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Fordstam Limited

**Director's report and financial
statements**

Registered number 04784127

Year ended 30 June 2013

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Director's report

The Director presents his annual report and the audited Financial Statements for the year ended 30 June 2013

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 £55.9m compared to £4.3m for the previous year

The year saw turnover decrease to £260.1m from £261.0m, a decrease of £0.9m. This was predominantly due to an increase in sponsorship income due to additional agreements being signed in the year offset by a decrease in the broadcasting revenues as a result of being Champions League winners in the 2011/12. Other business activities also saw increases in turnover compared with the previous year, predominantly merchandising.

Operating expenses of £327.8m were £13.9m up on the previous year. This was due to a decrease in payroll costs (before exceptional items) of £3.2m, an increase in other operating expenses of £8.8m and an increase in player amortisation and depreciation of £8.3m.

The business had an exceptional cost of £4.0m (2012 credit £2.9m) in the year. This is explained in note 3 to the accounts.

The football club made a profit on player trading of £14.5m in the year (2012 £28.8m) principally due to the sale of Daniel Sturridge to Liverpool and Raul Meireles to Fenerbahce.

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

Balance Sheet

Intangible assets have decreased to £195.7m from £201.3m. This is as a result of £63.7m of player acquisitions offset by the net book value of disposals of £10.4m and amortisation of £58.9m.

Tangible fixed assets are £190.7m at the year end. As in prior years, the bulk of the £5.7m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham.

Our net current liabilities at £51.1m have decreased by £29.3m. This is due to an increase in trade debtors of £20.3m predominantly due to amounts owed from investment related activities and player trading activities, an increase in prepayments and accrued income of £3.2m, a decrease in other taxes and social security of £8.5m, a £9.1m increase in cash and the recognition of a deferred tax asset of £1.6m in relation to The Hotel at Chelsea Ltd. This has been offset by an increase in accruals and deferred income of £15.3m due to additional sponsorship agreements completed in the year. Other net movements have resulted in a change in working capital of £1.9m.

Creditors falling due after more than one year of £1,013.3m include £984.2m on an interest free loan account repayable on eighteen months notice.

Director's report *(continued)*

Principal risks and uncertainties

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

Income

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

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

Expenditure

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

Regulatory Environment

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

The introduction of the UEFA financial fair play regulations from the 2011/12 season provides a significant challenge. The football club needs to balance success on the field together with the financial imperatives of this new regime.

Funding

The net debt of the Group has increased by £80.5m in the last financial year (2012: increase in net debt of £76.6m). 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 2012/13 of both a financial and non-financial nature were as follows -

Non-Financial

- Europa League winners (2012: Champions League winners)
- FAPL 3rd place (2012: FAPL 6th place)
- FA Cup Semi-finalists (2012: FA Cup winners)
- Average league attendance of 40,072 (2012: 40,344)

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

Director's report *(continued)*

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.

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 £55,893,000 (2012 £4,324,000). The Director does not recommend the payment of a dividend for the financial year (2012 £nil).

Fixed assets

The movements in fixed assets during the year are as shown in notes 10 to 12 to the Financial Statements. The intangible fixed assets include the unamortised portion of the cost of players' registrations.

As at 30 June 2013 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 valued the playing staff. The average of their aggregate valuations as at 30 June 2013 was £272,200,000 (2012 £278,500,000). The valuations assume willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

Suppliers

The Group agrees terms and conditions for its goods and services with suppliers and seeks to abide by these payment terms subject to the agreed terms and conditions being met by the supplier. Amounts due to the Group's suppliers at the balance sheet date represent approximately 24 days (2011 15 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 £751,564 (2012 £613,297).

Director's report *(continued)*

Disclosure of information to Auditor

The Director who held office at the date of approval of this Director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and the Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

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

By order of the Board

P Heagren
Secretary



40 Bank Street
Canary Wharf
London
E14 5DS

15 October 2013

Statement of Director's responsibilities in respect of the Director's report and the financial statements

The Director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable him to ensure that its financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



KPMG LLP

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Navigation Way
Preston
PR2 2YF

Independent auditor's report to the members of Fordstam Limited

We have audited the financial statements of Fordstam Limited for the year ended 30 June 2013 set out on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Director and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site 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 2013 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

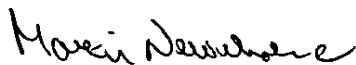
In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



