

**Fordstam Limited**  
*(formerly Chelsea Limited)*

**Director's report and financial  
statements**

Registered number 04784127

30 June 2009

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## Contents

Director's report	1
Statement of director's responsibilities in respect of the Director's Report and the Financial Statements	4
Independent auditor's report to the members of Fordstam Limited (Formerly Chelsea Limited)	5
Consolidated profit and loss account	7
Balance sheet	8
Consolidated cash flow statement	9
Notes	10

## Director's report

The Director presents his annual report and the audited Financial Statements for the year ended 30 June 2009. On 11 August 2009 Chelsea Limited underwent a name change to Fordstam Limited.

### 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 £47.4m compared to £83.8m for the previous year.

The year saw turnover decrease to £208.8m from £213.6m, a decrease of £4.8m. Revenue from football activities reduced by £4.5m, largely as a result of a reduction in sponsorship revenues, due to the profile of receipts in a major contract being front end loaded. The football club were third in the FAPL, semi-finalists in the Champions League and winners of the FA Cup.

Operating expenses at £269.1m were £23.4m down on the previous year. This is a result of a £15.6m impairment of goodwill in the previous year, a £9.3m decrease in amortisation and a £5.6m decrease in other operating costs, offset by an increase in depreciation and payroll costs of £1.5m and £5.6m respectively.

Exceptional items of £12.6m (2008: £23.1m) consist of termination payments made during the year to first team managers and assistant coaches.

The football club made a profit on player trading of £28.6m in the year (2008: £22.2m) principally due to the sales of Bridge and Ben Haim to Manchester City, Sidwell to Aston Villa and Alcides to PSV Eindhoven.

#### *Balance Sheet*

Intangible assets have decreased to £77.8m from £143.6m as a result of £1.2m of player acquisitions offset by the net book value of disposals of £18.0m and amortisation of £49.0m.

Tangible fixed assets are £212.5m at the year end. As in the prior year, the bulk of the £12.4m additions have been spent on improving facilities at Stamford Bridge and Youth Academy facilities in Cobham.

Our net current liabilities at £5.7m have decreased by £33.2m. This is largely as a result of an increase in trade debtors of £7.0m due to player sales in the year. In addition there was a reduction in trade creditors of £19.3m due to reduced player purchases compared to the prior year and a decrease in tax and social security costs of £1.6m due to the withholding tax on Manager terminations from the prior year being settled in the current year. Accruals and other creditors also reduced by £6.1m compared to the prior year as did other debtors and prepayments by £1.4m. Stock and cash increased by £0.2m and £0.4m respectively.

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 football 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 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.

### *Funding*

The Group is currently cash negative spending £25.2m in the last financial year (2008 £90.8m). 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 2008/09 of both a financial and non-financial nature were as follows -

#### *Non-Financial*

- Third place in the FAPL (2008 *Runners up*)
- Average league attendance of 41,496 (2008 *41,074*)
- Winners of the FA Cup (2008 *Finalists in League Cup and quarter finalists in FA Cup*)
- Champions League semi-finalists (2008 *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 £47,443,000 (2008 £83,773,000). The Director does not recommend the payment of a dividend for the financial year (2008 *£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 2009 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 2009 was £247,475,000 (2008 £287,100,000). 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 40 days (2008 27 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 £80,077 (2008 £337,591).

### 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.

Pursuant to Section 487 of the Companies Act 2006, the auditors 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

1 December 2009

## **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,
- 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 them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**KPMG LLP**

St James Square  
Manchester  
M2 6DS

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

We have audited the financial statements of Fordstam Limited (formerly Chelsea Limited) for the year ended 30 June 2009 set out on pages 7 to 24. 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 sections 495 and 496 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 auditors' 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**

As explained more fully in the Director's Responsibilities Statement set out on page 4, 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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

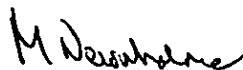
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Fordstam Limited (formerly Chelsea 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 (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
*St James Square*  
*Manchester*  
*M2 6DS*

