

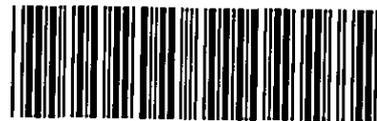
Fordstam Limited

**Director's report and financial
statements**

Registered number 04784127

Year ended 30 June 2012

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Director's report

The Director presents his annual report and the audited Financial Statements for the year ended 30 June 2012

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, restaurateur, 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 £4.3m compared to £78.5m for the previous year

The year saw turnover increase to £261.0m from £228.6m, an increase of £32.4m. This was predominantly due to an increase in the Champions League revenue as a result of being competition winners in the 2011/12 season. Winning the FA Cup also contributed to an increase in turnover, but there was a reduction in FAPL distributions due to the football club finishing 6th in the domestic league compared to 2nd in the previous year. Other business activities also saw increases in turnover compared with the previous year, predominantly merchandising, hotel and digital media.

Operating expenses of £313.9m were £39.8m up on the previous year. This was due to an increase in payroll costs (before exceptional items) of £7.8m, other operating expenses of £20.8m and player amortisation and depreciation of £11.2m.

The business had an exceptional credit of £2.9m (2011 cost £48.0m) in the year. These are explained in note 3 to the accounts.

The football club made a profit on player trading of £28.8m in the year (2011 £18.4m) principally due to the sale of Yury Zhirkov to Anzhi Makhachkala, Slobodan Rajkovic to Hamburg, Alex Da Costa to Paris St Germain and Nicolas Anelka to Shanghai Shenhua.

The football club also made a profit on the cancellation of £15.0m non-equity preference shares previously owned by British Sky Broadcasting Group plc (BSkyB) and the write back of £3.4m of accrued preference share dividend associated with these shares. See note 16.

Balance Sheet

Intangible assets have increased to £201.3m from £126.4m. This is as a result of £130.6m of player acquisitions offset by an impairment of players' registrations of £1.8m, the net book value of disposals of £5.3m and amortisation of £49.5m. In addition goodwill in the year of £0.9m has arisen. This is in relation to Chelsea Digital Media Limited becoming a 100% subsidiary of Chelsea FC plc, having previously been accounted for as a joint venture. See note 31.

Tangible fixed assets are £195.0m at the year end. As in prior years, the bulk of the £7.4m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham. In addition, the Director has re-assessed the carrying value of tangible fixed assets and has determined that a net revaluation adjustment of £0.7m should be written off against the value of certain plant and equipment.

Our net current liabilities at £80.5m have decreased by £11.7m. This is as a result of a decrease in accruals and other creditors of £21.3m, mainly due to the exceptional items of the previous year being settled this year. Also there was an increase in trade debtors due after one year of £8.3m due to amounts owed from investment related activities. This has been offset by an increase in trade creditors of £15.7m due to player purchases in the year. Other net movements have resulted in a change in working capital of £2.2m.

Creditors falling due after more than one year of £938.2m include £894.6m on an interest free loan account repayable on eighteen months notice. In addition during the year, the £15.0m non-equity preference shares previously owned by British Sky Broadcasting Group plc (BSkyB) were cancelled, see note 16.

Director's report *(continued)*

Principal risks and uncertainties

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

Income

The Group derives the bulk of its income from football activities and related merchandising of which three principal sources stand out: gate receipts, television and commercial income including merchandising.

All three sources of income are dependent on the performance of the first team and its appeal to football supporters. The performance of the first team is significantly influenced by the quality of the coaching staff and the players that the football club can attract in a highly competitive market both on the domestic and European levels.

Expenditure

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

Regulatory Environment

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

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

Funding

The net debt of the Group has increased by £76.6m in the last financial year (2011 increased net debt of £82.1m). 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 2011/12 of both a financial and non-financial nature were as follows -

Non-Financial

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

Financial (reviewed by the board on a monthly basis)

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

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's report *(continued)*

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 £4,324,000 (2011 £78,499,000) The Director does not recommend the payment of a dividend for the financial year (2011 *£nil*)

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 2012 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 2012 was £278,500,000 (2011 £256,880,000) 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 Group 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 Group's suppliers at the balance sheet date represent approximately 15 days (2011 18 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 £613,297 (2011 £494,558)