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

15 October 2013

Consolidated profit and loss account
for the year ended 30 June 2013

	Note	Operations excluding player amortisation and trading 2013 £000	Player amortisation and trading 2013 £000	Total 2013 £000	Total 2012 £000
Turnover Group and share of joint venture	1, 2	260,056	-	260,056	261,046
Less share of joint venture's turnover		-	-	-	(1,796)
Group turnover		260,056	-	260,056	259,250
Operating expenses		(269,032)	(58,758)	(327,790)	(313,860)
Exceptional items	3	(3,983)	-	(3,983)	2,913
Group operating loss		(12,959)	(58,758)	(71,717)	(51,697)
Share of operating profit in joint venture		-	-	-	209
Total operating loss Group and share of joint venture		(12,959)	(58,758)	(71,717)	(51,488)
Profit on disposal of player registrations	3	-	14,452	14,452	28,794
Loss on disposal of tangible fixed assets	3	(57)	-	(57)	-
Profit on cancellation of shares	3	-	-	-	18,375
Loss on disposal of investments	3	-	-	-	(161)
Loss before interest and taxation		(13,016)	(44,306)	(57,322)	(4,480)
Other interest receivable and similar income					
Group	6	158	-	158	151
Share of joint venture		-	-	-	5
		158	-	158	156
Interest payable and similar charges					
Group	7	(1)	-	(1)	-
		(1)	-	(1)	-
Loss on ordinary activities before taxation	3	(12,859)	(44,306)	(57,165)	(4,324)
Taxation on loss on ordinary activities					
Group	8	1,272	-	1,272	-
Loss for the financial year	20	(11,587)	(44,306)	(55,893)	(4,324)

The results for the period relate to continuing operations

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

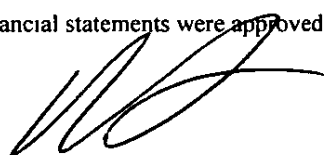
Consolidated statement of total recognised gains and losses
for the year ended 30 June 2013

	<i>Note</i>	2013 £000	2012 £000
Loss for the financial year	<i>20</i>	(55,893)	(4,324)
Gain on revaluation of fixed assets	<i>20</i>	205	-
Total recognised gains and losses relating to the year		(55,688)	(4,324)

Balance sheet
at 30 June 2013

	Note	Group		Company	
		2013 £000	2012 £000	2013 £000	2012 £000
Fixed assets					
Intangible assets	10	195,674	201,276	-	-
Tangible assets	11	190,659	195,023	-	-
Investments	12	-	-	780,000	780,000
		<u>386,333</u>	<u>396,299</u>	<u>780,000</u>	<u>780,000</u>
Current assets					
Stocks	13	1,051	1,128	-	-
Debtors Due in one year	14	45,809	33,990	-	-
Due after one year	14	30,625	18,034	-	-
		<u>76,434</u>	<u>52,024</u>	<u>-</u>	<u>-</u>
Total debtors		76,434	52,024	-	-
Cash at bank and in hand		26,107	16,987	-	-
		<u>103,592</u>	<u>70,139</u>	<u>-</u>	<u>-</u>
Creditors Amounts falling due within one year	15	(154,733)	(150,626)	(137)	(180)
Net current liabilities		<u>(51,141)</u>	<u>(80,487)</u>	<u>(137)</u>	<u>(180)</u>
Total assets less current liabilities		<u>335,192</u>	<u>315,812</u>	<u>779,863</u>	<u>779,820</u>
Creditors Amounts falling due after one year	16	(1,013,283)	(938,215)	(984,233)	(894,592)
Net liabilities		<u>(678,091)</u>	<u>(622,403)</u>	<u>(204,370)</u>	<u>(114,772)</u>
Capital and reserves					
Called up share capital	19	1	1	1	1
Share premium account	20	59,999	59,999	59,999	59,999
Revaluation reserve	20	938	733	-	-
Profit and loss account	20	(739,066)	(683,173)	(264,370)	(174,772)
Equity shareholder's deficit	20	<u>(678,128)</u>	<u>(622,440)</u>	<u>(204,370)</u>	<u>(114,772)</u>
Minority interests		37	37	-	-
		<u>(678,091)</u>	<u>(622,403)</u>	<u>(204,370)</u>	<u>(114,772)</u>

These financial statements were approved by the Board on 15 October 2013 and were signed on its behalf by



