Chelsea Limited

Director's report and financial statements

Registered number 04784127

30 June 2008

Contents

Director's report

The Director presents his annual report and the audited Financial Statements for the year ended 30 June 2008.

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, health and fitness club operators, and property development and management.

Review of the business

Profit and Loss

The loss for the year was £83.8m compared to £75.8m for the previous year.

The year saw turnover increasing to £213.6m from £190.5m, an increase of £23.1m. Revenue from football activities grew by £24.5m. The Club were runners up in the FAPL, finalists in the Champions League and League Cup and quarter finalists in the FA Cup.

Operating expenses at £292.5m were £23.4m up on the previous year. This is largely as a result of a £16.2m increase in payroll costs, £15.6m due to the impairment of Goodwill and a £4.4m increase in other operating expenses.. This was offset by a £5.1m reduction in depreciation mainly due to a prior year impairment of Chelsea Leisure Services Limited tangible fixed assets and a £7.7m reduction in amortisation of intangibles.

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 decreased to £143.6m from £147.3m as a result of £80.7m of player acquisitions offset by the net book value of disposals of £10.5m, amortisation of £58.3m and an impairment to goodwill of £15.6m. Acquisitions accounted for in the financial year include Anelka, Belletti, Bosingwa, Deco, DiSanto, Ivanovich and Malouda.

Tangible fixed assets are £209.5m at the year end, the bulk of the £21.5m 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 £38.9m have decreased by £28.3m. 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 £21.7m due to the player sales during the year. This is offset by an increase in trade creditors of £16.3m due to the player purchases during the year, an increase in tax and social security costs of £5.9m due to the withholding tax on Manager terminations, a net decrease in stock, cash and other debtors of £4.1m and an increase in accruals and other creditors of £3.4m.

Creditors falling due after more than one year of £725.1m include £700.9m on an interest free loan account repayable on eighteen months notice.

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 dependant on the performance of the first team and its appeal to football supporters. The performance of the first team is significantly influenced by the quality of the coaching staff and the players that the Club can attract in a highly competitive market both on the domestic and European levels.

Director's report *(continued)*

Expenditure

In order to attract the talent which will continue to win domestic and European trophies and therefore drive increases in our revenue streams the Club continually invests in the playing staff by way of both transfers and wages.

Regulatory Environment

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

Funding

The Group is currently cash negative spending £90.8m in the last financial year *(2007: £83.6m)*. 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: Runners up)*
- Average league attendance of 41,074 *(2007: 41,551)*
- Finalists in League Cup and quarter finalists in FA Cup *(2007: Winners of FA Cup and League Cup*)
- Champions League finalists *(2007: Semi-finalists)*

Financial (reviewed by the board on a monthly basis)

- Revenue growth
- Payroll costs
- Operating result before player trading and amortisation
- Gains/losses on player trading
- Player acquisition costs
- Capital expenditure
- Debt owed to group undertakings

Going concern basis

The Company has received confirmation from the ultimate controlling party that sufficient funds will be provided to finance the business for the foreseeable future. The Director has therefore adopted the going concern basis in preparing these financial statements.

Director

The Director who held office during the year was as follows:

E Tenenbaum

The Director held no interest in the share capital of the Company at the year end.

Company secretary

P Heagren served as Company Secretary throughout the year.

Results and dividends

The net loss for the year, after taxation and minority interest, was £83,773,000 *(2007: £75,834,000)*. The Director does not recommend the payment of a dividend for the financial year *(2007: £nil)*.

Director's 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.

As at 30 June 2008 the Director does 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 valuations 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: 29 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 Director who held office at the date of approval of this Director's Report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the 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

P Hedgren
Secretary

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

27 November 2008

Statement of director's responsibilities in respect of the Director's Report and the Financial Statements

The Director is responsible for preparing the Director's Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has 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 Director is 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 Director is 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 Limited

We have audited the Group and Parent Company Financial Statements (the ''Financial Statements'') of Chelsea Limited for the year ended 30 June 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, 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 Director's responsibilities for preparing the Director's 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 Director's 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 Director's 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 Director's remuneration and other transactions is not disclosed.