Director's report *(continued)*

Disclosure of information to 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

Auditor

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

By order of the Board

P Heagren
Secretary



40 Bank Street
Canary Wharf
London
E14 5DS

12 December 2012

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 he has elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Director must not approve the financial statements unless he is 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Director is 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 him to ensure that its financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Group and to prevent and detect fraud and other irregularities



KPMG LLP

Edward VII Quay
Navigation Way
Preston
PR2 2YF

Independent auditor's report to the members of Fordstam Limited

We have audited the financial statements of Fordstam Limited for the year ended 30 June 2012 set out on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Director and auditor

As explained more fully in the Director's Responsibilities Statement set out on page 5, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2012 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Fordstam Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

M Newsholme
M Newsholme (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
Preston

21 December 2012

Consolidated profit and loss account

for the year ended 30 June 2012

	Note	Operations excluding player amortisation and trading 2012 £000	Player amortisation, trading and exceptional items 2012 £000	Total 2012 £000	Total 2011 £000
Turnover Group and share of joint venture	1, 2	261,046	-	261,046	228,574
Less share of joint venture's turnover		(1,796)	-	(1,796)	(3,333)
Group turnover		259,250	-	259,250	225,241
Operating expenses		(264,354)	(49,506)	(313,860)	(274,121)
Exceptional items	3	4,700	(1,787)	2,913	(47,988)
Group operating loss		(404)	(51,293)	(51,697)	(96,868)
Share of operating profit in joint venture		209	-	209	1,042
Total operating loss Group and share of joint venture		(195)	(51,293)	(51,488)	(95,826)
Profit on disposal of player registrations	3	-	28,794	28,794	18,410
Loss on disposal of tangible fixed assets	3	-	-	-	(180)
Profit on cancellation of shares	3	18,375	-	18,375	-
Loss on disposal of investments	3	(161)	-	(161)	-
Profit/(loss) before interest and taxation		18,019	(22,499)	(4,480)	(77,596)
Other interest receivable and similar income	6				
Group		151	-	151	130
Share of joint venture		5	-	5	8
		156	-	156	138
Interest payable and similar charges	7				
Group		-	-	-	(749)
Share of joint venture		-	-	-	(55)
		-	-	-	(804)
Profit/(loss) on ordinary activities before taxation	3	18,175	(22,499)	(4,324)	(78,262)
Taxation on profit/(loss) on ordinary activities	8				
Group		-	-	-	-
Share of joint venture		-	-	-	(237)
		-	-	-	(237)
Loss for the financial year	20	18,175	(22,499)	(4,324)	(78,499)

The results for the period relate to continuing operations

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

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2012

	<i>Note</i>	2012 £000	2011 £000
Loss for the financial year	<i>20</i>	(4,324)	(78,499)
Gain on revaluation of fixed assets	<i>20</i>	-	733
Total recognised gains and losses relating to the year		(4,324)	(77,766)

Balance sheet

at 30 June 2012

	Note	Group		Company	
		2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Intangible assets	10	201,276	126,415	-	-
Tangible assets	11	195,023	199,431	-	-
Investments	12	-	-	780,000	780,072
		<u>396,299</u>	<u>325,846</u>	<u>780,000</u>	<u>780,072</u>
Current assets					
Stocks	13	1,128	1,062	-	-
Debtors Due in one year	14	33,990	35,407	-	-
Due after one year	14	18,034	9,992	-	-
Total debtors		<u>52,024</u>	<u>45,399</u>	-	-
Cash at bank and in hand		16,987	17,555	-	-
		<u>70,139</u>	<u>64,016</u>	-	-
Creditors: Amounts falling due within one year	15	<u>(150,626)</u>	<u>(156,191)</u>	<u>(180)</u>	<u>(334)</u>
Net current liabilities		<u>(80,487)</u>	<u>(92,175)</u>	<u>(180)</u>	<u>(334)</u>
Total assets less current liabilities		<u>315,812</u>	<u>233,671</u>	<u>779,820</u>	<u>779,738</u>
Creditors: Amounts falling due after one year	16	<u>(938,215)</u>	<u>(849,738)</u>	<u>(894,592)</u>	<u>(815,547)</u>
Provisions for liabilities and charges					
Investment in joint venture					
- share of gross assets		-	4,581	-	-
- share of gross liabilities		-	(6,393)	-	-
	18	<u>-</u>	<u>(1,812)</u>	<u>-</u>	<u>-</u>
Net liabilities		<u>(622,403)</u>	<u>(617,879)</u>	<u>(114,772)</u>	<u>(35,809)</u>
Capital and reserves					
Called up share capital	19	1	1	1	1
Share premium account	20	59,999	59,999	59,999	59,999
Revaluation reserve	20	733	733	-	-
Profit and loss account	20	(683,173)	(678,649)	(174,772)	(95,809)
Equity shareholder's deficit	20	<u>(622,440)</u>	<u>(617,916)</u>	<u>(114,772)</u>	<u>(35,809)</u>
Minority interests		37	37	-	-
		<u>(622,403)</u>	<u>(617,879)</u>	<u>(114,772)</u>	<u>(35,809)</u>