E Tenenbaum
Director

Registered number 04784127

Consolidated cash flow statement
for the year ended 30 June 2013

	<i>Note</i>	2013 £000	2012 £000
Cash outflow from operating activities	21	(3,073)	(30,951)
Returns on investments and servicing of finance	22	157	151
Capital expenditure	22	(77,605)	(52,189)
Financing	22	89,641	75,999
Acquisitions	22	-	6,422
Increase/(decrease) in cash	23	9,120	(568)

Reconciliation of net cash flow to movement in net debt
for the year ended 30 June 2013

	<i>Note</i>	2013 £000	2012 £000
Increase/(decrease) in cash in the period	23	9,120	(568)
Cash inflow from change in net debt and lease financing	23	(89,641)	(75,999)
Movement in net debt in period		(80,521)	(76,567)
Cancellation of preference shares		-	15,000
Net debt at 1 July	23	(877,605)	(816,038)
Net debt at 30 June	23	(958,126)	(877,605)

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation of financial statements

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

Basis of consolidation

The Group financial statements incorporate the financial statements of Fordstam Limited and all its subsidiary undertakings for the year ended 30 June 2013 (see note 29). Acquisitions are accounted for under the acquisition method of accounting with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised in the consolidated balance sheet and amortised over its expected useful life, being no greater than 20 years.

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

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

Going concern

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

Related party transactions

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

Investment in subsidiaries

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

Tangible fixed assets and depreciation

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

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

Notes (continued)

1 Accounting policies (continued)

Players' registrations

All costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets and are amortised evenly over the period of the players' initial contract of employment with the Group. In the event that the initial contract is renegotiated prior to expiry, the written down value at the date of renegotiation is amortised over the extended period. Fees receivable are set off against the players' net book value at the date of sale, plus any payments made in settlement of the contracts, and the difference is treated as a profit or loss on disposal.

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

Players' signing on fees

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

Stadium development

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

Capitalised interest

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

Investment properties

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

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

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

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

Taxation

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

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

Turnover

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

Notes (continued)

1 Accounting policies (continued)

Leasing and hire purchase commitments

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

Classification of financial instruments issued by the Company

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

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

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

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

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

	2013 £000	2012 £000
Broadcasting	105,435	112,815
Matchday	70,693	77,742
Commercial	83,928	70,489
	<hr/>	<hr/>
	260,056	261,046
Less share of joint venture turnover - Digital Media	-	(1,796)
	<hr/>	<hr/>
	260,056	259,250
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All turnover arises in the United Kingdom and relates to continuing operations

3 Loss on ordinary activities before taxation

	2013 £000	2012 £000
Loss on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation of tangible fixed assets	10,163	11,119
Amortisation of intangible assets	58,758	49,506
Amortisation of goodwill	93	38
Operating lease rentals		
Land and buildings	322	313
Plant and equipment	45	58
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	7	6
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	100	101
The audit of the Company's subsidiaries interim accounts	29	30
Other	3	2
Tax services	45	39
All other services	63	100
Profit on disposal of player registrations	(14,452)	(28,794)
Loss on disposal of tangible fixed assets	57	-
Exceptional items	3,983	(2,913)
Profit on cancellation of shares	-	(18,375)
Loss on disposal of investment	-	161
	<hr/>	<hr/>

Exceptional items consist of impairment of player registrations £nil (2012 £1.8m), and a provision for termination payments and compensation in relation to the changes in the first team management structure during the year £4.0m (2012 credit £4.7m)

Notes (continued)

4 Staff numbers and costs

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

	2013 Number	2012 Number
Playing staff, managers and coaches	95	89
Administration and commercial	584	572
	<u>679</u>	<u>661</u>

The Group also employs approximately 570 (2012 550) temporary staff on match days

The aggregate payroll costs of these employees were as follows

	2013 £000	2012 £000
Wages and salaries	153,471	140,680
Social security costs	18,697	18,565
Other pension costs	6,374	13,626
	<u>178,542</u>	<u>172,871</u>

In the 2013 wages and salaries cost includes an exceptional cost of £3,983,000 (2012 credit £4,700,000)
See note 3 for explanation

5 Director's remuneration

The Director who held office during the year did not receive any remuneration from the Group (2012 £nil)

6 Other interest receivable and similar income

	2013 £000	2012 £000
Bank interest	158	156

7 Interest payable and similar charges

	2012 £000	2011 £000
Bank interest payable	1	-

Notes (continued)

8 Taxation

	2013 £000	2012 £000
Current tax		
UK corporation tax at 23.75% (2012: 25.5%)	-	-
Total current tax	-	-
Deferred tax (see note 18):		
Origination/reversal of timing differences	1,272	-
Total deferred tax	1,272	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(57,165)	(4,324)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 23.75% (2012: 25.5%)	(13,577)	(1,103)
Effects of		
Non deductible expenditure	3,012	5,618
Losses available to carry forward	11,307	-
Income not taxable	-	(4,686)
Utilisation of losses brought forward	(613)	(825)
Effect of tax rates in foreign jurisdictions	(821)	134
Movement in deferred tax not provided	692	862
Current tax charge	-	-
Losses available to carry forward as at 30 June	650,604	602,072

9 Company results

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The Company made a £89,598,000 loss during the year (2012: £78,963,000), as a result of the fixed asset investment impairment referred to in note 12.

