Net current (liabilities)/assets		**(38,718)**	(67,225)	**61,646**	7,445
Total assets less current liabilities		**308,898**	237,571	**709,643**	619,402
Creditors: Amounts falling due after one year	16	**(363,932)**	(225,939)	**(339,766)**	(223,757)
Provisions for liabilities and charges	18				
Investment in joint venture					
- share of gross assets		**2,544**	1,287	**-**	-
- share of gross liabilities		**(6,510)**	(6,247)	**-**	-
	18	**(3,966)**	(4,960)	**-**	-
Net (liabilities)/assets		**(59,000)**	6,672	**369,877**	395,645
Capital and reserves					
Called up share capital	19	**1,730**	1,730	**1,730**	1,730
Share premium account	20	**405,095**	405,095	**405,095**	405,095
Revaluation reserve	20	**30,127**	31,416	**6,555**	6,555
Profit and loss account	20	**(495,989)**	(431,606)	**(43,503)**	(17,735)
Shareholders' funds		**(59,037)**	6,635	**369,877**	395,645
Minority interests		**37**	37	**-**	-
		(59,000)	6,672	**369,877**	395,645

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

P Kenyon
Director

Consolidated cash flow statement

for the year ended 30 June 2008

	Note	**2008** **£000**	2007 £000
Cash outflow from operating activities	*21*	**(20,780)**	(6,221)
Returns on investments and servicing of finance	*22*	**(1,566)**	(3,217)
Capital expenditure and financial investment	*22*	**(85,052)**	(61,014)
Financing	*22*	**102,857**	77,528
(Decrease)/increase in cash	*23*	**(4,541)**	7,076

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2008

	Note	**2008** **£000**	**2008** **£000**	2007 £000	2007 £000
(Decrease)/increase in cash	*23*	**(4,541)**		7,076	
Cash inflow from change in net debt and lease financing	*23*	**(102,857)**		(77,528)	
			(107,398)		(70,452)
Amortisation of Eurobond issue costs	*23*		**(96)**		(192)
Movement in net debt in period			**(107,494)**		(70,644)
Net debt at 1 July	*23*		**(250,313)**		(179,669)
Net debt at 30 June	*23*		**(357,807)**		(250,313)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation of financial statements

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

Basis of consolidation

The Group financial statements incorporate the financial statements of Chelsea FC plc and all its subsidiary undertakings for the year ended 30 June 2008 (see note 30). Acquisitions are accounted for under the acquisition method of accounting with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised in the consolidated balance sheet and amortised over its expected useful life, being 20 years.

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

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 230(4) of the Companies Act 1985 (see note 9).

Going concern

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

Related party transactions

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

Investment in subsidiaries

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

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

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

Freehold land	Not depreciated
Long leasehold land	Not depreciated
Assets in the course of construction	Not depreciated
Freehold and long leasehold buildings	50 years on a straight line basis
Plant and equipment	4 to 10 years on a straight line basis

Players' registrations

All costs associated with the acquisition of a player's registration are capitalised as intangible fixed assets and are amortised evenly over the period of the players' initial contract of employment with the Group. In the event that the initial contract is renegotiated prior to expiry, the written down value at the date of renegotiation is amortised over the extended period. Fees receivable are set off against the players' net book value at the date of sale, plus any payments made in settlement of the contracts, and the difference is treated as a profit or loss on disposal.

Players' signing on fees

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

Stadium development

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

Capitalised Interest

Separately identifiable borrowing costs and interest incurred on the development of specific projects are capitalised as part of the Group's development costs for that project.

Taxation

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

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

Turnover

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

Leasing and hire purchase commitments

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

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

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

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

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

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

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

Dividends on shares presented within shareholder's funds

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

Operating leases

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

Pensions

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

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

	2008 £000	2007 £000
Football activities	**189,770**	165,316
Hotel/Catering	**8,340**	8,008
Merchandising	**9,569**	11,793
Leisure services	**1,358**	1,194
Car parking/Events/Other	**1,063**	1,111
Property sales/leasing	**86**	118
	210,186	187,540
Share of joint venture turnover – Digital Media	**2,920**	2,912
	213,106	190,452

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

3 Loss on ordinary activities before taxation

	2008 £000	2007 £000
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible fixed assets (see note 11):		
Owned	**7,740**	8,023
Impairment of tangible fixed assets (see note 11)	**-**	5,000
Amortisation of intangible assets	**57,281**	64,968
Operating lease rentals:		
Land and buildings	**88**	88
Plant and equipment	**30**	30
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**26**	26
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**59**	54
Tax services	**131**	179
All other services	**27**	202
Profit on disposal of player registrations	**(22,151)**	(9,291)
Loss on disposal of tangible fixed assets	**228**	-
Exceptional items	**23,073**	-

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

Notes *(continued)*

4 Staff numbers and costs

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

	2008 Number	2007 Number
Playing staff, managers and coaches	**83**	87
Administration and commercial	**516**	489
	599	576

The Group also employees approximately 550 *(2007: 550)* temporary staff on match days.