We read the Director's 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 Director 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 Limited *(continued)*

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the 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; and
- the information given in the Director's 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 amortisation and trading 2008 £000	Player amortisation, trading and exceptional items 2008 £000	Total 2008 £000	Total 2007 £000
Turnover: Group and share of joint venture	2	213,648	-	**213,648**	190,452
Less: share of joint venture's turnover		(2,920)	-	**(2,920)**	(2,912)
Group turnover		210,728	-	**210,728**	187,540
Operating expenses		(235,178)	(57,281)	**(292,459)**	(269,093)
Exceptional items	3	-	(23,073)	**(23,073)**	-
Group operating loss		(24,450)	(80,354)	**(104,804)**	(81,553)
Share of operating profit/(loss) in joint venture		560	-	**560**	(94)
Total operating loss: Group and share of joint venture		(23,890)	(80,354)	**(104,244)**	(81,647)
Profit on disposal of player registrations	3	-	22,151	**22,151**	9,291
Loss on disposal of tangible fixed assets	3	(549)	-	**(549)**	-
Loss before interest and taxation		(24,439)	(58,203)	**(82,642)**	(72,356)
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	(26,301)	(58,203)	**(84,504)**	(75,834)
Taxation on loss on ordinary activities	8				
Group		-	-	**-**	-
Share of joint venture		731	-	**731**	-
		731	-	**731**	-
Loss for the financial year	20	**(25,570)**	**(58,203)**	**(83,773)**	(75,834)

The results for the period 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.

There is no difference between the reported loss and the historical cost loss for the current or preceding year.

Balance sheet
at 30 June 2008

	Note	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Fixed assets					
Intangible assets	*10*	**143,570**	147,318	**-**	-
Tangible assets	*11*	**209,512**	197,356	**-**	-
Investments	*12*	**-**	-	**737,845**	630,710
		353,082	344,674	**737,845**	630,710
Current assets					
Stocks	*13*	**624**	1,164	**-**	-
Debtors: Due in one year	*14*	**56,248**	22,536	**-**	-
Due after one year	*14*	**20,697**	31,749	**3,633**	3,639
Total debtors		**76,945**	54,285	**3,633**	3,639
Cash at bank and in hand		**5,339**	9,880	**-**	-
		82,908	65,329	**3,633**	3,639
Creditors: Amounts falling due within one year	*15*	**(121,854)**	(132,529)	**-**	-
Net current (liabilities)/assets		**(38,946)**	(67,200)	**3,633**	3,639
Total assets less current liabilities		**314,136**	277,474	**741,478**	634,349
Creditors: Amounts falling due after one year	*16*	**(725,070)**	(603,641)	**(700,901)**	(578,173)
Provisions for liabilities and charges					
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		**(414,900)**	(331,127)	**40,577**	56,176
Capital and reserves					
Called up share capital	*19*	**1**	1	**1**	1
Share premium account	*20*	**59,999**	59,999	**59,999**	59,999
Profit and loss account	*20*	**(474,937)**	(391,164)	**(19,423)**	(3,824)
Equity shareholder's funds	*20*	**(414,937)**	(331,164)	**40,577**	56,176
Minority interests		**37**	37	**-**	-
		(414,900)	(331,127)	**40,577**	56,176

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

E Tenenbaum
Director

Consolidated cash flow statement

for the year ended 30 June 2008

	Note	2008 £000	2007 £000
Cash outflow from operating activities	*21*	**(21,513)**	(6,121)
Returns on investments and servicing of finance	*22*	**(1,566)**	(3,217)
Taxation		**-**	-
Capital expenditure	*22*	**(67,755)**	(74,260)
Financing	*22*	**86,293**	88,674
(Decrease)/increase in cash	*23*	**(4,541)**	5,076

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 in the period	*23*	**(4,541)**		5,076	
Cash inflow from change in net debt and lease financing	*23*	**(86,293)**		(88,674)	
			(90,834)		(83,598)
Amortisation of Eurobond issue costs	*23*		**(96)**		(192)
Movement in net debt in period			**(90,930)**		(83,790)
Net debt at 1 July	*23*		**(619,632)**		(535,842)
Net debt at 30 June	*23*		**(710,562)**		(619,632)

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 Limited 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 Director believes that the nature of control is that of a joint venture and as such 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.

Going concern

The Director has adopted the going concern basis in preparing the financial statements on the basis of assurances received from the funding party (see note 16) that sufficient funds will be made available to allow the Company and Group to continue trading for the foreseeable future.

Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures', paragraph 3(a), and has 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 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 players' registrations 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 the 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 the 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 Company

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

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

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

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

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

Dividends on shares presented within 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	**8,882**	8,008
Merchandising	**9,569**	11,793
Leisure services	**1,358**	1,194
Property sales/leasing	**1,063**	1,111
Car parking/Events/Other	**86**	118
	210,728	187,540
Share of joint venture turnover - Digital Media	**2,920**	2,912
	(213,648)	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:		
Depreciation of tangible fixed assets (see note 11):		
Owned	**7,898**	8,023
Impairment of tangible fixed assets (see note 11)	**-**	5,000
Impairment of goodwill (see note 10)	**15,593**	-
Amortisation of intangible assets (see note 10)	**58,322**	66,009
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	**2**	2
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**86**	80
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	**(549)**	-
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 the director) of the Group during the year was as follows:

	2008 Number	2007 Number
Playing staff, managers and coaches	**83**	87
Administration and commercial	**527**	489
	610	576

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

The aggregate payroll costs of these employees were as follows:

	2008 £000	2007 £000
Wages and salaries	**154,336**	119,271
Social security costs	**17,057**	13,113
Other pension costs	**703**	433
	172,096	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 Director's remuneration

The Director who held office during the year did not receive any remuneration from the Company (*2007: £nil*).

6 Other interest receivable and similar income

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

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 finance costs on shares classified as liabilities	**296**	261
	2,547	3,921

Notes *(continued)*

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	**(84,504)**	(75,834)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 29.5% (*2007: 30%*)	**(24,929)**	(22,750)
Effects of:		
Non deductible expenditure	**7,353**	2,476
Losses available to carry forward	**18,974**	18,441
Non taxable income	**(2,358)**	-
Movement in deferred tax not provided	**960**	1,833
Current tax charge	-	-
Losses available to carry forward as at 30 June	**467,812**	417,447

9 Company results

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 Company made a loss of £15,599,000 during the year *(2007: Profit £nil)*.

10 Intangible fixed assets

Group	**Cost of players' registrations** **£000**	**Goodwill** **£000**	**Total** **£000**
Cost			
At 1 July 2007	327,484	20,796	348,280
Additions	80,727	-	80,727
Disposals	(56,527)	-	(56,527)
At 30 June 2008	351,684	20,796	372,480
Amortisation			
At 1 July 2007	196,800	4,162	200,962
Charge for the year	57,281	1,041	58,322
Disposals	(45,967)	-	(45,967)
Impairment	-	15,593	15,593
At 30 June 2008	208,114	20,796	228,910
Net book value			
At 30 June 2008	**143,570**	-	**143,570**
At 30 June 2007	130,684	16,634	147,318

As required under FRS11 'Impairment of fixed assets and goodwill' the Directors have re-assessed the appropriateness of the carrying value of Goodwill. As a result, the amortisation has been accelerated by £15,593,000 *(2007: £nil)* during the period.

Notes *(continued)*

11 Tangible fixed assets

Group	**Land and buildings**	**Plant and equipment**	**Assets in the course of construction**	**Total**
	£000	**£000**	**£000**	**£000**
Cost or valuation				
At 1 July 2007	188,887	21,572	18,006	228,465
Additions	268	3,271	17,979	21,518
Disposals	(958)	(4,204)	(488)	(5,650)
Transfers between Group Companies	(7,954)	1,765	6,189	-
Completed assets in the course of construction	25,177	4,377	(29,554)	-
At 30 June 2008	205,420	26,781	12,132	244,333
Depreciation				
At 1 July 2007	20,172	10,937	-	31,109
Charge for the year	3,260	4,638	-	7,898
On Disposals	-	(4,186)	-	(4,186)
At 30 June 2008	23,432	11,389	-	34,821
Net book value				
At 30 June 2008	**181,988**	**15,392**	**12,132**	**209,512**
Net book value				
At 30 June 2007	168,715	10,635	18,006	197,356

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 Director has 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)*.

The net book value of land and building comprises:	**2008**	2007
	£000	£000
Freehold land and buildings	**82,505**	57,182
Long leasehold land and buildings	**109,471**	111,523
Short leasehold land and buildings	**10**	10
	191,986	168,715

The Company holds no tangible fixed assets.

