

Chelsea FC plc

Annual report and financial statements

Registered number 2536231

Year ended 30 June 2015

WEDNESDAY



A4MVRXW0

A33

23/12/2015

#435

COMPANIES HOUSE

Contents

Strategic report	1
Directors' report	4
Statement of Directors' responsibilities in respect of the Annual report and the Financial Statements	5
Independent auditor's report to the members of Chelsea FC plc	6
Consolidated profit and loss account	8
Consolidated statement of total recognised gains and losses	9
Consolidated statement of historical cost profits and losses	9
Balance sheet	10
Consolidated cash flow statement	11
Reconciliation of net cash flow to movement in net debt	11
Notes	12

Strategic report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2015.

Principal activities

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

Results

The net loss for the year, after taxation and minority interest, was £23.1m (*2014: profit £18.4m*).

Review of the business

The Football Club had a successful year on the pitch winning the FAPL and Capital One Cup.

The year saw turnover decrease to £314.3m from £319.8m, a decrease of £5.5m. This was predominantly due to a decrease in broadcasting revenue due to the team performance in the Champions league in the 2014/15 season compared to the 2013/14 season.

Pre-exceptional item operating expenses of £378.0m were £28.8m up on the previous year. This was due to an increase in payroll costs of £25.0m, a decrease in the foreign exchange movements of £2.9m and an increase in other operating expenses of £2.2m offset by a decrease in player amortisation and depreciation of £1.3m.

The business had an exceptional cost of £nil (*2014: cost £16.8m*) in the year. This is explained in note 3 to the accounts.

The football club made a profit on player trading of £42.0m in the year (*2014: £65.1m*) principally due to the sale of Romelu Lukaku to Everton, Andre Schurrle to Wolfsburg, Ryan Bertrand to Southampton and Thorgan Hazard to Monchengladbach.

Balance Sheet

Intangible assets have decreased to £226.5m from £230.2m. This is as a result of £93.6m of player acquisitions offset by the net book value of disposals of £26.9m and amortisation of £69.4m. Other intangible assets have been recognised with £0.4m of additions and an amortisation charge of £0.8m in relation to internally generated software.

Tangible fixed assets are £187.1m at the year end. As in prior years, the bulk of the £12.1m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham.

The net current liabilities at £20.8m have increased by £10.3m. This is as a result of a decrease in trade debtors of £9.0m, mainly due to the amounts owed following player trading activities, a decrease in amounts owed by group companies of £0.6m, an increase in other creditors and accruals and deferred income of £16.2m and a decrease in prepayments and accrued income of £1.1m. This has been offset by a decrease in trade creditors of £28.7m predominantly due to player trading activities. Other net movements have resulted in a change in working capital of £12.1m.

Creditors falling due after more than one year of £17.3m have decreased by £15.6m from £32.9m in 2014. This is predominantly due to the amounts owed in relation to player trading.

Strategic 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.

Funding

Funds are provided by the football club's parent company Fordstam Limited, which is supported by the ultimate owner, Mr. R Abramovich. The Group has increased funding by £46.7m in the last financial year (2014: increase in funding of £57.1m), however as described in the review of the business and in note 18 to the accounts, part of the debt has been converted into equity during the year via the allotment of ordinary shares.

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 2014/15 of both a financial and non-financial nature were as follows:-

Non-Financial

- FAPL Champions (2014: FAPL 3rd place)
- Champions League Round of 16 (2014: Champions League Semi Finalists)
- FA Cup 4th round (2014: 5th round)
- League Cup Winners (2014: Quarter Finalists)
- Average league attendance of 41,546 (2014: 40,979)

Financial (reviewed by the board on a monthly basis)

- Revenue growth
- Payroll costs
- Operating result before player trading and amortisation
- Gains/losses on player trading
- Player acquisition costs
- Compliance with UEFA Financial Fair Play Regulations
- Compliance with FAPL enhanced financial regulations

Strategic report *(continued)*

Going concern basis

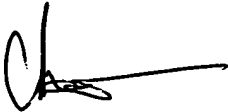
The Company is reliant on its parent undertaking, Fordstam Limited, for its continued financial support. The Company has received confirmation from its parent undertaking that sufficient funds will be provided to finance the business for the foreseeable future. The Directors have therefore adopted the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

Fixed assets

The movements in fixed assets during the year are as shown in notes 10 to 12 to the financial statements. The intangible fixed assets include the unamortised portion of the cost of players' registrations and internally generated software.