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

	2008 £000	2007 £000
Wages and salaries	**153,896**	119,271
Social security costs	**17,025**	13,113
Other pension costs	**699**	433
	171,620	132,817

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)*

5 Directors' remuneration

	2008 £000	2007 £000
Directors' emoluments	**1,942**	1,842
Company contributions to money purchase pension schemes	**58**	55
	2,000	1,897

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

The emoluments of the highest paid director were:

	£000	£000
Aggregate emoluments	**1,942**	1,842
Money purchase pension contributions	**58**	55
	2,000	1,897

6 Other interest receivable and similar income

	2008 £000	2007 £000
Bank interest	**685**	443

Notes *(continued)*

7 Interest payable and similar charges

	2008 £000	2007 £000
Eurobond 2007	1,500	3,234
Bank loan, overdraft and other interest	-	50
Finance lease charges	-	1
Finance costs on shares classified as liabilities	751	375
	2,251	3,660
Share of joint venture interest	296	261
	2,547	3,921

8 Taxation

	2008 £000	2007 £000
Current tax:		
UK corporation tax at 29.5% *(2007: 30%)*	-	-
Deferred tax		
Share of joint venture	731	
Tax credit for the year	731	-
Factors affecting the tax charge for the year:		
Loss on ordinary activities before taxation	(66,403)	(74,791)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 29.5% *(2007: 30%)*	(19,589)	(22,437)
Effects of:		
Non deductible expenditure	2,314	2,163
Losses available to carry forward	18,974	18,441
Group relief (claimed)	(254)	-
Utilisation of losses brought forward	(2,358)	-
Movement on deferred tax not provided	913	1,833
	19,589	22,437
Current tax charge	-	-
Losses available to carry forward at 30 June	467,812	413,743

9 Company result for the financial year

The Company has taken advantage of Section 230(4) of the Companies Act 1985 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 £25,810,490 *(2007: £3,877,000)*.

Notes *(continued)*

10 Intangible fixed assets

Group	Cost of players' registrations £000
Cost	
At 1 July 2007	327,484
Additions	80,727
Disposals	(56,527)
At 30 June 2008	351,684
Amortisation	
At 1 July 2007	196,800
Charge for the year	57,281
Disposals	(45,967)
At 30 June 2008	208,114
Net book value	
At 30 June 2008	**143,570**
At 30 June 2007	130,684

11 Tangible fixed assets

Group	Land and buildings £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 1 July 2007	178,889	21,573	4,758	205,220
Additions	268	3,104	16,442	19,814
Disposals	(958)	(4,204)	(167)	(5,329)
Completed assets in the course of construction	25,177	4,377	(29,554)	-
Transfers from Associated Companies	-	38	18,965	19,003
At 30 June 2008	203,376	24,888	10,444	238,708
Depreciation				
At 1 July 2007	20,172	10,936	-	31,108
Charge for the year	3,260	4,480	-	7,740
On Disposals	-	(4,186)	-	(4,186)
At 30 June 2008	23,432	11,230	-	34,662
Net book value				
At 30 June 2008	**179,944**	**13,658**	**10,444**	**204,046**
At 30 June 2007	158,717	10,637	4,758	174,112

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 (*2007: £2,003,000*).

As required under FRS 11 'Impairment of fixed assets and goodwill' the Directors have re-assessed the appropriateness of the carrying value of freehold buildings. As a result depreciation on freehold buildings has been accelerated by £nil during the period (*2007: £5,000,000*).

Notes *(continued)*

11 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises:	2008 £000	2007 £000
Freehold	**45,976**	47,184
Long leasehold	**133,957**	111,523
Short leasehold	**10**	10
	179,943	158,717

Company

	Freehold land £000	Plant and Equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 1 July 2007	312	7,782	468	8,562
Additions	-	677	3,564	4,241
Disposals	-	(1,606)	(147)	(1,753)
Transfers from other Group Companies	-	-	(1,438)	(1,438)
At 30 June 2008	312	6,853	2,447	9,612
Depreciation				
At 1 July 2007	-	4,092	-	4,092
Charge for the year	-	1,541	-	1,541
Disposals	-	(1,526)	-	(1,526)
At 30 June 2008	-	4,107	-	4,107
Net book value				
At 30 June 2008	**312**	**2,746**	**2,447**	**5,505**
At 30 June 2007	312	3,690	468	4,470