10 Intangible fixed assets

Group	Cost of players' registrations £000	Goodwill £000	Total £000
Cost			
At 1 July 2012	376,434	21,656	398,090
Additions	63,721	-	63,721
Disposals	(55,584)	-	(55,584)
At 30 June 2013	384,571	21,656	406,227
Amortisation			
At 1 July 2012	175,980	20,834	196,814
Charge for the year	58,758	93	58,851
Disposal	(45,112)	-	(45,112)
At 30 June 2013	189,626	20,927	210,553
Net book value			
At 30 June 2013	194,945	729	195,674
At 30 June 2012	200,454	822	201,276

Notes (continued)

11 Tangible fixed assets

Group	Investment property freehold £000	Land and buildings £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
<i>Cost or valuation</i>					
At 1 July 2012	2,591	199,816	60,444	108	262,959
Additions	-	-	5,038	613	5,651
Disposals	-	-	(1,484)	(104)	(1,588)
Revaluation	205	-	-	-	205
At 30 June 2013	2,796	199,816	63,998	617	267,227
<i>Depreciation</i>					
At 1 July 2012	-	37,623	30,266	47	67,936
Charge for the year	-	3,517	6,646	-	10,163
On Disposals	-	-	(1,484)	(47)	(1,531)
At 30 June 2013	-	41,140	35,428	-	76,568
<i>Net book value</i>					
At 30 June 2013	2,796	158,676	28,570	617	190,659
Net book value At 30 June 2012	2,591	162,193	30,178	61	195,023

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 (2012 £2,003,000)

	2013 £000	2012 £000
The net book value of land and buildings comprises		
Freehold land and buildings	39,470	40,710
Long leasehold land and buildings	121,992	124,064
Short leasehold land and buildings	10	10
	161,472	164,784

The Company holds no tangible fixed assets

Notes (continued)

12 Fixed asset investments

Company	Subsidiary undertakings £000	Loan to group undertaking £000	Total £000
<i>Cost</i>			
At 1 July 2012	917,310	31,347	948,657
Additions	-	87,196	87,196
Capitalisation of loan to equity	85,000	(85,000)	-
At 30 June 2013	1,002,310	33,543	1,035,853
<i>Amortisation</i>			
At 1 July 2012	168,657	-	168,657
Impairment	87,196	-	87,196
At 30 June 2013	255,853	-	255,853
<i>Net book value</i>			
At 30 June 2013	746,457	33,543	780,000
Net book value			
At 30 June 2012	748,653	31,347	780,000

As required under FRS 11 'Impairment of fixed assets and goodwill', the Director has re-assessed the appropriateness of the carrying value of subsidiary undertakings and an impairment of £87,196,000 (2012 £77,665,000) against the value of investments in subsidiary undertakings was recorded following a review of the carrying value in comparison with recent corporate transactions involving FA Premier League football clubs

13 Stocks

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Goods held for resale	1,051	1,128	-	-

Notes (continued)

14 Debtors

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
<i>Due in less than one year:</i>				
Trade debtors	34,480	26,761	-	-
Other debtors	2,230	1,308	-	-
Prepayments and accrued income	9,099	5,921	-	-
	<u>45,809</u>	<u>33,990</u>	<u>-</u>	<u>-</u>

Included within the other debtors balance is a deferred tax asset of £1,559,069 (2012 £287,061)

<i>Due after one year:</i>				
Trade debtors	22,189	9,560	-	-
Other debtors	8,436	8,474	-	-
	<u>30,625</u>	<u>18,034</u>	<u>-</u>	<u>-</u>

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

On the same date, Chelsea Stadium Limited (previously Stardust Investments Limited) granted a long leasehold interest over the stadium site at a peppercorn rent to Chelsea Football Club Limited. Chelsea Pitch Owners plc is obliged to repay the debt in full. The balance outstanding at 30 June 2013 was £8,436,416 (2012 £8,474,374). The Director believes that the balance outstanding will ultimately be recovered.