Officers of Chelsea Football Club Limited have valued the playing staff. The average of their aggregate valuation as at 30 June 2015 was £349.7m (2014: £353.0m). The valuations assume willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

By order of the Board



Cl Alexander
Secretary

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

8 October 2015

Directors' report

Results and dividends

The loss for the year, after taxation and minority interest, was £23,068,000 (2014: profit £18,416,000). The Directors do not recommend the payment of a dividend for the financial year (2014: £nil).

Directors

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

B Buck
E Tenenbaum
R Gourlay (Resigned 22nd October 2014)
M Granovskaia

Company Secretary

AL Shaw served as Company Secretary throughout the year. AL Shaw resigned as Company Secretary on 27th August 2015. CI Alexander was appointed as Company Secretary on 27th August 2015.

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 11 days (2014: 13 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 £3,142,905 (2014: £2,886,186). Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2014: £nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself 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



CI Alexander
Secretary

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

 October 2015

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

KPMG LLP

15 Canada Square
London
E14 5GL

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

We have audited the financial statements of Chelsea FC plc for the year ended 30 June 2015 set out on pages 8 to 31. 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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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 Strategic report and 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 Chelsea FC plc (*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.



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

8 October 2015

Consolidated profit and loss account

for the year ended 30 June 2015

	Note	Operations excluding player trading 2015 £000	Player amortisation and trading 2015 £000	Total 2015 £000	Total 2014 £000
Turnover	1,2	314,287	-	314,287	319,843
Operating expenses		(308,641)	(69,363)	(378,004)	(349,179)
Exceptional items	3	-	-	-	(16,830)
Group operating loss		5,646	(69,363)	(63,717)	(46,166)
Profit on disposal of player registrations	3	-	42,027	42,027	65,072
Loss on disposal of investment	3	(1,063)	-	(1,063)	-
(Loss)/profit before interest and taxation		4,583	(27,336)	(22,753)	18,906
Other interest receivable and similar income	6	98	-	98	163
		98	-	98	163
Interest payable and similar charges	7	(1)	-	(1)	(1)
		(1)	-	(1)	(1)
(Loss)/profit on ordinary activities before taxation	3	4,680	(27,336)	(22,656)	19,068
Taxation on (loss)/profit on ordinary activities Group	8	(412)	-	(412)	(652)
(Loss)/profit for the financial year	19	4,268	(27,336)	(23,068)	18,416

All activities relate to continuing operations.

The notes on pages 12 to 31 form part of these financial statements.

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2015

	<i>Note</i>	2015 £000	2014 £000
(Loss)/profit for the financial year	19	(23,068)	18,416
Gain on revaluation of fixed assets	19	345	-
Total recognised gains and losses relating to the year		(22,723)	18,416

Consolidated statement of historical cost profits and losses

for the year ended 30 June 2015

	<i>Note</i>	2015 £000	2014 £000
(Loss)/profit on ordinary activities before taxation		(22,656)	19,068
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	19	1,261	1,261
Historical cost (loss)/profit on ordinary activities before taxation		(21,395)	20,329

The notes on pages 12 to 31 form part of these financial statements.