1 December 2009



## Consolidated profit and loss account

for the year ended 30 June 2009

	Note	Operations excluding player amortisation and trading 2009 £000	Player amortisation, trading and exceptional items 2009 £000	Total 2009 £000	Total 2008 £000
Turnover Group and share of joint venture	1, 2	208,799	-	208,799	213,648
Less share of joint venture's turnover		(3,120)	-	(3,120)	(2,920)
<b>Group turnover</b>		<b>205,679</b>	<b>-</b>	<b>205,679</b>	<b>210,728</b>
Operating expenses		(220,155)	(48,965)	(269,120)	(292,459)
Exceptional items	3	-	(12,613)	(12,613)	(23,073)
<b>Group operating loss</b>		<b>(14,476)</b>	<b>(61,578)</b>	<b>(76,054)</b>	<b>(104,804)</b>
Share of operating profit in joint venture		711	-	711	560
<b>Total operating loss Group and share of joint venture</b>		<b>(13,765)</b>	<b>(61,578)</b>	<b>(75,343)</b>	<b>(104,244)</b>
Profit on disposal of player registrations	3	-	28,555	28,555	22,151
Loss on disposal of tangible fixed assets	3	(1)	-	(1)	(549)
<b>Loss before interest and taxation</b>		<b>(13,766)</b>	<b>(33,023)</b>	<b>(46,789)</b>	<b>(82,642)</b>
Other interest receivable and similar income	6	379	-	379	685
Interest payable and similar charges	7				
Group		(751)	-	(751)	(2,251)
Share of joint venture		(195)	-	(195)	(296)
		(946)	-	(946)	(2,547)
<b>Loss on ordinary activities before taxation</b>	3	<b>(14,333)</b>	<b>(33,023)</b>	<b>(47,356)</b>	<b>(84,504)</b>
Taxation on loss on ordinary activities	8				
Group		-	-	-	-
Share of joint venture		(87)	-	(87)	731
		(87)	-	(87)	731
<b>Loss for the financial year</b>	20	<b>(14,420)</b>	<b>(33,023)</b>	<b>(47,443)</b>	<b>(83,773)</b>

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

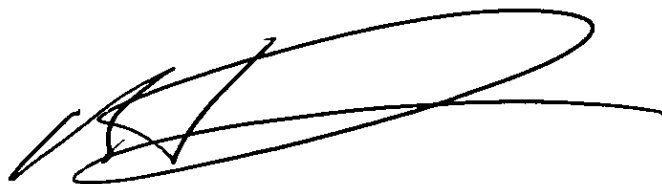
There is no difference between the reported loss and the historical cost loss for the current or preceding year

**Balance sheet**  
at 30 June 2009

	Note	2009 £000	Group 2008 £000	2009 £000	Company 2008 £000
<b>Fixed assets</b>					
Intangible assets	10	77,834	143,570	-	-
Tangible assets	11	212,502	209,512	-	-
Investments	12	-	-	763,375	737,845
		<u>290,336</u>	<u>353,082</u>	<u>763,375</u>	<u>737,845</u>
<b>Current assets</b>					
Stocks	13	864	624	-	-
Debtors Due in one year	14	62,715	56,248	-	-
Due after one year	14	19,790	20,697	3,633	3,633
Total debtors		<u>82,505</u>	<u>76,945</u>	<u>3,633</u>	<u>3,633</u>
Cash at bank and in hand		5,703	5,339	-	-
		<u>89,072</u>	<u>82,908</u>	<u>3,633</u>	<u>3,633</u>
<b>Creditors</b> Amounts falling due within one year	15	(94,755)	(121,854)	-	-
<b>Net current (liabilities)/assets</b>		<u>(5,683)</u>	<u>(38,946)</u>	<u>3,633</u>	<u>3,633</u>
Total assets less current liabilities		<u>284,653</u>	<u>314,136</u>	<u>767,008</u>	<u>741,478</u>
<b>Creditors</b> Amounts falling due after one year	16	(743,459)	(725,070)	(726,431)	(700,901)
<b>Provisions for liabilities and charges</b>					
Investment in joint venture					
- share of gross assets		3,171	2,544	-	-
- share of gross liabilities		(6,708)	(6,510)	-	-
	18	<u>(3,537)</u>	<u>(3,966)</u>	<u>-</u>	<u>-</u>
<b>Net (liabilities)/assets</b>		<u>(462,343)</u>	<u>(414,900)</u>	<u>40,577</u>	<u>40,577</u>
<b>Capital and reserves</b>					
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	(522,380)	(474,937)	(19,423)	(19,423)
<b>Equity shareholder's funds</b>	20	<u>(462,380)</u>	<u>(414,937)</u>	<u>40,577</u>	<u>40,577</u>
Minority interests		37	37	-	-
		<u>(462,343)</u>	<u>(414,900)</u>	<u>40,577</u>	<u>40,577</u>