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



E Tenenbaum
Director

Registered number 04784127

Consolidated cash flow statement
for the year ended 30 June 2012

	<i>Note</i>	2012 £000	2011 £000
Cash outflow from operating activities	21	(30,951)	(8,555)
Returns on investments and servicing of finance	22	151	130
Capital expenditure	22	(52,189)	(73,675)
Financing	22	75,999	79,096
Acquisitions	22	6,422	-
		<hr/>	<hr/>
Decrease in cash	23	(568)	(3,004)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net debt
for the year ended 30 June 2012

	<i>Note</i>	2012		2011	
		£000	£000	£000	£000
Decrease in cash in the period	23	(568)		(3,004)	
Cash inflow from change in net debt and lease financing	23	(75,999)		(79,096)	
		<hr/>		<hr/>	
Movement in net debt in period			(76,567)		(82,100)
Cancellation of preference shares			15,000		-
Net debt at 1 July	23		(816,038)		(733,938)
			<hr/>		<hr/>
Net debt at 30 June	23		(877,605)		(816,038)
			<hr/> <hr/>		<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation of financial statements

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

Basis of consolidation

The Group financial statements incorporate the financial statements of Fordstam Limited and all its subsidiary undertakings for the year ended 30 June 2012 (see note 29). Acquisitions are accounted for under the acquisition method of accounting with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised in the consolidated balance sheet and amortised over its expected useful life, being no greater than 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 (CDM) 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. On 31 January 2012 the Group gained 100% control of CDM via the cancellation of SNMV's ordinary share capital. Up until this point the Director believes that the nature of control is that of a joint venture and as such it has been accounted for in accordance with Financial Reporting Standard ('FRS') 9 'Associates and joint ventures'. At the point of acquisition, according to Financial Reporting Standard ('FRS') 2 'Accounting for subsidiary undertakings', CDM was treated as a wholly owned subsidiary under the acquisition method of accounting (see note 31).

A separate profit and loss account dealing with the results of the Company alone has not been presented as permitted by Section 408 of the Companies Act 2006.

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 Director has taken advantage of the exemption in FRS 8 'Related Party Disclosures', paragraph 3(a), and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the group qualifying as related parties).

Investment in subsidiaries

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

Tangible fixed assets and depreciation

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

Freehold land	-	Not depreciated
Long leasehold land	-	Not depreciated
Assets in course of construction	-	Not depreciated
Freehold and long leasehold buildings	-	50 years on a straight line basis
Plant and equipment	-	2 to 10 years on a straight line basis

Notes (continued)

1 Accounting policies (continued)

Players' registrations

All costs associated with the acquisition of 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.

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

Players' signing on fees

Players' contracts of employment may include a signing on fee payable in equal instalments over the period of 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.

Investment properties

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

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

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

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

Taxation

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

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

Turnover

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

Notes (continued)

1 Accounting policies (continued)

Leasing and hire purchase commitments

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

Classification of financial instruments issued by the 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 shareholder's funds.

Dividends on shares presented within shareholder's funds

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

Operating leases

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

Pensions

The Group operates a number of defined contribution schemes. Contributions to these schemes are charged to the profit and loss account as incurred. The Group is one of a number of employers in a shared defined benefit scheme for playing staff. The defined benefit scheme is a multi-employer scheme and in accordance with FRS 17 has been treated as a defined benefit contribution scheme.