Balance sheet

at 30 June 2015

	Note	Group		Company	
		2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Intangible assets	10	226,497	230,193	3,117	3,557
Tangible assets	11	187,135	183,839	4,363	3,877
Investments	12	-	-	810,141	780,000
		<u>413,632</u>	<u>414,032</u>	<u>817,621</u>	<u>787,434</u>
Current assets					
Stocks	13	866	1,145	-	-
Debtors: Due in one year	14	101,723	82,050	87,441	74,400
Due after one year	14	32,627	55,902	32,132	48,067
		<u>134,350</u>	<u>137,952</u>	<u>119,573</u>	<u>122,467</u>
Total debtors		134,350	137,952	119,573	122,467
Cash at bank and in hand		830	19,902	751	19,412
		<u>136,046</u>	<u>158,999</u>	<u>120,324</u>	<u>141,879</u>
Creditors: Amounts falling due within one year	15	(156,796)	(169,546)	(27,277)	(29,318)
Net current (liabilities)/assets		<u>(20,750)</u>	<u>(10,547)</u>	<u>93,047</u>	<u>112,561</u>
Total assets less current liabilities		<u>392,882</u>	<u>403,485</u>	<u>910,668</u>	<u>899,995</u>
Creditors: Amounts falling due after one year	16	(17,335)	(32,876)	-	-
Net assets		<u>375,547</u>	<u>370,609</u>	<u>910,668</u>	<u>899,995</u>
Capital and reserves					
Called up share capital	18	1,996	1,983	1,996	1,983
Share premium account	19	1,077,429	1,050,442	1,077,429	1,050,442
Revaluation reserve	19	19,126	20,042	12,881	12,881
Retranslation reserve	19	(5)	(753)	-	-
Profit and loss account	19	(722,999)	(701,142)	(181,638)	(165,311)
		<u>375,547</u>	<u>370,572</u>	<u>910,668</u>	<u>899,995</u>
Shareholders' funds		<u>375,547</u>	<u>370,572</u>	<u>910,668</u>	<u>899,995</u>
Minority interests		-	37	-	-
		<u>375,547</u>	<u>370,609</u>	<u>910,668</u>	<u>899,995</u>

The notes on pages 12 to 31 form part of these financial statements.

These financial statements were approved by the Board of Directors on its behalf by:

8 October 2015 and were signed on



Mr B Buck
Director

Registered number 2536231

Consolidated cash flow statement

for the year ended 30 June 2015

	Note	2015 £000	2014 £000
Cash inflow from operating activities	20	13,131	49,996
Returns on investments and servicing of finance	21	97	162
Capital expenditure and financial investment	21	(62,673)	(106,514)
Financing	21	29,625	50,904
Net cash flow	22	(19,820)	(5,452)
Unrealised forex	21	748	(753)
(Decrease)/increase in cash	22	(19,072)	(6,205)

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2015

	Note	2015 £000	2014 £000
(Decrease)/increase in cash	22	(19,072)	(6,205)
Cash outflow from change in net debt and lease financing	22	(27,602)	(50,904)
Movement in net debt in period		(46,674)	(57,109)
Debt repaid through issue of equity shares		27,000	54,000
Net debt at 1 July	22	25,004	28,113
Net debt at 30 June	22	5,330	25,004

The notes on pages 12 to 31 form part of these financial statements.

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 Chelsea FC plc and all its subsidiary undertakings for the year ended 30 June 2015 (see note 28). 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.

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 (see note 9).

Going concern

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

Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures', paragraph 3(a), and has therefore not disclosed transactions or balances with other Group companies that are wholly owned by the Group.

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 the 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 player's 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

Notes (continued)

1 Accounting policies (continued)

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.

Other intangible assets and amortisation

Intangible assets are stated at cost or valuation less amortisation. Amortisation 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:

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

Other intangible assets recognised relate to internally generated software and website costs.

Players' signing on fees

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

Stadium development

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

Capitalised Interest

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

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.

The investment properties were valued by Rawley&Co Surveyors in accordance with Royal Institute of Chartered Surveyors (RICS) Guidelines and were valued based on an open market basis for existing use.

