

Company Registration No. 2536231 (England and Wales)

CHELSEA FC PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

FRIDAY



A6MAQK0J

A09

29/12/2017

#195

COMPANIES HOUSE

CHELSEA FC PLC

COMPANY INFORMATION

Directors	B Buck M Granovskaia E Tenenbaum
Secretary	C I Alexander
Company number	2536231
Registered office	Stamford Bridge Fulham Road London UK SW6 1HS
Auditor	KPMG LLP 15 Canada Square London E14 5GL

CHELSEA FC PLC

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6 - 7
Profit and loss account	8
Statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Notes to the financial statements	15 - 35

CHELSEA FC PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present the strategic report for the year ended 30 June 2017.

Results for the year

The net profit for the year, after taxation, was £15.3m (2016: net loss of £70.6m).

Fair review of the business

Profit and Loss

The profit for the year before taxation was £15.6m compared to a loss of £69.8m for the prior year. Increased revenues (discussed below), the elimination of £75.3m of exceptional charges from the prior year, and profit on player sales (see below) were the principle reasons for this improvement.

This year saw turnover increase from £329.1m to a record £361.3m. This was due to an increase in the broadcasting revenues because of increased centralised distributions from the FAPL (a £19.5m increase) together with an increase in sponsorship income due to additional agreements being signed in the year (a £16.8m increase), principally the start of our new training wear partnership with Carabao. Match income was slightly down reflecting our non-participation in European competition (a £4.1m reduction).

Pre-exceptional item operating expenses of £414.7m have increased by £39.6m compared with £375.1m in the previous year. This was a result of increased player amortisation of £17.6m, an increase in our cost of sales of £18m and increased administrative expenses of £4m.

The football club made a profit on player trading of £69.2m in the year (2016: £49.0m) principally due to the sales of Oscar to Shanghai SIPG, Christian Atsu to Newcastle, Patrick Bamford to Middlesbrough, Papy Djilobodji to Sunderland and Juan Cuadrado to Juventus.

Balance Sheet

Intangible assets (principally player acquisitions with a small amount of computer software) have decreased to £236.1m from £244.8m. This movement is a result of £109.7m of acquisitions offset by the net book value of disposals of £28.7m and amortisation of £89.6m.

Tangible fixed assets are £180.0m at the year end. As in prior years, the bulk of the £5.4m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham.

The net current liabilities at £82.5m have decreased by £13.1m. This is as a result of an increase in debtors of £83.1m, as well as an increase in cash of £5.9m. This was offset by an increase in creditors falling due within one year of £75.1m and a reduction in stock of £0.8m.

Creditors falling due after more than one year of £30.8m have decreased by £20.2m in the year from £51m. This is due in the main to an decrease in the amounts owed in relation to player trading.

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, broadcasting and commercial income including merchandising.

All three sources of income are largely 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.

CHELSEA FC PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

Principal risks and uncertainties (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.

Funding

Funds are provided by the parent company, Fordstam Limited, which is supported by the ultimate owner, Mr. R Abramovich. The Group has increased funding by £33.8m in the last financial year (2016: increase in funding of £40m).

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 2016/17 of both a financial and non-financial nature were as follows:-

Non Financial

- FAPL Champions (2016: FAPL 10th place)
- FA Cup Runners-Up (2016: FA Cup 6th Round)
- League Cup 4th Round (2016: 4th Round)
- Champions League – Did not qualify (2016: Round of 16)
- Average league attendance of 41,508 (2016: 41,500)

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
- Compliance with UEFA Financial Fair Play Regulations
- Compliance with FAPL enhanced financial regulations

CHELSEA FC PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

Other information and explanations

Going concern basis

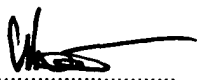
The Company is reliant on its parent undertaking, Fordstam Limited, for its continued financial support. The Company has received confirmation from its parent undertaking that sufficient funds will be provided to finance the business for the foreseeable future. The Directors have therefore adopted the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

Fixed assets

The movements in fixed assets during the year are as shown in notes 12 to 15 to the financial statements. The intangible fixed assets include the unamortised portion of the cost of players' registrations and internally generated software.

Officers of Chelsea Football Club Limited have valued the playing staff. The average of their aggregate valuation as at 30 June 2017 was £445.2m (2016: £398.9m). The valuations assume willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

By order of the board



C I Alexander
Secretary

13 October 2017

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

CHELSEA FC PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

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.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B Buck
M Granovskaia
E Tenenbaum

Results and dividends

The profit for the year before taxation was £15.6m (2016: loss of £69.8m).