Stocks

Stocks, which comprise goods held for resale, are valued at the lower of cost and net realisable value.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the transaction date. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

Deferred income

Income from season tickets, sponsorship, broadcasting and other commercial contracts, which has been received prior to the year end in respect of future football seasons, is treated as deferred income.

Debt

Debt is initially stated at the amount of the net proceeds after deducting any issue costs which are amortised over the life of the debt, in accordance with FRS 4 'Capital Instruments'.

Notes (continued)

2 Segmental analysis of turnover

	2012 £000	2011 £000
Broadcasting	112,815	98,108
Matchday	77,742	67,493
Commercial	70,489	62,973
	261,046	228,574
Less share of joint venture turnover - Digital Media	(1,796)	(3,333)
	259,250	225,241

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

3 Loss on ordinary activities before taxation

	2012 £000	2011 £000
Loss on ordinary activities before taxation is stated after charging / (crediting)	£000	£000
Depreciation of tangible fixed assets	11,119	9,714
Amortisation of intangible assets	49,506	39,721
Amortisation of goodwill	38	-
Operating lease rentals		
Land and buildings	313	304
Plant and equipment	58	62
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	6	5
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	101	84
The audit of the Company's subsidiaries interim accounts	30	20
Other	2	-
Tax services	39	42
All other services	100	140
Profit on disposal of player registrations	(28,794)	(18,410)
Loss on disposal of tangible fixed assets	-	180
Exceptional items	(2,913)	47,988
Profit on cancellation of shares (see note 16)	(18,375)	-
Loss on disposal of investment	161	-
	(18,375)	-

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

Notes (continued)

4 Staff numbers and costs

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

	2012 Number	2011 Number
Playing staff, managers and coaches	89	69
Administration and commercial	572	532
	661	601
	661	601

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

The aggregate payroll costs of these employees were as follows

	2012 £000	2011 £000
Wages and salaries	140,680	158,443
Social security costs	18,565	16,169
Other pension costs	13,626	16,602
	172,871	191,214
	172,871	191,214

In 2012, wages and salaries there is an exceptional credit of £4,700,000 (2011 cost £21,435,000) See note 3

5 Director's remuneration

The Director who held office during the year did not receive any remuneration from the Group (2011 *£nil*)

6 Other interest receivable and similar income

	2012 £000	2011 £000
Bank interest	156	138
	156	138
	156	138

7 Interest payable and similar charges

	2012 £000	2011 £000
Finance costs on shares classified as liabilities	-	749
	-	749
Share of joint venture finance costs on shares classified as liabilities	-	55
	-	804
	-	804

Notes (continued)

8 Taxation

	2012 £000	2011 £000
Current tax:		
UK corporation tax at 25.5% (2011 27.5%)	-	-
Share of joint venture	-	(237)
Tax (charge) / credit for the year	-	(237)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	4,324	78,262
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 25.5% (2011 27.5%)	(1,103)	(21,522)
Effects of		
Non deductible expenditure	5,618	10,100
Losses available to carry forward	-	13,277
Income not taxable	(4,686)	-
Utilisation of losses brought forward	(825)	(821)
Effect of tax rates in foreign jurisdictions	134	-
Movement in deferred tax not provided	862	(1,034)
Current tax charge	-	-
Losses available to carry forward as at 30 June	602,072	605,307

9 Company results

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The Company made a £78,963,000 loss during the year (2011 £76,834,000), as a result of the fixed asset investment impairment referred to in note 12.

10 Intangible fixed assets

Group	Cost of players' registrations £000	Goodwill £000	Total £000
Cost			
At 1 July 2011	337,803	20,796	358,599
Additions	130,641	860	131,501
Disposals	(92,010)	-	(92,010)
At 30 June 2012	376,434	21,656	398,090
Amortisation			
At 1 July 2011	211,388	20,796	232,184
Charge for the year	49,506	38	49,544
Impairment of players' registrations	1,787	-	1,787
Disposal	(86,701)	-	(86,701)
At 30 June 2012	175,980	20,834	196,814
Net book value			
At 30 June 2012	200,454	822	201,276
At 30 June 2011	126,415	-	126,415

The goodwill in the year is in respect of the acquisition of Chelsea Digital Media Limited, which was previously treated as a joint venture according to Financial Reporting Standard ('FRS') 9 'Associates and joint ventures' (see note 31).