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 cannot 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'.

Notes (continued)

1 Accounting policies (continued)

Turnover

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

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

Retranslation Reserve

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

Derivative Financial Instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange movements. The Group does not hold derivative financial instruments for speculative purposes.

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 Group

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

- a) They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- b) Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

Notes (continued)

1 Accounting policies (continued)

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 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

The table below sets out information for each of the Group's operating segment:

	2015 £000	2014 £000
Broadcasting	135,565	139,858
Matchday	70,778	71,019
Commercial	107,944	108,966
	<u>314,287</u>	<u>319,843</u>

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

3 (Loss)/profit on ordinary activities before taxation

	2015 £000	2014 £000
(Loss)/profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible fixed assets	9,168	8,327
Amortisation of intangible assets	70,186	72,360
Amortisation of goodwill	93	93
Operating lease rentals:		
Land and buildings	442	332
Plant and equipment	96	157
Auditor's remuneration :		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	17
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	66	67
The review of the Company's interim accounts	29	29
Other	6	7
Tax services	45	45
All other services	67	25
Profit on disposal of player registrations	(42,027)	(65,072)
Exceptional items	-	16,830
Loss on disposal of investments	1,063	-

Exceptional items consist of impairment of player registrations £nil (2014: £19.0m), 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 £nil (2014: credit £2.2m).

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Notes (continued)

4 Staff numbers and costs

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

	2015 Number	2014 Number
Playing staff, managers and coaches	92	89
Administration and commercial	589	580
	<u>681</u>	<u>669</u>

The Group also employs approximately 1,000 (2014: 600) temporary staff on match days.

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

	2015 £000	2014 £000
Wages and salaries	191,392	167,666
Social security costs	23,044	20,412
Other pension costs	1,211	2,503
	<u>215,647</u>	<u>190,581</u>

In 2015, wages and salaries includes an exceptional credit of £nil (2014: credit £2,132,000). See note 3 for explanation.

5 Directors' remuneration

	2015 £000	2014 £000
Directors' emoluments	444	1,377
Amounts paid as compensation for loss of office	1,500	-
Company contributions to money purchase pension schemes	13	48
	<u>1,957</u>	<u>1,425</u>

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

Number	Number
-	1

The emoluments of the highest paid director were:

	£000	£000
Aggregate emoluments	444	1,377
Amounts paid as compensation for loss of office	1,500	-
Money purchase pension contributions	13	48
	<u>1,957</u>	<u>1,425</u>

Other Directors' who held office during the year did not receive any remuneration from the Group.

6 Other interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	98	163

Notes (continued)

7 Interest payable and similar charges

	2015 £000	2014 £000
Bank interest payable	1	1

8 Taxation

	2015 £000	2014 £000
Current tax:		
UK corporation tax at 20.75% (2014: 22.5%)	-	-
Total current tax	-	-
Deferred tax (see note 17):		
Reversal/origination of timing differences	(412)	(652)
Total deferred tax	(412)	(652)
Factors affecting the tax charge for the year:		
(Loss)/profit on ordinary activities before taxation	(22,656)	19,068
(Loss)/profit on ordinary activities multiplied by the standard rate of UK corporation tax of 20.75% (2014: 22.5%)	(4,701)	4,290
Effects of:		
Non-deductible expenditure	1,730	1,907
Effect of tax rates in foreign jurisdictions	-	-
Unrelieved losses arising in the period	2,886	-
Group relief claimed	(382)	(846)
Utilisation of losses brought forward	(486)	(5,523)
Movement on deferred tax not provided	953	172
	4,701	(4,290)
Current tax charge	-	-
Losses available to carry forward at 30 June	619,658	608,060

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

9 Company result for the financial year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The loss for the financial year dealt with in the accounts of Chelsea FC plc was £16,327,000 (2014: £161,000).