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Disabled persons

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.

Employee involvement

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.


Auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Company and Group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Company and Group is aware of that information.

By order of the board



C I Alexander
Secretary

13 October 2017

CHELSEA FC PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements and accounting 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

CHELSEA FC PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHELSEA FC PLC

Opinion

We have audited the financial statements of Chelsea FC plc ("the company") for the year ended 30 June 2017 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and related notes, including the accounting policies in note 1.

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 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

CHELSEA FC PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHELSEA FC PLC

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

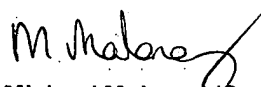
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Michael Maloney (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
15 Canada Square, London, E14 5GL

17 October 2017

CHELSEA FC PLC

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Operations excluding player trading 30 June 2017 £000	Player amortisation and trading 30 June 2017 £000	Total 30 June 2017 £000	30 June 2016 £000
Turnover	3	361,308	-	361,308	329,122
Cost of sales		(267,410)	-	(267,410)	(249,377)
Gross profit		93,898	-	93,898	79,745
Administrative expenses		(58,817)	(88,464)	(147,281)	(125,764)
Exceptional item	4	-	-	-	(75,315)
Operating profit/(loss)		35,081	(88,464)	(53,383)	(121,334)
Interest receivable and similar income	9	134	1,470	1,604	3,056
Interest payable and similar charges	10	(2)	(1,524)	(1,526)	(460)
Profit on disposal of player registrations		-	69,226	69,226	49,000
Fair value gains on investment properties		95	-	95	100
Loss on disposal of tangible fixed assets		(370)	-	(370)	(23)
Loss on disposal of investments		-	-	-	(128)
Profit/(Loss) before taxation	5	34,938	(19,292)	15,646	(69,789)
Taxation	11	(385)	-	(385)	(827)
Profit/(Loss) for the financial year		34,553	(19,292)	15,261	(70,616)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 15-35 form an integral part of these financial statements.

CHELSEA FC PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	2017 £000	2016 £000
Profit/(Loss) for the year	<u>15,261</u>	<u>(70,616)</u>
Other comprehensive income		
Cash flow hedges gain/(loss) arising in the year	4,265	(28,510)
Deferred tax movement	<u>143</u>	<u>-</u>
Other comprehensive income for the year	<u>4,408</u>	<u>(28,510)</u>
Total comprehensive income for the year	<u>19,669</u>	<u>(99,126)</u>

The notes on pages 15-35 form an integral part of these financial statements.


Total comprehensive income for the year is all attributable to the owners of the parent company.

CHELSEA FC PLC
GROUP BALANCE SHEET
AS AT 30 JUNE 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible assets	12	236,096	244,787
Tangible assets	13	179,952	184,706
Investment properties	14	3,345	3,250
		<u>419,393</u>	<u>432,743</u>
Current assets			
Stocks	18	27	809
Debtors	19	212,034	128,934
Cash at bank and in hand		32,986	27,127
		<u>245,047</u>	<u>156,870</u>
Creditors: amounts falling due within one year	20	<u>(327,545)</u>	<u>(252,443)</u>
Net current liabilities		<u>(82,498)</u>	<u>(95,573)</u>
Total assets less current liabilities		<u>336,895</u>	<u>337,170</u>
Creditors: amounts falling due after more than one year	21	(30,796)	(50,978)
Provisions for liabilities	22	(880)	(638)
Net assets		<u>305,219</u>	<u>285,554</u>
Capital and reserves			
Called up share capital	24	2,003	2,003
Share premium account		1,089,922	1,089,922
Revaluation reserve		7,337	8,503
Retranslation reserve		(1)	3
Hedging reserve		(17,994)	(22,259)
Profit and loss reserves		(776,048)	(792,618)
Total equity		<u>305,219</u>	<u>285,554</u>

The notes on pages 15-35 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 13 October 2017 and are signed on its behalf by:



 B Buck
 Director

Company Registration No. 2536231

CHELSEA FC PLC
COMPANY BALANCE SHEET
AS AT 30 JUNE 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible assets	12	5,911	3,375
Tangible assets	13	4,744	4,506
Investments	15	771,983	795,930
		<u>782,638</u>	<u>803,811</u>
Current assets			
Debtors	19	204,452	117,920
Cash at bank and in hand		32,847	26,899
		<u>237,299</u>	<u>144,819</u>
Creditors: amounts falling due within one year	20	<u>(104,364)</u>	<u>(32,735)</u>
Net current assets		132,935	112,084
Total assets less current liabilities		915,573	915,895
Creditors: amounts falling due after more than one year	21	(17,994)	(22,259)
Net assets		<u>897,579</u>	<u>893,636</u>
Capital and reserves			
Called up share capital	24	2,003	2,003
Share premium account		1,089,922	1,089,922
Revaluation reserve		6,555	6,555
Hedging reserve		(17,994)	(22,259)
Profit and loss reserves		<u>(182,907)</u>	<u>(182,585)</u>
Total equity		<u>897,579</u>	<u>893,636</u>

The notes on pages 15-35 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 13 October 2017 and are signed on its behalf by:



B Buck
Director

Company Registration No. 2536231

CHELSEA FC PLC

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Share capital £000	Share premium account £000	Revaluation reserve £000	Hedging reserve £000	Retranslation reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 July 2015		1,996	1,077,429	15,412	6,251	(5)	(729,475)	371,608
Year ended 30 June 2016:								
Loss for the year		-	-	-	-	-	(70,616)	(70,616)
Other comprehensive income:								
Cash flow hedges losses arising in the year		-	-	-	(28,510)	-	-	(28,510)
Total comprehensive income for the year		-	-	-	(28,510)	-	(70,616)	(99,126)
Issue of share capital	24	7	12,493	-	-	-	-	12,500
Other movements		-	-	(6,909)	-	8	7,473	572
Balance at 30 June 2016		2,003	1,089,922	8,503	(22,259)	3	(792,618)	285,554
Year ended 30 June 2017:								
Profit for the year		-	-	-	-	-	15,261	15,261
Other comprehensive income:								
Cash flow hedges gains arising in the year		-	-	-	4,265	-	-	4,265
Deferred tax		-	-	-	-	-	143	143
Total comprehensive income for the year		-	-	-	4,265	-	15,404	19,669
Other movements		-	-	(1,166)	-	(4)	1,166	(4)
Balance at 30 June 2017		2,003	1,089,922	7,337	(17,994)	(1)	(776,048)	305,219

The notes on pages 15-35 form an integral part of these financial statements.

CHELSEA FC PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Share capital £000	Share premium account £000	Revaluation reserve £000	Hedging reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 July 2015		1,996	1,077,429	12,881	6,251	(188,863)	909,694
Year ended 30 June 2016:							
Loss for the year		-	-	-	-	(48)	(48)
Other comprehensive income:							
Cash flow hedges losses arising in the year		-	-	-	(28,510)	-	(28,510)
Total comprehensive income for the year		-	-	-	(28,510)	(48)	(28,558)
Issue of share capital	24	7	12,493	-	-	-	12,500
Other movements		-	-	(6,326)	-	6,326	-
Balance at 30 June 2016		2,003	1,089,922	6,555	(22,259)	(182,585)	893,636
Year ended 30 June 2017:							
Loss for the year		-	-	-	-	(322)	(322)
Other comprehensive income:							
Cash flow hedge gains arising in the year		-	-	-	4,265	-	4,265
Total comprehensive income for the year		-	-	-	4,265	(322)	3,943
Other movements		-	-	-	-	-	-
Balance at 30 June 2017		2,003	1,089,922	6,555	(17,994)	(182,907)	897,579

The notes on pages 15-35 form an integral part of these financial statements

CHELSEA FC PLC

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	£000	2017 £000	£000	2016 £000
Cash flows from operating activities					
Cash generated from operations	31		63,045		27,401
Interest received			1,604		3,056
Interest paid			(1,526)		(460)
Net cash inflow from operating activities			63,123		29,997
Investing activities					
Purchase of intangible assets		(135,071)		(88,858)	
Proceeds on disposal of intangibles		100,995		81,449	
Purchase of tangible fixed assets		(5,351)		(10,202)	
Net cash used in investing activities			(39,427)		(17,611)
Financing activities					
Proceeds from borrowings		182,400		60,903	
Repayment of borrowings		(200,233)		(47,000)	
Net cash generated from financing activities			(17,833)		13,903
Net increase/(decrease) in cash and cash equivalents			5,863		26,289
Cash and cash equivalents at beginning of year			27,127		830
Retranslation of foreign currency subsidiary			(4)		8
Cash and cash equivalents at end of year			32,986		27,127

The notes on pages 15-35 form an integral part of these financial statements

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Company information

Chelsea FC plc ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Stamford Bridge, Fulham Road, London, UK, SW6 1HS.