These financial statements were approved by the Board on 1 December 2009 and were signed on its behalf by

**E Tenenbaum**  
Director



Registered number 04784127

**Consolidated cash flow statement**  
*for the year ended 30 June 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Cash outflow from operating activities	21	(16,120)	(21,513)
Returns on investments and servicing of finance	22	379	(1,566)
Taxation		-	-
Capital expenditure	22	(9,425)	(67,755)
Financing	22	25,530	86,293
		<hr/>	<hr/>
Increase/(decrease) in cash	23	364	(4,541)
		<hr/>	<hr/>

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 30 June 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>£000</b>	<b>2008</b> <b>£000</b>	<b>£000</b>
Increase/(decrease) in cash in the period	23	364		(4,541)	
Cash inflow from change in net debt and lease financing	23	(25,530)		(86,293)	
		<hr/>		<hr/>	
Amortisation of Eurobond issue costs	23		(25,166)		(90,834)
			-		(96)
			<hr/>		<hr/>
Movement in net debt in period			(25,166)		(90,930)
Net debt at 1 July	23		(710,562)		(619,632)
			<hr/>		<hr/>
Net debt at 30 June	23		(735,728)		(710,562)
			<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 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 Fordstam Limited (formerly Chelsea Limited) and all its subsidiary undertakings for the year ended 30 June 2009 (see note 29). Acquisitions are accounted for under the acquisition method of accounting with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised in the consolidated balance sheet and amortised over its expected useful life, being 20 years.

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

On 7 October 2005, the Group's shareholding in the ordinary share capital of Chelsea Digital Media was reduced from 80% to 65%, the remaining 35% being owned by Sky New Media Ventures Limited (SNMV), a wholly owned subsidiary of British Sky Broadcasting Group plc. The 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 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 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	-	2 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. 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

	2009 £000	2008 £000
Football activities	185,228	189,770
Hotel/Catering	8,895	8,882
Merchandising	9,735	9,569
Leisure services	1,174	1,358
Property sales/leasing	129	1,063
Car parking/Events/Other	518	86
	<hr/>	<hr/>
	205,679	210,728
Share of joint venture turnover - Digital Media	3,120	2,920
	<hr/>	<hr/>
	208,799	213,648
	<hr/>	<hr/>

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

### 3 Loss on ordinary activities before taxation

	2009 £000	2008 £000
Loss on ordinary activities before taxation is stated after charging	£000	£000
Depreciation of tangible fixed assets (see note 11)		
Owned	9,409	7,898
Impairment of goodwill (see note 10)	-	15,593
Amortisation of intangible assets (see note 10)	48,965	58,322
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	1	2
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	85	86
Tax services	40	131
All other services	117	27
Profit on disposal of player registrations	28,555	22,151
Loss on disposal of tangible fixed assets	(1)	(549)
Exceptional items	12,613	23,073
	<hr/>	<hr/>

Exceptional items consist of termination payments made during the year to first team managers and assistant coaches (2008 £23,073,000)

## Notes (continued)

### 4 Staff numbers and costs

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

	2009 Number	2008 Number
Playing staff, managers and coaches	79	83
Administration and commercial	545	527
	<u>624</u>	<u>610</u>

The Group also employs approximately 550 (2008 550) temporary staff on match days

The aggregate payroll costs of these employees were as follows

	2009 £000	2008 £000
Wages and salaries	150,133	154,336
Social security costs	16,030	17,057
Other pension costs	1,016	703
	<u>167,179</u>	<u>172,096</u>

Wages and salaries include £12,613,000 of exceptional items relating to termination payments made during the year to first team managers and assistant coaches (2008 £23,073,000)

### 5 Director's remuneration

The Director who held office during the year did not receive any remuneration from the Company (2008 £nil)