Notes *(continued)*

12 Fixed asset investments

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

The Director believes 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 losses from its investment in the joint venture of £994,000 *(2007: loss of £353,000)* 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	410,710	220,000	630,710
Subscription of shares	-	-	-
Additions	-	122,728	122,728
At 30 June 2008	410,710	342,728	753,438
Amortisation			
At 1 July 2007	-	-	-
Impairment	15,593	-	15,593
At 30 June 2008	15,593	-	15,593
Net book value			
At 30 June 2008	**395,117**	**342,728**	**737,845**
Net book value			
At 30 June 2007	410,710	220,000	630,710

As required under FRS 11 'Impairment of fixed assets and goodwill' the Director has re-assessed the appropriateness of the carrying value of subsidiary undertakings. As a result amortisation on subsidiary investments has been accelerated by £15,593,000 during the period (2007: £nil).

13 Stocks

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Goods held for resale	**624**	1,164	-	-

Notes *(continued)*

14 Debtors

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Due in less than one year:				
Trade debtors	**49,148**	16,432	**-**	-
Other debtors	**3,967**	1,678	**-**	-
Prepayments and accrued income	**3,133**	4,426	**-**	-
	56,248	22,536	**-**	-
Due after one year:				
Trade debtors	**12,049**	23,103	**-**	-
Other debtors	**8,648**	8,646	**-**	-
Amounts owed by group undertakings	**-**	-	**3,633**	3,639
	20,697	31,749	**3,633**	3,639

As part of the Eurobond issue in 1997 the Group 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 Director believes that the balance outstanding will ultimately be recovered.

15 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Trade creditors	**27,223**	10,944	**-**	-
Eurobond 2007	**-**	36,339	**-**	-
Other taxes and social security	**13,249**	7,308	**-**	-
Other creditors	**6,239**	5,403	**-**	-
Accruals and deferred income	**75,143**	72,535	**-**	-
	121,854	132,529	**-**	-

£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
Other loan	**700,901**	578,173	**700,901**	578,173
Trade creditors	**4,509**	3,913	**-**	-
Other creditors	**13**	30	**-**	-
Deferred income	**4,647**	6,525	**-**	-
Preference shares classified as liabilities	**15,000**	15,000	**-**	-
	725,070	603,641	**700,901**	578,173

Deferred income above represents that part of amounts received as at 30 June 2008 from the sale of 10 year licences on the Millennium Suite, which relate to the 2008/09 season and beyond.

The terms of the loan included within other loans are such that 18 months notice must be given for the loan to be repaid. No such notice has been received, therefore the amount is shown within other loans falling due after more than one year. The loan is interest free. 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.

	2008	2007	**2008**	2007
Preference share capital	**Number**	Number	**£000**	£000
Authorised				
Cumulative preference shares of £1 each	**15,000,000**	15,000,000	**15,000**	15,000
Allotted, called up and fully paid				
Cumulative preference shares of £1 each	**15,000,000**	15,000,000	**15,000**	15,000

The cumulative preference shares attract a fixed cumulative preferential dividend at the rate of 5p per share per annum, with the first such dividend accruing in respect of the period 1 January 2007 to 31 December 2007. On 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.

Notes *(continued)*

17 Borrowings and secured liabilities

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
The aggregate borrowings amounted to:				
Eurobond 2007	**-**	36,339	**-**	-
Other loans	**700,901**	578,173	**700,901**	578,173
Preference shares classified as liabilities	**15,000**	15,000	**-**	-
	715,901	629,512	**700,901**	578,173

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	**-**	-
Repayable between one and two years:				
Other loans	**700,901**	578,173	**700,901**	578,173
	700,901	578,173	**700,901**	578,173
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 Group 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.

Notes *(continued)*

18 Provision for liabilities and charges

Deferred taxation

No deferred tax asset has been recognised in the year for the Company or the Group due to the uncertainty over the ability to utilise the losses against future profits.