The "Group" consists of Chelsea FC plc and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £0.3m (2016: £0.05m loss).

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Chelsea FC plc and all of its subsidiaries (ie entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 June 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Entities other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate. The Company is reliant on its ultimate parent undertaking, 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.

1.4 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 gate receipts, sponsorship, sale of broadcasting rights, matchday, central awards from the FAPL, UEFA solidarity and prize money and other commercial activities.

Gate receipts, matchday and other event day revenue is recognised over the period of the football season as games are played and events are staged. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees for live coverage or highlights are taken when earned at the point of broadcast. Merit awards are accounted for over the period of the football season based on known position in the league. UEFA pool distributions relating to participation in the Champions League are recognised when received whilst distributions relating to match performance are taken when earned; these distributions are classified as broadcasting revenues.

1.5 Players' registrations

All costs less financing element associated with the acquisition of a player's registration are capitalised as intangible fixed assets and are amortised evenly over the period of the player's 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. If the arrangement constitutes a financing transaction, for example if payment is deferred, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

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.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

1.6 Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 to 5 years
----------	--------------

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land	Not depreciated
Leasehold land	Not depreciated
Assets in the course of construction	Not depreciated
Plant & Equipment	2 to 10 years on a straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.9 Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.14 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is recognised without discounting in respect of all timing differences when items are included in a tax assessment in one period and recognised in the financial statements in another, except as otherwise required by FRS 102.29 'Income Tax'.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only when, on the basis of available evidence, it can be regarded as more likely than not that the reversal of underlying timing differences will result in a reduction in future tax payments.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

1.17 Retirement benefits

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. Where there is insufficient information to enable the entity to adopt defined benefit accounting, the scheme is accounted for as a defined contribution scheme in line with FRS102.28.11.

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.19 Foreign exchange

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.

1.20 Retranslation Reserve

Balances within reserves that relate to the foreign subsidiaries within the Group are retranslated on consolidation and the difference shown within the Retranslation reserve. The Group currently has one foreign subsidiary, Chelsea FC Pte Limited, which is a company registered in Singapore.

1.21 Deferred Income

Income from season tickets, sponsorship, broadcasting and other commercial contracts, which has been received prior to the period end in respect of future football seasons, is treated as deferred income. Income is then recognised in the profit and loss account in the relevant financial period in line with the recognition criteria of FRS 102.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2017 £000	2016 £000
Turnover		
Broadcasting	162,446	142,933
Commercial	133,343	116,514
Matchday	65,519	69,675
	<u>361,308</u>	<u>329,122</u>

Turnover analysed by geographical market

	2017 £000	2016 £000
United Kingdom	<u>361,308</u>	<u>329,122</u>

4 Exceptional costs

	2017 £000	2016 £000
Exceptional items	<u>-</u>	<u>75,315</u>

Exceptional items consist of termination payments and compensation totalling £0m (2016: £8.3m) in relation to the changes in the first team management during the year as well as an accrual of £0m (2016: £67m) relating to a compensation fee arising as a result of the early termination of the club's kit sponsorship deal.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

5 Profit/(loss) before taxation

	2017	2016
	£000	£000
Profit/(loss) before taxation for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	9,735	9,389
Loss on disposal of tangible fixed assets	370	23
Loss on disposal of investments	-	128
Profit on disposal of player registrations	(69,226)	(49,000)
Amortisation of intangible assets	89,642	71,909
Operating lease charges	395	519

6 Auditor's remuneration

	2017	2016
	£000	£000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	16	18
Audit of the Company's subsidiaries	78	80
	<u>94</u>	<u>98</u>
For other services		
Taxation compliance services	41	48
Other taxation services	78	108
Review of the Company's interim accounts	29	29
	<u>148</u>	<u>185</u>

7 Employees

The average monthly number of persons (including directors) employed by the Group during the year was:

	2017	2016
	Number	Number
Administration and commercial	660	648
Playing staff, managers and coaches	152	137
	<u>812</u>	<u>785</u>