Notes (continued)

11 Tangible fixed assets

Group	Investment property freehold £000	Land and buildings £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
<i>Cost or valuation</i>					
At 1 July 2011	2,591	199,816	52,667	3,572	258,646
Additions	-	-	7,385	50	7,435
Disposals	-	-	(3,122)	-	(3,122)
Completed assets in the course of construction	-	-	3,514	(3,514)	-
At 30 June 2012	2,591	199,816	60,444	108	262,959
<i>Depreciation</i>					
At 1 July 2011	-	34,123	23,272	1,820	59,215
Charge for the year	-	3,500	7,619	-	11,119
Impairment	-	-	724	-	724
Completed assets in the revise of construction	-	-	1,820	(1,820)	-
On Disposals	-	-	(3,122)	-	(3,122)
At 30 June 2012	-	37,623	30,313	-	67,936
<i>Net book value</i>					
At 30 June 2012	2,591	162,193	30,131	108	195,023
Net book value At 30 June 2011	2,591	165,693	29,395	1,752	199,431

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 (2011 £2,003,000)

As required under FRS 11 'Impairment of fixed assets and goodwill' the Director has assessed the carrying value of certain items of property and plant and equipment. This has resulted in an accelerated depreciation impairment of £724,000 in the current year profit and loss account.

The net book value of land and buildings comprises:	2012 £000	2011 £000
Freehold land and buildings	40,710	42,138
Long leasehold land and buildings	124,064	126,136
Short leasehold land and buildings	10	10
	164,784	168,284

The Company holds no tangible fixed assets

Notes (continued)

12 Fixed asset investments

	Joint venture £000
Group	
<i>Cost</i>	
At 1 July 2011	-
Share of profit of joint venture	214
Transfer to provision for liabilities and charges	(214)
At 30 June 2012	-
Net book value	
At 30 June 2012 and at 30 June 2011	-

In prior years and for the period 1 July 2011 to 31 January 2012 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, as a joint venture in accordance with FRS 9 'Associates and joint ventures' Up until 31 January 2012, Chelsea Digital Media Limited was funded by way of preference share capital subscribed for by Sky New Media Ventures SNMV

In accordance with FRS 9, 'Associates and joint ventures', the Group's share of profits from its investment in the joint venture of £214,000 (2011 £758,000) has been calculated by reference to the proportion of ordinary shares it owned

As of the 1 February 2012, Chelsea Digital Media Limited transferred from a joint venture to a 100% owned subsidiary of Chelsea FC plc See note 31

	Subsidiary undertakings £000	Loan to group undertaking £000	Total £000
Company			
<i>Cost</i>			
At 1 July 2011	750,710	120,354	871,064
Additions	-	77,593	77,593
Capitalisation of loan to equity	166,600	(166,600)	-
At 30 June 2012	917,310	31,347	948,657
<i>Amortisation</i>			
At 1 July 2011	90,992	-	90,992
Impairment	77,665	-	77,665
At 30 June 2012	168,657	-	168,657
<i>Net book value</i>			
At 30 June 2012	748,653	31,347	780,000
Net book value			
At 30 June 2012	659,718	120,354	780,072

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 and an impairment of £77,665,000 (2011 £75,399,000) against the value of investments in subsidiary undertakings was recorded following a review of the carrying value in comparison with recent corporate transactions involving FA Premier League football clubs

Notes (continued)

13 Stocks

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Goods held for resale	1,128	1,062	-	-

14 Debtors

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
<i>Due in less than one year:</i>				
Trade debtors	26,761	29,194	-	-
Other debtors	1,308	1,326	-	-
Prepayments and accrued income	5,921	4,887	-	-
	<u>33,990</u>	<u>35,407</u>	<u>-</u>	<u>-</u>
<i>Due after one year:</i>				
Trade debtors	9,560	1,280	-	-
Other debtors	8,474	8,562	-	-
Prepayments and accrued income	-	150	-	-
	<u>18,034</u>	<u>9,992</u>	<u>-</u>	<u>-</u>

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 2012 was £8,474,374 (2011 £8,562,094). The Director believes that the balance outstanding will ultimately be recovered.