Notes (continued)

10 Intangible fixed assets

Group	Software £000	Goodwill £000	Players' registrations £000	Total £000
<i>Cost</i>				
At 30 June 2014	3,694	860	415,132	419,686
Additions	416	-	93,575	93,991
Disposals	-	(860)	(100,501)	(101,361)
At 30 June 2015	4,110	-	408,206	412,316
<i>Amortisation</i>				
At 30 June 2014	35	224	189,234	189,493
Charge for the year	823	93	69,363	70,279
Impairment of player registrations	-	-	-	-
Disposals	-	(317)	(73,636)	(73,953)
At 30 June 2015	858	-	184,961	185,819
<i>Net book value</i>				
At 30 June 2015	3,252	-	223,245	226,497
At 30 June 2014	3,659	636	225,898	230,193

Company	Software £000
<i>Cost</i>	
At 30 June 2014	3,557
Additions	297
Disposals	-
At 30 June 2015	3,854
<i>Amortisation</i>	
At 30 June 2014	-
Charge for the year	737
Disposals	-
At 30 June 2015	737
<i>Net book value</i>	
At 30 June 2015	3,117
At 30 June 2014	3,557

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

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 30 June 2014	2,796	188,213	47,929	5,784	244,722
Additions	-	1,543	10,008	568	12,119
Disposals	-	-	(1,631)	-	(1,631)
Revaluation	345	-	-	-	345
Assets brought in to use	-	1,204	4,580	(5,784)	-
At 30 June 2015	3,141	190,960	60,886	568	255,555
<i>Depreciation</i>					
At 30 June 2014	-	34,192	26,691	-	60,883
Charge for the year	-	3,451	5,717	-	9,168
On Disposals	-	-	(1,631)	-	(1,631)
At 30 June 2015	-	37,643	30,777	-	68,420
<i>Net book value</i>					
At 30 June 2015	3,141	153,317	30,109	568	187,135
At 30 June 2014	2,796	154,021	21,238	5,784	183,839

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 (2014: £2,003,000).

The net book value of land and buildings comprises:	2015 £000	2014 £000
Freehold	35,768	35,423
Long leasehold	120,680	121,384
Short leasehold	10	10
	156,458	156,817

Notes (continued)

11 Tangible fixed assets (continued)

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

Group	2015 £000	2014 £000
Cost		
Freehold property	40,984	40,984
Long leasehold property	122,495	122,495
	<u>163,479</u>	<u>163,479</u>
Depreciation		
Freehold property	9,497	8,877
Long leasehold property	28,530	26,080
	<u>38,027</u>	<u>34,957</u>
Net book value		
Freehold property	31,487	32,107
Long leasehold property	93,965	96,415
	<u>125,452</u>	<u>128,522</u>

Company	Freehold land £000	Plant and Equipment £000	Total £000
Cost or valuation			
At 30 June 2014	312	8,905	9,217
Additions	-	2,178	2,178
Disposals	-	(775)	(775)
	<u>312</u>	<u>10,308</u>	<u>10,620</u>
At 30 June 2015	<u>312</u>	<u>10,308</u>	<u>10,620</u>
Depreciation			
At 30 June 2014	-	5,340	5,340
Charge for the year	-	1,692	1,692
Disposals	-	(775)	(775)
	<u>-</u>	<u>6,257</u>	<u>6,257</u>
At 30 June 2015	<u>-</u>	<u>6,257</u>	<u>6,257</u>
Net book value			
At 30 June 2015	<u>312</u>	<u>4,051</u>	<u>4,363</u>
At 30 June 2014	<u>312</u>	<u>3,565</u>	<u>3,877</u>

Notes (continued)