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

7 Employees

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	195,290	195,846
Social security costs	23,072	25,321
Pension costs	1,297	1,239
	<u>219,659</u>	<u>222,406</u>

8 Directors' remuneration

	2017 £000	2016 £000
Remuneration for qualifying services	<u>308</u>	<u>154</u>

9 Interest receivable and similar income

	2017 £000	2016 £000
Interest income		
Interest on bank deposits	134	110
Other interest income	<u>1,470</u>	<u>2,946</u>
Total income	<u>1,604</u>	<u>3,056</u>

Debtor balances relating to future amounts receivable have been recorded at the net present value of future payments, discounted using a market rate of interest resulting in interest income being recognised over the period of the transactions

10 Interest payable and similar charges

	2017 £000	2016 £000
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	2	10
Other finance costs:		
Other interest	<u>1,524</u>	<u>450</u>
Total finance costs	<u>1,526</u>	<u>460</u>

Creditor balances relating to future transfer fees payable have been recorded at the net present value of future payments, discounted using a market rate of interest resulting in interest expense being recognised over the period of the transactions.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

11 Taxation

	2017 £000	2016 £000
Deferred tax		
Origination and reversal of timing differences	327	288
Changes in tax rates	106	334
Other adjustments	(48)	205
	<u>385</u>	<u>827</u>

The charge for the year can be reconciled to the profit/(loss) per the profit and loss account as follows:

	2017 £000	2016 £000
Profit/(Loss) on ordinary activities before taxation	<u>15,645</u>	<u>(69,789)</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%)	3,090	(13,958)
Tax effect of expenses that are not deductible in determining taxable profit	1,178	1,784
Tax effect of income not taxable in determining taxable profit	(19)	(4,502)
Movement in deferred tax	6	33
Deferred tax credited directly to equity	142	-
Chargeable gains	805	-
Deferred tax recognised in relation to property valuations	-	18
Fixed asset differences	904	195
Group relief	(311)	(368)
Adjustment in respective change of rate	6,280	1,171
Deferred tax not recognised	<u>(11,690)</u>	<u>16,454</u>
Tax expense for the year	<u>385</u>	<u>827</u>

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

12 Intangible fixed assets

Group	Software £000	Players' registrations £000	Total £000
Cost			
At 1 July 2016	5,328	450,554	455,882
Additions	3,642	106,046	109,688
Disposals	-	(99,979)	(99,979)
At 30 June 2017	8,970	456,621	465,591
Amortisation and impairment			
At 1 July 2016	1,820	209,275	211,095
Amortisation charged for the year	1,178	88,464	89,642
Disposals	-	(71,242)	(71,242)
At 30 June 2017	2,998	226,497	229,495
Carrying amount			
At 30 June 2017	5,972	230,124	236,096
At 30 June 2016	3,508	241,279	244,787

Intangible assets relating to players' registrations relate entirely to the carrying value of the playing squad and are being amortised over the remaining length of the players' contracts. The figures used are historical cost figures and relate solely to purchased players. 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 is recognised in profit and loss. Officers of Chelsea Football Club Limited have reviewed the carrying amount of players' registrations as at 30 June 2017 and no impairment was deemed necessary (2016: £0).

Company	Software £000
Cost	
At 1 July 2016	4,998
Additions - separately acquired	3,642
At 30 June 2017	8,640
Amortisation and impairment	
At 1 July 2016	1,623
Amortisation charged for the year	1,106
At 30 June 2017	2,729
Carrying amount	
At 30 June 2017	5,911
At 30 June 2016	3,375

The software relates to internally generated platforms and applications developed, largely relating to website costs and the club's digital platform.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

13 Tangible fixed assets

Group	Land and buildings £000	Assets under construction £000	Plant & Equipment £000	Total £000
Cost				
At 1 July 2016	189,799	4,661	66,204	260,664
Additions	26	268	5,085	5,379
Disposals	(150)	-	(5,446)	(5,596)
Transfers	-	(3,854)	3,854	-
At 30 June 2017	189,675	1,075	69,697	260,447
Depreciation and impairment				
At 1 July 2016	39,060	-	36,898	75,958
Depreciation charged in the year	3,170	-	6,565	9,735
Eliminated in respect of disposals	(35)	-	(5,163)	(5,198)
At 30 June 2017	42,195	-	38,300	80,495
Carrying amount				
At 30 June 2017	147,480	1,075	31,397	179,952
At 30 June 2016	150,739	4,661	29,306	184,706
Company				
	Land and buildings £000	Assets under construction £000	Plant & Equipment £000	Total £000
Cost				
At 1 July 2016	312	43	11,777	12,132
Additions	-	216	2,028	2,244
Disposals	-	-	(779)	(779)
At 30 June 2017	312	259	13,026	13,597
Depreciation and impairment				
At 1 July 2016	-	-	7,626	7,626
Depreciation charged in the year	-	-	2,006	2,006
Eliminated in respect of disposals	-	-	(779)	(779)
At 30 June 2017	-	-	8,853	8,853
Carrying amount				
At 30 June 2017	312	259	4,173	4,744
At 30 June 2016	312	43	4,151	4,506