15 Creditors: amounts falling due within one year

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade creditors	47,955	32,261	-	-
Other taxes and social security	23,384	12,827	-	-
Other creditors	9,059	16,280	-	-
Accruals and deferred income	70,228	94,823	180	334
	<u>150,626</u>	<u>156,191</u>	<u>180</u>	<u>334</u>

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

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Other loan	894,592	818,593	894,592	815,547
Trade creditors	43,623	16,145	-	-
Other creditors	-	-	-	-
Deferred income	-	-	-	-
Preference shares classified as liabilities	-	15,000	-	-
	<u>938,215</u>	<u>849,738</u>	<u>894,592</u>	<u>815,547</u>

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.

In the prior year, under FRS 25 the preference share capital was classified as a financial liability. The preference share capital of £15,000,000 was in the Company's subsidiary, Chelsea Football Club Limited.

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

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

17 Borrowings and secured liabilities

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
The aggregate borrowings amounted to				
Other loans	894,592	818,593	894,592	815,547
Preference shares classified as liabilities	-	15,000	-	-
	<u>894,592</u>	<u>833,593</u>	<u>894,592</u>	<u>815,547</u>
 Borrowings are repayable as follows				
	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Repayable between one and two years:				
Other loans	894,592	818,593	894,592	815,547
	<u>894,592</u>	<u>818,593</u>	<u>894,592</u>	<u>815,547</u>
Repayable between two and five years:				
Preference shares classified as liabilities	-	15,000	-	-
	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>

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	
	2012	2011	2012	2011
	£000	£000	£000	£000
Accelerated capital allowances	4,419	2,925	-	-
Tax losses	145,548	155,289	889	963
Other short term timing differences	32	-	-	-
	<u>149,999</u>	<u>158,214</u>	<u>889</u>	<u>963</u>
Unprovided deferred tax asset	<u>149,999</u>	<u>158,214</u>	<u>889</u>	<u>963</u>

Investment in joint ventures

	Group £000
At 1 July 2011	(1,812)
Profit for the financial year transferred from fixed asset investment	214
Disposal of investment	1,598
As at 30 June 2012	<u>-</u>

As of the 1 February 2012, Chelsea Digital Media Limited transferred from a joint venture to a 100% owned subsidiary of Chelsea FC plc. As part of this transition from joint venture to subsidiary the investment was disposed of. See note 31

19 Called up share capital

Company	2012 Number	2012 £000	2011 Number	2011 £000
<i>Authorised</i>				
<i>Ordinary shares of £1 each at 30 June</i>	<u>600</u>	<u>1</u>	<u>600</u>	<u>1</u>
Allotted, issued and fully paid				
<i>Ordinary shares of £1 each at 30 June</i>	<u>600</u>	<u>1</u>	<u>600</u>	<u>1</u>

Notes (continued)

20 Reconciliation of movement in equity shareholder's deficit

<i>Group</i>	Share capital £000	Share Premium £000	Revaluation reserve £000	Profit and loss account £000	Equity shareholder's deficit £000
At 1 July 2011	1	59,999	733	(678,649)	(617,916)
Loss for the financial year	-	-	-	(4,324)	(4,324)
Acquisition of subsidiary	-	-	-	(200)	(200)
Equity shareholder's deficit at 30 June 2012	1	59,999	733	(683,173)	(622,440)

<i>Company</i>	Share capital £000	Share Premium £000	Profit and loss account £000	Equity shareholder's deficit £000
At 1 July 2011	1	59,999	(95,809)	(35,809)
Loss for the financial year	-	-	(78,963)	(78,963)
Equity shareholder's deficit at 30 June 2012	1	59,999	(174,772)	(114,772)

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

	2012 £000	2011 £000
Group operating loss	(51,697)	(96,868)
Depreciation	11,119	9,714
Impairment of tangible fixed assets	724	6,126
Impairment of players' registrations	1,787	7,435
Amortisation of intangible fixed assets	49,506	39,721
Amortisation of goodwill	38	-
Increase in stocks	(66)	(272)
Increase in debtors	(9,818)	(13,991)
(Decrease)/increase in creditors	(32,544)	39,580
Net cash outflow from operating activities	(30,951)	(8,555)

Notes (continued)