12 Fixed asset investments

Company	Subsidiary undertakings £000	Loan to group undertaking £000	Total £000
Cost			
At 30 June 2014	119,327	773,244	892,571
Additions	-	45,159	45,159
Disposals	(4,337)	-	(4,337)
At 30 June 2015	114,990	818,403	933,393
Provision			
At 30 June 2014	2,922	109,649	112,571
Impairment	-	15,018	15,018
Disposals	-	(4,337)	(4,337)
At 30 June 2015	2,922	120,330	123,252
Net book value			
At 30 June 2015	112,068	698,073	810,141
At 30 June 2014	116,405	663,595	780,000

As required under FRS 11 'Impairment of fixed assets and goodwill', the Directors have re-assessed the appropriateness of the carrying value of subsidiary undertakings and an impairment of £15,018,000 (2014: £161,000) against the value of investments in subsidiary undertakings was recorded following a business valuation in comparison to other FA Premier League football clubs and results for recent years.

13 Stock

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Goods held for resale	866	1,145	-	-

14 Debtors

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Due in less than one year				
Trade debtors	82,766	68,937	81,623	68,123
Other debtors	8,206	697	205	84
Prepayments and accrued income	6,251	7,314	1,113	1,091
Amounts owed by Group Companies	4,500	5,102	4,500	5,102
	101,723	82,050	87,441	74,400

Notes (continued)

14 Debtors (continued)

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Due after one year:				
Trade debtors	23,728	46,559	23,728	39,631
Other debtors	8,404	8,436	8,404	8,436
Deferred tax asset	495	907	-	-
	<u>32,627</u>	<u>55,902</u>	<u>32,132</u>	<u>48,067</u>

As part of the Eurobond issue in 1997 the Company made a loan to Chelsea Pitch Owners plc of £11,151,000, which is interest free and has an unspecified repayment date. This was used to acquire the share capital of Chelsea Stadium Limited (previously Stardust Investments Limited) and discharge the debts of that Company in order to leave the freehold interest in the stadium site unencumbered.

On the same date, Chelsea Stadium Limited (previously Stardust Investments Limited) granted a long leasehold interest over the stadium site at a peppercorn rent to Chelsea Football Club Limited. Chelsea Pitch Owners plc is obliged to repay the debt in full. The balance outstanding at 30 June 2015 was £8,404,141 (2014: £8,436,416). The directors believe that the balance outstanding will be ultimately recovered.

15 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade creditors	42,376	71,079	9,311	9,384
Other taxes and social security	13,612	13,904	13,612	13,772
Other creditors	5,422	2,621	247	83
Accruals and deferred income	95,386	81,942	4,107	6,079
	<u>156,796</u>	<u>169,546</u>	<u>27,277</u>	<u>29,318</u>

£43,246,000 (2014: £41,821,000) of the accruals and deferred income balance represents season ticket sales for the 2015/16 season.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade creditors	17,335	32,876	-	-
	<u>17,335</u>	<u>32,876</u>	<u>-</u>	<u>-</u>

Notes (continued)

17 Provisions for liabilities and charges

Group

	Deferred Tax £000	Tax £000	Other £000	Total £000
At 1 st July 2014	907	(2,000)	-	(1,093)
Charge to the profit and loss for the year	(412)	-	(410)	(822)
At 30th June 2015	495	(2,000)	(410)	(1,915)

The deferred tax credit for the year was £0.4m (2014: £0.7m), see below.

The tax provision arose in previous years and relates to the probable liability estimated by management of potential future investigations from the tax authorities.

The other provision arose in the year, and relates to the liabilities arising from certain commercial activities in the year.

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Difference between accumulated depreciation and amortisation and capital allowances	29	(28)
Other timing differences	1	1
Tax losses	465	934
	495	907

A deferred tax asset of £495,582 (2014: £907,449) has been recognised predominantly in respect of trading losses within The Hotel at Chelsea Limited. The Directors believe these trading losses to be recoverable by offsetting against future trading profits.

Where there is uncertainty over the ability to utilise the losses against future taxable profits then no deferred tax asset has been recognised. No deferred tax asset has been recognised in the Company.