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 (2016: £2,003,000).

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

14 Investment property

	Group 2017 £000	Company 2017 £000
Fair value		
At 1 July 2016	3,250	-
Net gains or losses through fair value adjustments	95	-
At 30 June 2017	3,345	-

The fair value of the investment property has been arrived at on the basis of a valuation carried out at 30 June 2017 by Rawley & Co, Chartered Surveyors, who are not connected with the Company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

15 Fixed asset investments

	Notes	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Investments in subsidiaries	16	-	-	112,068	112,068
Loans to subsidiaries	16	-	-	659,915	683,862
		-	-	771,983	795,930

The Directors have re-assessed the appropriateness of the carrying value of the subsidiary undertakings and no impairment against the value of investments in subsidiary undertakings was recorded following a business valuation. (2016: no impairment).

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

16 Subsidiaries

Details of the Company's subsidiaries at 30 June 2017 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Stamford Bridge Securities Limited	Property holding	Ordinary	100.00	
Chelsea Car Parks Limited	Car park management	Ordinary	100.00	
The Hotel at Chelsea Limited	Hotel management and catering services	Ordinary	100.00	
Chelsea FC Merchandising Limited	Merchandising, mail order and publications	Ordinary	100.00	
Chelsea FC Pte Limited	Sales office	Ordinary	100.00	
Chelsea Football Club Limited	Professional football club	Ordinary	100.00	
Chelsea TV Limited	Dormant	Ordinary	100.00	
Chelsea Limited	Dormant	Ordinary	100.00	
Chelsea Ladies' Football Club Limited	Professional football club	Ordinary	100.00	

All the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales, with the exception of Chelsea FC Pte Limited which is incorporated and registered in Singapore.

Chelsea FC Pte Limited is a wholly owned subsidiary of Chelsea FC plc and was formed as a management company. The registered office of this company is 21 Merchant Road, #04-01 Royal Meukh S.E.A., Singapore 058267.

The entire ordinary share capital and control of 100% of the voting rights of all the subsidiary undertakings are held by the Company.

17 Financial instruments

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Carrying amount of financial liabilities				
Instruments measured at fair value through profit or loss	(17,994)	(22,259)	(17,994)	(22,259)

The Group and Company manage significant transactional currency exposures by using forward currency contracts to minimise the net currency exposures. The financial assets/(liabilities) relate to future cash inflows and have been designated as a cash flow hedge and the gain/(loss) has been recognised in Other comprehensive income.

18 Stocks

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Finished goods and goods for resale	27	809	-	-

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

19 Debtors

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	159,830	97,386	158,983	96,940
Amount due from parent undertaking	20,930	3,097	20,930	3,097
Other debtors	516	780	69	212
Prepayments and accrued income	7,713	11,182	1,425	1,182
	<u>188,989</u>	<u>112,445</u>	<u>181,407</u>	<u>101,431</u>
Amounts falling due after one year:				
Trade debtors	21,833	15,316	21,833	15,316
Other debtors	1,212	1,173	1,212	1,173
	<u>23,045</u>	<u>16,489</u>	<u>23,045</u>	<u>16,489</u>
Total debtors	<u>212,034</u>	<u>128,934</u>	<u>204,452</u>	<u>117,920</u>

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 2017 was £8,312,076 (2016: £8,336,641). The directors believe that the balance outstanding will be ultimately recovered. The loan is currently held in the accounts at its present value, using a market rate of interest.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

20 Creditors: amounts falling due within one year

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Trade creditors	120,499	63,654	76,722	9,294
Other taxation and social security	18,600	14,106	18,607	14,106
Other creditors	3,066	3,649	271	140
Accruals and deferred income	185,380	171,034	8,764	9,195
	<u>327,545</u>	<u>252,443</u>	<u>104,364</u>	<u>32,735</u>

£43.3m (2016: £40.4m) of the accruals and deferred income balance represents season ticket sales for the 2017/18 season.