### 6 Other interest receivable and similar income

	2009 £000	2008 £000
Bank interest	379	685

### 7 Interest payable and similar charges

	2009 £000	2008 £000
Eurobond 2007	-	1,500
Finance costs on shares classified as liabilities	751	751
	<u>751</u>	<u>2,251</u>
Share of joint venture finance costs on shares classified as liabilities	195	296
	<u>946</u>	<u>2,547</u>



## Notes (continued)

### 8 Taxation

	2009 £000	2008 £000
<b>Current tax</b>		
UK corporation tax at 28% (2008 29.5%)	-	-
Share of joint venture	(87)	731
<b>Tax (charge) / credit for the year</b>	<u>(87)</u>	<u>731</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(47,356)</u>	<u>(84,504)</u>
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 28% (2008 29.5%)	<u>(13,260)</u>	<u>(24,929)</u>
Effects of		
Non deductible expenditure	1,289	7,353
Losses available to carry forward	10,487	18,974
Non taxable income	(2,761)	(2,358)
Movement in deferred tax not provided	4,245	960
Current tax charge	<u>-</u>	<u>-</u>
Losses available to carry forward as at 30 June	<u>505,266</u>	<u>467,812</u>

### 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 £nil profit or loss during the year (2008 Loss £15,599,000)

### 10 Intangible fixed assets

Group	Cost of players' registrations £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 July 2008	351,684	20,796	372,480
Additions	1,206	-	1,206
Disposals	(69,233)	-	(69,233)
At 30 June 2009	<u>283,657</u>	<u>20,796</u>	<u>304,453</u>
<b>Amortisation</b>			
At 1 July 2008	208,114	20,796	228,910
Charge for the year	48,965	-	48,965
Disposals	(51,256)	-	(51,256)
At 30 June 2009	<u>205,823</u>	<u>20,796</u>	<u>226,619</u>
<b>Net book value</b>			
At 30 June 2009	<u>77,834</u>	<u>-</u>	<u>77,834</u>
At 30 June 2008	<u>143,570</u>	<u>-</u>	<u>143,570</u>

## Notes (continued)

### 11 Tangible fixed assets

<i>Group</i>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Assets in the course of construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
At 1 July 2008	205,420	26,781	12,132	244,333
Additions	97	2,590	9,732	12,419
Disposals	-	(3,572)	(10)	(3,582)
Completed assets in the course of construction	-	15,971	(15,971)	-
At 30 June 2009	<u>205,517</u>	<u>41,770</u>	<u>5,883</u>	<u>253,170</u>
<b>Depreciation</b>				
At 1 July 2008	23,432	11,389	-	34,821
Charge for the year	3,391	6,018	-	9,409
On Disposals	-	(3,562)	-	(3,562)
At 30 June 2009	<u>26,823</u>	<u>13,845</u>	<u>-</u>	<u>40,668</u>
<b>Net book value</b>				
At 30 June 2009	<u>178,694</u>	<u>27,925</u>	<u>5,883</u>	<u>212,502</u>
Net book value				
At 30 June 2008	<u>181,988</u>	<u>15,392</u>	<u>12,132</u>	<u>209,512</u>

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 (2008 £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 and believes the current value to be appropriate.

<b>The net book value of land and building comprises</b>	<b>2009 £000</b>	<b>2008 £000</b>
Freehold land and buildings	48,405	73,973
Long leasehold land and buildings	130,279	108,005
Short leasehold land and buildings	10	10
	<u>178,694</u>	<u>181,988</u>

The Company holds no tangible fixed assets.

## Notes (continued)

### 12 Fixed asset investments

Group	Joint venture £000
<b>Cost</b>	
At 1 July 2008	-
Share of profit of joint venture	429
Transfer to provision for liabilities and charges	(429)
At 30 June 2009	-
<b>Net book value</b>	
At 30 June 2009 and at 30 June 2008	-

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 profits from its investment in the joint venture of £429,000 (2008 loss of £994,000) 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
<b>Cost</b>			
At 1 July 2008	410,710	342,728	753,438
Subscription of shares	340,000	(340,000)	-
Additions	-	25,530	25,530
At 30 June 2009	750,710	28,258	778,968
<b>Amortisation</b>			
At 1 July 2008	15,593	-	15,593
Impairment	-	-	-
At 30 June 2009	15,593	-	15,593
<b>Net book value</b>			
At 30 June 2009	735,117	28,258	763,375
Net book value			
At 30 June 2008	395,117	342,728	737,845

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 £nil during the period (2008 £15,593,000).