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

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Accelerated capital allowances	4,186	3,316	2,011	1,746
Tax losses	123,466	120,678	-	-
Other short term timing differences	5	20	5	9
Unrecognised deferred tax asset	127,657	124,014	2,016	1,755

Notes *(continued)*

18 Called up share capital

	Company		Company	
	2015 Number	2014 Number	2015 £000	2014 £000
<i>Allotted, issued and fully paid</i>				
Ordinary shares of 1p each	199,635,000	198,285,000	1,996	1,983

The Company made an allotment of 1,350,000 ordinary shares of £0.01 each at £20.00 per share. The difference between the total consideration of £27,000,000 and the nominal value of £13,500 has been credited to the share premium account (£26,986,500).

Notes (continued)

19 Reconciliation of movement in equity shareholders' funds

Group	Share Capital £000	Share premium account £000	Revaluation reserve £000	Retranslation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 30 June 2014	1,983	1,050,442	20,042	(753)	(701,142)	370,572
Issued share capital	13	26,987	-	-	-	27,000
Loss for the financial year	-	-	-	-	(23,068)	(23,068)
Historic cost depreciation difference transfer	-	-	(1,261)	-	1,261	-
Revaluation of Investment Property	-	-	345	-	-	345
Remove Dissolved Company brought forward balances	-	-	-	-	(50)	(50)
Retranslation of Foreign Subsidiary	-	-	-	748	-	748
Shareholders' funds at 30 June 2015	1,996	1,077,429	19,126	(5)	(722,999)	375,547

Company	Share Capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 30 June 2014	1,983	1,050,442	12,881	(165,311)	899,995
Issue share capital	13	26,987	-	-	27,000
Loss for the year	-	-	-	(16,327)	(16,327)
Shareholders' funds at 30 June 2015	1,996	1,077,429	12,881	(181,638)	910,668

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

	2015 £000	2014 £000
Operating loss	(63,717)	(46,166)
Depreciation	9,168	8,327
Amortisation of goodwill	93	93
Amortisation of other intangible fixed assets	70,186	72,360
Impairment of players' registrations	-	18,962
Decrease/(increase) in stocks	279	(121)
(Increase)/decrease in debtors	(13,414)	3,521
Increase/(decrease) in creditors	10,536	(6,980)
Net cash inflow from operating activities	13,131	49,996

Notes (continued)

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

	2015 £000	2014 £000
Returns on investments and servicing of finance		
Interest received	98	163
Interest paid	(1)	(1)
	<u>97</u>	<u>162</u>
Capital expenditure		
Purchase of tangible fixed assets	(12,119)	(10,827)
Purchase of intangible fixed assets	(131,863)	(129,537)
Sale of intangible fixed assets	81,309	33,850
	<u>(62,673)</u>	<u>(106,514)</u>
Financing		
Repayment of loans	(73,300)	(51,200)
Receipt from borrowings	102,925	102,104
	<u>29,625</u>	<u>50,904</u>
Unrealised Forex		
Retranslation of foreign currency subsidiary	748	(753)

22 Analysis of net debt

	At 1 July 2014 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2015 £000
Cash movements				
Cash at bank and in hand	19,902	(19,820)	748	830
	<u>19,902</u>	<u>(19,820)</u>	<u>748</u>	<u>830</u>
Debt due after one year	5,102	(27,602)	27,000	4,500
Net debt	<u>25,004</u>	<u>(47,422)</u>	<u>27,748</u>	<u>5,330</u>

Notes (continued)

23 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 2014 highlighted that the Group share of the deficit was £284,158. The revised deficit is being paid off over a period of 5 ½ years from 1st September 2014. The charge for the year is £64,572 (2014: £225,995).

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 £1,211,000 (2014: £2,503,000). Amounts owed to the Schemes at the year-end amounted to £169,333 (2014: £157,664), which represents the current amount due to be paid across to the schemes within the statutory time frame.