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

Group	2008 £000	2007 £000
Cost		
Freehold property	**51,126**	51,126
Long leasehold property	**122,495**	98,187
	173,621	149,313
Depreciation		
Freehold property	**8,711**	7,718
Long leasehold property	**11,382**	8,932
	20,093	16,650
Net book value		
Freehold property	**42,415**	43,408
Long leasehold property	**111,113**	89,255
	153,528	132,663

Notes *(continued)*

12 Fixed asset investments

Group	Joint Venture £000
Cost	
At 1 July 2007	-
Share of profit of joint venture	994
Transfer from provision for liabilities and charges	(994)
At 30 June 2008	-
Net book value	
At 30 June 2007 and 30 June 2008	-

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 £994,000 *(2007: loss of £94,000)* 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 2007	112,225	499,546	611,771
Additions	-	61,774	61,774
Disposals	(1,454)	-	(1,454)
At 30 June 2008	110,771	561,320	672,091
Provision			
At 1 July 2007	2,922	1,362	4,284
Impairment	25,315	-	25,315
At 30 June 2008	28,237	1,362	29,599
Net book value			
At 30 June 2008	**82,534**	**559,958**	**642,492**
At 30 June 2007	109,303	498,184	607,487

As required under FRS 11 'Impairment of fixed assets and goodwill', the Directors have re-assessed the carrying values and have made an impairment provision of £25,315,000 (*2007: £nil*) against the investment in Chelsea Leisure Services Limited. At 30 June 2008, Chelsea Leisure Services Limited had net liabilities of £25,315,000 *(2007: £24,058,000)*.

Notes *(continued)*

13 Stocks

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Goods held for resale	**601**	1,164	**-**	-

14 Debtors

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Due in less than one year				
Trade debtors	**49,148**	16,432	**48,460**	15,890
Other debtors	**3,956**	1,655	**-**	193
Prepayments and accrued income	**3,133**	4,426	**669**	981
	56,237	22,513	**49,129**	17,064
Due after one year:				
Trade debtors	**12,049**	23,103	**12,049**	23,103
Other debtors	**8,648**	8,646	**8,648**	8,646
	20,697	31,749	**20,697**	31,749

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 2008 was £8,647,995 *(2007: £8,646,000)*. The directors believe that the balance outstanding will be ultimately recovered.

15 Creditors: amounts falling due within one year

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade creditors	**27,222**	10,944	**3,438**	2,660
Eurobond 2007	**-**	36,339		36,339
Other taxes and social security	**13,244**	7,308	**6,987**	6,593
Other creditors	**6,080**	5,403	**565**	363
Accruals and deferred income	**75,046**	72,537	**2,509**	5,266
	121,592	132,531	**13,499**	51,221

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

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Trade creditors	**4,509**	3,913	**-**	-
Amounts owed to group undertakings	**339,763**	200,471	**339,766**	223,757
Other creditors	**13**	30	**-**	-
Deferred income	**4,647**	6,525	**-**	-
Preference shares classified as liabilities	**15,000**	15,000	**-**	-
	363,932	225,939	**339,766**	223,757

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 2008/09 season and beyond.

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

Preference share capital	**2008 Number**	2007 Number	**2008 £000**	2007 £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	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
The aggregate borrowings amounted to:				
Eurobond 2007	**-**	36,339	**-**	36,339
Preference shares classified as liabilities	**15,000**	15,000	**-**	-
	15,000	51,339	**-**	36,339

Notes *(continued)*

17 Borrowings and secured liabilities (continued)

Borrowings are repayable as follows:

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Repayable within one year or on demand:				
Eurobond 2007	-	36,339	-	36,339
	-	36,339	-	36,339
Repayable between two and five years				
Preference shares classified as liabilities	**15,000**	15,000	-	-

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

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	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Accelerated capital allowances	**(987)**	808	**1,603**	1,414
Short term timing differences	-	-	-	-
Tax losses	**130,259**	124,123	-	1,806
Unrecognised deferred tax asset	**129,272**	124,931	**1,603**	3,220

Investment in joint ventures

	Group £000
At 1 July 2007	4,960
Profit for the year transferred from fixed asset investment	(994)
At 30 June 2008	**3,966**

Notes *(continued)*

19 Called up share capital

	Company 2008 Number	Company 2007 Number	Company 2008 £000	Company 2007 £000
Authorised				
Ordinary shares of 1p each	**200,000,000**	200,000,000	**2,000**	2,000
Allotted, issued and fully paid				
Ordinary shares of 1p each	**173,005,000**	173,005,000	**1,730**	1,730

20 Reconciliation of movement in equity shareholders' funds

Group	Share Capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 1 July 2007	1,730	405,095	31,416	(431,606)	6,635
Loss for the financial year	-	-	-	(65,672)	(65,672)
Difference on depreciation	-	-	(1,289)	1,289	-
Shareholders' funds at 30 June 2008	**1,730**	**405,095**	**30,127**	**(495,989)**	**(59,037)**