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

	2012 £000	2011 £000
Returns on investments and servicing of finance		
Interest received	151	130
	<u> </u>	<u> </u>
Capital expenditure		
Purchase of tangible fixed assets	(6,581)	(13,050)
Purchase of intangible fixed assets	(83,918)	(85,022)
Sale of intangible fixed assets	38,310	24,397
	<u> </u>	<u> </u>
	<u>(52,189)</u>	<u>(73,675)</u>
	<u> </u>	<u> </u>
Financing		
Receipts from borrowings	106,499	95,096
Repayment of borrowings	(30,500)	(16,000)
	<u> </u>	<u> </u>
	<u>75,999</u>	<u>79,096</u>
	<u> </u>	<u> </u>
Acquisitions		
Cash acquired from subsidiary	6,422	-
	<u> </u>	<u> </u>
	<u>6,422</u>	<u>-</u>
	<u> </u>	<u> </u>

23 Analysis of net debt

	At 1 July 2011 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2012 £000
Cash movements				
Cash at bank and in hand	17,555	(568)	-	16,987
	<u>17,555</u>	<u>(568)</u>	<u>-</u>	<u>16,987</u>
Debt due after one year	(833,593)	(75,999)	15,000	(894,592)
Debt and lease financing	(833,593)	(75,999)	15,000	(894,592)
Net debt	<u>(816,038)</u>	<u>(76,567)</u>	<u>15,000</u>	<u>(877,605)</u>

Notes (continued)

24 Pension commitments

a) Defined Benefit Scheme

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

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

b) Defined Contribution Schemes

The Group also contributes to other schemes providing benefits based upon contributions made The assets of these other schemes are held separately from those of the Company in independently administered funds The pension charge for the year was £13,595,000 (2011 £16,578,000) Amounts owed to the Schemes at the year end amounted to £939,189 (2011 £1,549,853), which represents the current amount due to be paid across to the schemes within the statutory time frame

25 Operating leases and capital commitments

The annual commitments under non-cancellable operating leases are

	Group	
	2012	2011
	£000	£000
Land and buildings:		
Leases expiring in one year	70	-
Leases expiring between two to five years	243	304
Leases expiring in more than five years	-	-
	313	304
 Plant and equipment:		
Leases expiring in one year	21	15
Leases expiring between two to five years	37	40
	58	55
 Capital expenditure commitments were as follows:		
Contracted for but not provided		
Tangible fixed assets	-	900
	-	900

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 £3,388,000 (2011 £3,752,000)

27 Control

The Director considers 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 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

Notes (continued)

28 Post balance sheet events

Acquisition and disposal of players

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

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

29 Principal subsidiary undertakings

The Company has the following subsidiary undertakings

Trading	Nature of Business
Chelsea Car Parks Limited	Car park management
Chelsea Digital Media Limited	Television and Internet broadcasters
Chelsea Football Club Limited	Professional football club
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
Briskspring Limited	Investment holding company
Under The Bridge Limited	Music venue
Quality Sports III Investments LP	Investment company
Non Trading at year end	
Looklight Limited ** (formerly Chelsea Training Ground Limited)	Football club training facilities
Dormant	
Chelsea TV Limited	
Chelsea Limited	
Chelsea Financial Consultants Limited	
Fulham Holdings Limited	

All the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales, with the exception of Quality Sports III Investments LP which is a partnership registered in Jersey

Quality Sports III Investments LP is a partnership between Briskspring Limited (the limited partner) and Quality Sports III Jersey GP Limited (the general partner) and was formed during the year as a financing and investment company

The entire ordinary share capital and control of 100% of the voting rights of all the subsidiary undertakings are held by the Company. Those subsidiary undertakings highlighted by ** are direct subsidiaries of Fordstam Limited, the other subsidiaries are directly controlled either by Chelsea FC plc or Stamford Bridge Projects Limited, with the exception of Quality Sports III Investments, which is treated as a direct subsidiary of Briskspring Limited

Chelsea Digital Media Limited was a 65% owned joint venture, but became a fully owned subsidiary of Chelsea FC plc as of 1 February 2012. See note 31

Notes (continued)