24 Operating leases and capital commitments

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

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Land and buildings:				
Leases expiring in one year	90	-	-	-
Leases expiring between two to five years	70	70	-	-
Leases expiring in more than five years	262	262	-	-
	<u>422</u>	<u>332</u>	<u>-</u>	<u>-</u>
Plant and equipment:				
Leases expiring in one year	33	30	33	30
Leases expiring between two to five years	63	127	63	127
	<u>96</u>	<u>157</u>	<u>96</u>	<u>157</u>
Capital expenditure commitments were as follows:				
Contracted for but not provided:				
Tangible fixed assets	5,684	3,807	1,777	-
	<u>5,684</u>	<u>3,807</u>	<u>1,777</u>	<u>-</u>

25 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 £1,483,214 (2014: £2,743,637).

Notes (continued)

26 Control

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

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

27 Post balance sheet events

Acquisition and disposal of players

Since the year end the Group has acquired the registration of 8 football players at an initial cost of £69,052,000 (2014: £62,997,000) and disposed of the registration of 6 players at a profit of £21,285,000 (2014: £19,602,000).

The Group also received £5,686,000 (2014: £nil) in respect of sell on clauses for players disposed of in previous years.

28 Subsidiary undertakings

The Company has the following subsidiary undertakings. All are 100% directly owned unless otherwise stated:

Trading

Chelsea Car Parks Limited
Chelsea Football Club Limited
The Hotel at Chelsea Limited
Chelsea FC Merchandising Limited
Stamford Bridge Securities Limited
Briskspring Limited
Chelsea FC Pte Limited

Nature of Business

Car park management
Professional football club
Hotel management and catering services
Merchandising, mail order and publications
Property holding
Investment holding company
Sales and marketing office

Dormant

Chelsea TV Limited
Chelsea Limited

All the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales, with the exception of Chelsea FC Pte Limited which is a limited company registered in Singapore and provides specific group companies with marketing services.

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

Notes (continued)

29 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	2015 Sales to related party £000	2015 Purchases from related party £000	2015 Balance receivable £000	2015 Balance payable £000
Mr R Abramovich	1,000	-	-	-
Skadden, Arps, Slate, Meagher & Flom UK	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Company	2015 Sales to related party £000	2015 Purchases from related party £000	2015 Balance receivable £000	2015 Balance payable £000
Skadden, Arps, Slate, Meagher & Flom UK	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Group	2014 Sales to related party £000	2014 Purchases from related party £000	2014 Balance receivable £000	2014 Balance payable £000
Mr R Abramovich	1,000	-	-	-
Skadden, Arps, Slate, Meagher & Flom UK	-	86	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Company	2014 Sales to related party £000	2014 Purchases from related party £000	2014 Balance receivable £000	2014 Balance payable £000
Skadden, Arps, Slate, Meagher & Flom UK	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

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

In the year, the holding in Burnaby Investments LP was sold by Briskspring Limited to Cetus Investments Limited at its' net book value of €9,855,769. Both parties are under the ultimate control of Mr R Abramovich. At 30th June 2015, a debtor for €9,855,769 was present on the balance sheet of Briskspring Limited.

Notes *(continued)*

30 Derivative Financial Instruments

The Group is mainly exposed to the foreign currencies of the Euro and US Dollar. The Group's financial instruments comprise mainly of borrowings, cash and bank balances, and various items such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations. The main risks arising from the Group's financial instruments are foreign currency risks and the Board reviews and agrees its policy for managing these risks.

The Group has entered into forward exchange contracts the purpose of which is to minimise its exposure to exchange rate risk in relation to certain US Dollar denominated receivables. The Group does not hold or issue derivative financial instruments for speculative purposes.

The Group has entered into certain foreign currency contracts which hedge its exposure to exchange rate fluctuations and provide for the future sale of US Dollars at a rate of £1:\$1.5216. Gains and losses on these contracts are not recognised until the exposure being hedged is itself recognised.