The Group and Company have unrecognised deferred tax assets as follows:

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Accelerated capital allowances	**(943)**	808	-	-
Short term timing differences	-	-	-	-
Tax losses	**130,259**	125,233	-	1,110
Unprovided deferred tax asset	**129,316**	126,041	-	1,110

Investment in joint ventures

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

19 Called up share capital

Company	**2008 Number**	**2008 £000**	2007 Number	2007 £000
Authorised				
Ordinary shares of £1 each at 30 June	**600**	**1**	600	1
Allotted, issued and fully paid				
Ordinary shares of £1 each at 30 June	**600**	**1**	600	1

20 Reconciliation of movement in equity shareholder's funds

Group	**Share capital £000**	**Share Premium £000**	**Profit and loss account £000**	**Equity shareholder's funds £000**
At 1 July 2007	1	59,999	(391,164)	(331,164)
Loss for the financial year	-	-	(83,773)	(83,773)
Equity shareholder's fund at 30 June 2008	**1**	**59,999**	**(474,937)**	**(414,937)**

Company	**Share capital £000**	**Share Premium £000**	**Profit and loss account £000**	**Equity shareholder's funds £000**
At 1 July 2007	1	59,999	(3,824)	56,176
Loss for the financial year	-	-	(15,599)	(15,599)
Equity shareholder's funds at 30 June 2008	**1**	**59,999**	**(19,423)**	**40,577**

Notes *(continued)*

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

	2008 £000	2007 £000
Group operating loss	**(104,804)**	(81,553)
Depreciation	**7,898**	13,023
Amortisation of Eurobond issue costs	**96**	192
Amortisation of intangible fixed assets	**73,915**	66,009
Decrease/(increase) in stocks	**540**	(508)
Increase in debtors	**(8,343)**	(1,025)
Increase/(decrease) in creditors	**9,185**	(2,259)
Net cash outflow from operating activities	**(21,513)**	(6,121)

22 Analysis of cash flows for headings 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	**(21,518)**	(22,431)
Sale of tangible fixed assets	**-**	246
Purchase of intangible fixed assets	**(64,632)**	(69,638)
Sale of intangible fixed assets	**18,395**	17,563
	(67,755)	(74,260)
Financing		
Receipts from borrowings	**138,488**	104,674
Repayment of borrowings	**(52,195)**	(16,000)
	86,293	88,674

Notes *(continued)*

23 Analysis of net debt

	At 1 July 2007 restated £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	(593,173)	(122,728)	-	(715,901)
Debt and lease financing	(629,512)	(86,293)	(96)	(715,901)
	(619,632)	(90,834)	(96)	(710,562)

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 the schemes are held separately from those of the Company in independently administered funds. The pension charge for the year was £703,000 (*2007: £433,000*). Amounts owed to the Scheme at the year end amounted to £nil (*2007: £nil*).

Notes *(continued)*

25 Operating leases and capital commitments

The annual commitments under non-cancellable operating leases are:

	Group 2008 £000	2007 £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	**14,039**	9,904
	14,039	9,904

There are no such commitments in the Company.

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*).

27 Control

The Director considers 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 may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ. No other group accounts include the results of the Company.

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 and its subsidiary undertakings.

29 Post balance sheet events

Acquisition and disposal of players

Since the year end the Group has acquired the registrations 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 at the nominal value of £1.00 each.

Notes *(continued)*

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
Chelsea Leisure Services Limited	Health and fitness club/visitor attraction
The Hotel at Chelsea Limited	Hotel management and catering services
Chelsea FC Merchandising Limited	Merchandising, mail order and publications
Chelsea FC plc	Holding company
Stamford Bridge Securities Limited	Property holding
Stamford Bridge Projects Limited	Restaurant operator

Non Trading at year end

Chelsea Training Ground Limited	Football club training facilities

In liquidation

Midnight at Chelsea Limited	Nightclub operator

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

Struck off during the year

Chelsea Village Catering Limited
Chelsea Village Management Limited
Chelsea Village Radio Limited
Chelsea Pensioner Limited
Chelsea Events Limited
Chelsea Club Limited
Bidgleam Limited
Chelsea Village Communications Limited
Chelsea Village Contractors Limited
Chelsea Village European Travel Limited
Chelsea Village Travel Limited
Fulham Securities Limited
Paramont Limited
Stamford Bridge Properties Limited
Chelsea Football Club SPV plc

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 is held by the Company, with the exception of Chelsea Digital Media Limited which was 65% owned at the year end.

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