### 13 Stocks

	Group		Company
	2009 £000	2008 £000	2009 £000
Goods held for resale	864	624	-

## Notes (continued)

### 14 Debtors

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
<b>Due in less than one year:</b>				
Trade debtors	57,005	49,148	-	-
Other debtors	1,576	3,967	-	-
Prepayments and accrued income	4,134	3,133	-	-
	<u>62,715</u>	<u>56,248</u>	<u>-</u>	<u>-</u>
<b>Due after one year:</b>				
Trade debtors	11,144	12,049	-	-
Other debtors	8,646	8,648	-	-
Amounts owed by group undertakings	-	-	3,633	3,633
	<u>19,790</u>	<u>20,697</u>	<u>3,633</u>	<u>3,633</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 2009 was £8,645,944 (2008 £8,647,995). The Director believes that the balance outstanding will ultimately be recovered.

### 15 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade creditors	7,893	27,223	-	-
Other taxes and social security	11,621	13,249	-	-
Other creditors	6,286	6,239	-	-
Accruals and deferred income	68,955	75,143	-	-
	<u>94,755</u>	<u>121,854</u>	<u>-</u>	<u>-</u>

£35,953,000 (2008 £41,880,000) of the accruals and deferred income balance represents season ticket sales for the 2009/10 season.

## Notes (continued)

### 16 Creditors: amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Other loan	726,431	700,901	726,431	700,901
Trade creditors	2,028	4,509	-	-
Other creditors	-	13	-	-
Deferred income	-	4,647	-	-
Preference shares classified as liabilities	15,000	15,000	-	-
	<u>743,459</u>	<u>725,070</u>	<u>726,431</u>	<u>700,901</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. 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.

	2009	2008	2009	2008
	Number	Number	£000	£000
<b>Preference share capital</b>				
<i>Authorised</i>				
Cumulative preference shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000</u>	<u>15,000</u>
<i>Allotted, called up and fully paid</i>				
Cumulative preference shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000</u>	<u>15,000</u>

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.

### 17 Borrowings and secured liabilities

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
The aggregate borrowings amounted to				
Other loans	726,431	700,901	726,431	700,901
Preference shares classified as liabilities	15,000	15,000	-	-
	<u>741,431</u>	<u>715,901</u>	<u>726,431</u>	<u>700,901</u>

Borrowings are repayable as follows

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
<b>Repayable between one and two years</b>				
Other loans	726,431	700,901	726,431	700,901
	<u>726,431</u>	<u>700,901</u>	<u>726,431</u>	<u>700,901</u>
<b>Repayable between two and five years:</b>				
Preference shares classified as liabilities	<u>15,000</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	
	2009 £000	2008 £000	2009 £000	2008 £000
Accelerated capital allowances	1,372	(943)	-	-
Tax losses	140,761	130,259	-	-
Unprovided deferred tax asset	<u>142,133</u>	<u>129,316</u>	<u>-</u>	<u>-</u>

#### Investment in joint ventures

	Group £000
At 1 July 2008	3,966
Profit for the financial year transferred from fixed asset investment	(429)
As at 30 June 2009	<u>3,537</u>

### 19 Called up share capital

Company	2009 Number	2009 £000	2008 Number	2008 £000
<i>Authorised</i>				
Ordinary shares of £1 each at 30 June	<u>600</u>	<u>1</u>	<u>600</u>	<u>1</u>
<i>Allotted, issued and fully paid</i>				
Ordinary shares of £1 each at 30 June	<u>600</u>	<u>1</u>	<u>600</u>	<u>1</u>

### 20 Reconciliation of movement in equity shareholder's funds

	Share capital £000	Share Premium £000	Profit and loss account £000	Equity shareholder's funds £000
<i>Group</i>				
At 1 July 2008	1	59,999	(474,937)	(414,937)
Loss for the financial year	-	-	(47,443)	(47,443)
Equity shareholder's funds at 30 June 2009	<u>1</u>	<u>59,999</u>	<u>(522,380)</u>	<u>(462,380)</u>
<i>Company</i>				
	Share capital £000	Share Premium £000	Profit and loss account £000	Equity shareholder's funds £000
At 1 July 2008	1	59,999	(19,423)	40,577
Loss for the financial year	-	-	-	-
Equity shareholder's funds at 30 June 2009	<u>1</u>	<u>59,999</u>	<u>(19,423)</u>	<u>40,577</u>