30 Transactions with related parties

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

Group	2012	2012	2012	2012
	Sales to	Purchases	Balance	Balance
	related party	from related	receivable	payable
	£000	party	£000	£000
	£000	£000	£000	£000
Mr R Abramovich	3,000	-	-	-
Skadden, Arps, Slate, Meagher & Flom UK	-	555	-	-
Company	2012	2012	2012	2012
	Sales to	Purchases	Balance	Balance
	related party	from related	receivable	payable
	£000	party	£000	£000
	£000	£000	£000	£000
Skadden, Arps, Slate, Meagher & Flom UK	-	395	-	-
Group	2011	2011	2011	2011
	Sales to	Purchases	Balance	Balance
	related party	from related	receivable	payable
	£000	party	£000	£000
	£000	£000	£000	£000
Mr R Abramovich	2,000	-	-	-
Chelsea Digital Media Limited	673	1,295	127	341
Skadden, Arps, Slate, Meagher & Flom UK	-	344	-	344
Company	2011	2011	2011	2011
	Sales to	Purchases	Balance	Balance
	related party	from related	receivable	payable
	£000	party	£000	£000
	£000	£000	£000	£000
Skadden, Arps, Slate, Meagher & Flom UK	-	334	-	334

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.

In the prior year, sales to Chelsea Digital Media Limited included recharges for studio hire and staff costs. Purchases included advertising, sponsorship and merchandising. As Chelsea Digital Media Limited is now a 100% owned subsidiary the Directors have taken advantage of the exemption in FRS 8, paragraph 3(a), and have therefore not disclosed transactions or balances with entities which form part of the group.

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

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

Notes (continued)

31 Acquisitions

On 31 January 2012, Chelsea FC plc acquired 100% of Chelsea Digital Media Limited (CDM)

Previously, Chelsea FC plc owned 65% of the ordinary share capital of CDM, with the other 35% being owned by Sky New Media Ventures (SNMV) by way of preference share capital

Under FRS 9 'Associates and joint ventures' CDM has previously been treated within the Group as a joint venture

In accordance with FRS 9 'Associates and joint ventures' for the 7 month period 1 July 2011 to 31 January 2012 the Group's share of profit £214,000 (2011 £758,000) has been calculated by reference to the proportion of ordinary shares it owned

For the post acquisition 5 month period 1 February 2012 to 30 June 2012 CDM has been treated as a 100% Group subsidiary under the acquisition method of accounting

There was no cash consideration paid by the Group for the purchase of CDM. The purchase was by way of cancellation of the following shares held by SNMV. The consideration is deemed to be the 65% share of net assets/liabilities already historically recorded by the group as at the acquisition date, which was £1,597,000

	Number	Amount £
Class B ordinary shares of 1p each	42,648	426
Share premium on SNMV ordinary B shares	-	549,772
Preference shares of £1 each	7,000,000	7,000,000
	<u> </u>	<u> </u>

The financial year of CDM is from 1 July to 30 June. The profit and loss account for the previous financial year to 30 June 2011 and from the period 1 July 2012 to 31 January 2012 are set out below. Amounts for the year to 30 June 2011 are audited. Amounts shown for the 7 months period to 31 January are unaudited and are from the company management accounts

	Year to 30 June 2011 £000	7 months to 31 January 2012 £000
Turnover	5,643	2,764
Operating profit	1,603	872
Net interest	(73)	8
Profit before taxation	1,530	880
Taxation	(360)	-
	<u> </u>	<u> </u>
Profit for the period	1,170	880
	<u> </u>	<u> </u>

Notes (continued)

31 Acquisitions (continued)

As at acquisition date of 31 January 2012

	Book value £000	Fair value adjustments £000	Consistency of accounting policy £000	Provisional fair value £000
Tangible fixed assets	854	-	-	854
Debtors	1,249	-	-	1,249
Cash at bank and in hand	6,422	-	-	6,422
Creditors	(10,982)	-	-	(10,982)
Net liabilities acquired	<u>(2,457)</u>	<u>-</u>	<u>-</u>	<u>(2,457)</u>
Goodwill				860
Consideration				<u>(1,597)</u>

As CDM has been a profit making company since 2008, it was deemed appropriate to debit goodwill to intangible assets and the Directors' believed it appropriate to amortise this over a period of 10 years, but as the acquisition was mid-year, an amortisation period of 9 years 5 month has been adopted

A goodwill amortisation charge of £38,000 has been debited to the Group profit and loss account for the period 1 February 2012 to 30 June 2012