21 Creditors: amounts falling due after more than one year

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Trade creditors	12,802	28,719	-	-
Derivative financial instruments	17,994	22,259	17,994	22,259
	<u>30,796</u>	<u>50,978</u>	<u>17,994</u>	<u>22,259</u>

22 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group Liabilities 2017 £000	Liabilities 2016 £000	Company Liabilities 2017 £000	Liabilities 2016 £000
Group				
Tax losses	62	82	-	-
Revaluations	-	76	-	-
Other timing differences	(222)	-	-	-
Capital gains	(720)	(796)	-	-
	<u>(880)</u>	<u>(638)</u>	<u>-</u>	<u>-</u>

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

22 Deferred taxation

Movements in the year:	Group 2017 £000
Liability at 1 July 2016	(638)
Charge to profit or loss	(385)
Credit to equity	143
Liability at 30 June 2017	(880)

23 Retirement benefit schemes

	2017 £000	2016 £000
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	<u>1,297</u>	<u>1,239</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Defined benefit schemes

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 2014 highlighted that the Group share of the deficit was £284,158. The revised deficit is being paid off over a period of 5 ½ years from 1st September 2014. The charge for the year is £64,572 (2016: £64,572).

24 Share capital

	Group and Company	
	2017 £000	2016 £000
Ordinary share capital		
Issued and fully paid		
200,260,000 Ordinary shares of 1p each (2016: 200,260,000)	<u>2,003</u>	<u>2,003</u>

25 Financial commitments, guarantees and contingent liabilities

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Company if certain conditions are met. The maximum amount that could be payable is £2.8m (2016: £2.4m).

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

26 Operating lease commitments

Lessee

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Within one year	180	388	75	70
Between two and five years	66	249	66	108
	<u>246</u>	<u>637</u>	<u>141</u>	<u>178</u>

27 Capital commitments

At 30 June 2017 the Group had capital commitments as follows:

	Group 2017 £000	2016 £000	Company 2017 £000	2016 £000
Contracted for but not provided in the financial statements:				
Acquisition of property, plant and equipment	-	14,010	-	-
	<u>-</u>	<u>14,010</u>	<u>-</u>	<u>-</u>

28 Events after the reporting date

Since the year end the Group has acquired the registration of 6 football players at an initial cost of £212.5m (2016: £96.3m) and disposed of the registration of 11 players at a profit of £63m (2016: £2.37m).

The Group also received £4.3m (2016: £1.8m) in respect of sell on clauses for players disposed of in previous years.

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2017 £000	2016 £000
Aggregate compensation	<u>308</u>	<u>154</u>

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

29 Related party transactions

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2017	2016	2017	2016
	£000	£000	£000	£000
Group				
Mr R Abramovich	1,028	1,000	-	-
Skadden, Arps, Slate, Meagher & Flom (UK) LLP	-	-	82	90
	<u>1,028</u>	<u>1,000</u>	<u>82</u>	<u>90</u>

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

Purchases from Skadden, Arps, Slate Meagher & Flom (UK) LLP were in relation to legal and professional fees.

Mr. Buck is a partner of Skadden, Arps, Slate Meagher & Flom LLP.

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017	2016
	£000	£000
Group		
Skadden, Arps, Slate, Meagher & Flom (UK) LLP	-	51

No guarantees have been given or received.

30 Controlling party

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.

CHELSEA FC PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

31 Cash generated from group operations

	2017	2016
	£000	£000
Profit/(Loss) for the year after tax	15,261	(70,616)
Adjustments for:		
Taxation (credited)/charged	385	827
Finance costs	1,526	460
Investment income	(1,604)	(3,056)
Loss on disposal of tangible fixed assets	370	23
(Gain)/loss on disposal of business	-	128
Fair value gains and losses on investment properties	(95)	(100)
Amortisation and impairment of intangible assets	89,642	71,909
Depreciation and impairment of tangible fixed assets	9,735	9,389
(Profit)/Loss on disposal of player registrations	(69,226)	(49,000)
Movements in working capital:		
Decrease in stocks	782	57
(Increase) in debtors	(72,623)	(14,629)
Increase in creditors	88,892	82,009
Cash generated from operations	63,045	27,401