## Notes (continued)

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

	2009 £000	2008 £000
Group operating loss	(76,054)	(104,804)
Depreciation	9,409	7,898
Amortisation of Eurobond issue costs	-	96
Amortisation of intangible fixed assets	48,965	73,915
(Increase)/increase in stocks	(240)	540
Decrease/(increase) in debtors	22,246	(8,343)
(Decrease)/increase in creditors	(20,446)	9,185
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(16,120)</b>	<b>(21,513)</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	2009 £000	2008 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	379	685
Interest paid	-	(2,251)
	<hr/>	<hr/>
	<b>379</b>	<b>(1,566)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(12,419)	(21,518)
Sale of tangible fixed assets	-	-
Purchase of intangible fixed assets	(18,275)	(64,632)
Sale of intangible fixed assets	21,269	18,395
	<hr/>	<hr/>
	<b>(9,425)</b>	<b>(67,755)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Financing</b>		
Receipts from borrowings	41,030	138,488
Repayment of borrowings	(15,500)	(52,195)
	<hr/>	<hr/>
	<b>25,530</b>	<b>86,293</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 23 Analysis of net debt

	At 1 July 2008 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2009 £000
<b>Cash movements</b>				
Cash at bank and in hand	5,339	364	-	5,703
	<u>5,339</u>	<u>364</u>	<u>-</u>	<u>5,703</u>
Debt due after one year	(715,901)	(25,530)	-	(741,431)
Debt and lease financing	(715,901)	(25,530)	-	(741,431)
	<u>(710,562)</u>	<u>(25,166)</u>	<u>-</u>	<u>(735,728)</u>

### 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. The charge for the year was £28,087 (2008 £28,087).

#### 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 £987,913 (2008 £674,913). Amounts owed to the Scheme at the year end amounted to £99,476 (2008 £nil).



## Notes (continued)

### 25 Operating leases and capital commitments

The annual commitments under non-cancellable operating leases are

	Group	
	2009 £000	2008 £000
<b>Land and buildings:</b>		
Leases expiring in more than five years	88	88
	<u>88</u>	<u>88</u>
<b>Plant and equipment;</b>		
Leases expiring between two to five years	30	30
	<u>30</u>	<u>30</u>
<b>Capital expenditure commitments were as follows:</b>		
Contracted for but not provided		
Tangible fixed assets	-	14,039
	<u>-</u>	<u>14,039</u>

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 £4,282,000 (2008 £3,654,000)

### 27 Control

The Director considers Fordstam Limited (formerly 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 Fordstam Limited (formerly 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 Post balance sheet events

#### *Acquisition and disposal of players*

Since the year end the Group has acquired the registration of several football players at an initial cost of £12,416,000 (2008 £nil) and disposed of the registrations of players at a profit of £2,643,000 (2008 £8,513,000).

The Group also received £nil (2008 £128,000) in respect of sell on clauses for players disposed of in previous years.

## Notes (continued)

### 29 Principal subsidiary undertakings

The Company has the following subsidiary undertakings

#### Trading

Chelsea Car Parks Limited  
Chelsea Digital Media Limited  
Chelsea Football Club Limited  
Chelsea Leisure Services Limited  
The Hotel at Chelsea Limited  
Chelsea FC Merchandising Limited  
Chelsea FC plc  
Stamford Bridge Securities Limited  
Stamford Bridge Projects Limited

#### Nature of Business

Car park management  
Television and Internet broadcasters  
Professional football club  
Health and fitness club/visitor attraction  
Hotel management and catering services  
Merchandising, mail order and publications  
Holding company  
Property holding  
Restaurant operator

#### Non Trading at year end

Chelsea Training Ground Limited

Football club training facilities

#### Dormant

Chelsea TV Limited  
Chelsea Money Limited  
Fulham Holdings Limited

Briskspring Limited  
Chelsea Financial Consultants Limited

All the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales

The entire ordinary share capital and control of 100% of the voting rights of all the subsidiary undertakings 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