Company	Share Capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 1 July 2007	1,730	405,095	6,555	(17,735)	395,645
Loss for the financial year	-	-	-	(25,768)	(25,768)
Equity shareholders' funds at 30 June 2008	**1,730**	**405,095**	**6,555**	**(43,503)**	**369,877**

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

	2008 £000	2007 £000
Operating loss	**(87,024)**	(80,510)
Depreciation	**7,740**	13,023
Amortisation of Eurobond issue costs	**96**	192
Amortisation of intangible fixed assets	**57,281**	64,968
Decrease/(increase) in stocks	**563**	(508)
Increase in debtors	**(8,356)**	(1,115)
Increase/(decrease) in creditors	**8,920**	(2,271)
Net cash outflow from operating activities	**(20,780)**	(6,221)

Notes *(continued)*

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

	2008 £000	2007 £000
Returns on investments and servicing of finance		
Interest received	685	443
Interest paid	(2,251)	(3,660)
	(1,566)	(3,217)
Capital expenditure		
Purchase of tangible fixed assets	(38,816)	(9,183)
Sale of tangible fixed assets	-	244
Purchase of intangible fixed assets	(64,632)	(69,638)
Sale of intangible fixed assets	18,396	17,563
	(85,052)	(61,014)
Financing		
Repayment of loans	(52,195)	(16,100)
Receipt from borrowings	155,052	93,628
	102,857	77,528

23 Analysis of net debt

	At 1 July 2007 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2008 £000
Cash movements				
Cash at bank and in hand	9,880	(4,541)	-	5,339
	9,880	(4,541)	-	5,339
Debt due within one year	(36,339)	36,435	(96)	-
Debt due after one year	(223,854)	(139,292)	-	(363,146)
Net debt	(260,193)	(102,857)	(96)	(363,146)
	(250,313)	(107,398)	(96)	(357,807)

Notes *(continued)*

24 Pension Commitments

a) Defined Benefit Scheme

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

As one of a number of participating employers, the Group is advised only of its share of the deficit in the scheme and was advised that its contributions to make good the deficit amounted to £272,000 and this has been charged to the profit and loss account in previous years. The latest actuarial valuation was at 1 April 2006 and the Group was advised that the deficit has increased and further contributions amounting to £130,000 were required. The revised deficit is being paid off over a period of 10 years from April 2006.

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 £699,000 *(2007: £433,000)*. Amounts owed to the Scheme at the year end amounted to £nil *(2007: £nil)*.

25 Operating leases and capital commitments

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

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Land and buildings:				
Leases expiring in more than five years	**88**	88	-	-
	88	88	-	-
Plant and equipment:				
Leases expiring between two to five years	**30**	30	-	-
	30	30	-	-
Capital expenditure commitments were as follows:				
Contracted for but not provided:				
Tangible fixed assets	**4,289**	9,904	**182**	1,600
	4,289	9,904	**182**	1,600

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 £3,654,000 *(2007: £2,574,000)*.

Notes *(continued)*

27 Control

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

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

28 Related party transactions

During the year, in the normal course of business, Mr B Buck, a director of Chelsea FC plc, through his legal firm, Skadden, Arps, Slate, Meagher & Flom (UK) LLP, invoiced £nil *(2007: £14,437)* in legal fees to the Company or its subsidiary undertakings.

29 Post balance sheet events

Acquisition and disposal of players

Since the year end the Group has acquired the registration of one football player at a cost of £ nil *(2007: £52,899,000)* and disposed of the registrations of players at a profit of £8,513,000 *(2007: £18,660,000)*.

The Group also received £128,000 *(2007: £1,431,000)* in respect of sell on clauses for players disposed of in previous years.

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

30 Principal subsidiary undertakings

The Company has the following subsidiary undertakings:

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

Notes *(continued)*

30 Principal subsidiary undertakings *(continued)*

Dormant

Briskspring Limited
Chelsea Football Club SPV plc
Chelsea TV Limited
Chelsea Village Radio Limited
Fulham Holdings Limited

Struck off in the year

Bidgleam Limited
Chelsea Club Limited
Chelsea Events Limited
Chelsea Pensioner Limited
Chelsea Financial Consultants Limited
Chelsea Sports and Leisure Limited
Chelsea Village Management Limited
Chelsea Village Catering Limited
Chelsea Village Communications Limited
Chelsea Village Contractors Limited
Chelsea Village European Travel Limited
Chelsea Village Travel Limited
Fulham Securities Limited
Stamford Bridge Properties 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 Exclusive Events Limited which is 50% owned, Chelsea Digital Media Limited which was 65% owned at year end, and Midnight at Chelsea Limited which is 75% owned.

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