15 Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade creditors	51,512	47,955	-	-
Other taxes and social security	14,870	23,384	-	-
Other creditors	2,865	9,059	-	-
Accruals and deferred income	85,486	70,228	137	180
	<u>154,733</u>	<u>150,626</u>	<u>137</u>	<u>180</u>

£35,095,000 (2012 £33,252,000) of the accruals and deferred income balance represents season ticket sales for the 2013/14 season.

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Other loan	984,233	894,592	984,233	894,592
Trade creditors	29,050	43,623	-	-
	<u>1,013,283</u>	<u>938,215</u>	<u>984,233</u>	<u>894,592</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.

17 Borrowings and secured liabilities

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
The aggregate borrowings amounted to				
Other loans	948,233	894,592	948,233	894,592
	<u>948,233</u>	<u>894,592</u>	<u>948,233</u>	<u>894,592</u>

Borrowings are repayable as follows

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Repayable between one and two years				
Other loans	984,233	894,592	984,233	894,592
	<u>984,233</u>	<u>894,592</u>	<u>984,233</u>	<u>894,592</u>

18 Provision for liabilities and charges

Deferred taxation

Group

	Deferred tax	
	2013	2012
	£000	£000
At beginning of year	287	287
Credit to the profit and loss for the year	1,272	-
End of year	<u>1,559</u>	<u>287</u>

Notes (continued)

18 Provision for liabilities and charges (continued)

The elements of deferred taxation are as follows

	2013 £000	2012 £000
Difference between accumulated depreciation and amortisation	(108)	-
Other timing differences	1	-
Tax losses	1,666	-
	<u>1,559</u>	<u>-</u>

A deferred tax asset of £1,559,069 (2012 £287,061) has been recognised predominantly in respect of trading losses within The Hotel at Chelsea Limited. The Director believes 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 Company have unrecognised deferred tax assets as follows

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Accelerated capital allowances	5,235	4,419	-	-
Tax losses	146,787	145,548	852	889
Other short term timing differences	31	32	7	-
	<u>152,053</u>	<u>149,999</u>	<u>859</u>	<u>889</u>

19 Called up share capital

Company	2013 Number	2013 £000	2012 Number	2012 £000
Allotted, issued and fully paid Ordinary shares of £1 each at 30 June	600	1	600	1

Notes (continued)

20 Reconciliation of movement in equity shareholder's deficit

<i>Group</i>	Share capital £000	Share Premium £000	Revaluation reserve £000	Profit and loss account £000	Equity shareholder's deficit £000
At 1 July 2012	1	59,999	733	(683,173)	(622,440)
Loss for the financial year	-	-	-	(55,893)	(55,893)
Revaluation	-	-	205	-	205
	<u>1</u>	<u>59,999</u>	<u>938</u>	<u>(739,066)</u>	<u>(678,128)</u>
Equity shareholder's deficit at 30 June 2013	1	59,999	938	(739,066)	(678,128)

<i>Company</i>	Share capital £000	Share Premium £000	Profit and loss account £000	Equity shareholder's deficit £000
At 1 July 2012	1	59,999	(174,772)	(114,772)
Loss for the financial year	-	-	(89,598)	(89,598)
	<u>1</u>	<u>59,999</u>	<u>(264,370)</u>	<u>(204,370)</u>
Equity shareholder's deficit at 30 June 2013	1	59,999	(264,370)	(204,370)

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

	2013 £000	2012 £000
Group operating loss	(71,717)	(51,697)
Depreciation	10,163	11,119
Impairment of tangible fixed assets	-	724
Impairment of players' registrations	-	1,787
Amortisation of intangible fixed assets	58,758	49,506
Amortisation of goodwill	93	38
Increase/(decrease) in stocks	77	(66)
Increase in debtors	(9,961)	(9,818)
Increase/(decrease) in creditors	9,514	(32,544)
	<u>(3,073)</u>	<u>(30,951)</u>
Net cash outflow from operating activities	(3,073)	(30,951)

Notes (continued)

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

	2013 £000	2012 £000
Returns on investments and servicing of finance		
Interest received	158	151
Interest paid	(1)	-
	<u>157</u>	<u>151</u>
Capital expenditure		
Purchase of tangible fixed assets	(5,651)	(6,581)
Purchase of intangible fixed assets	(86,899)	(83,918)
Sale of intangible fixed assets	14,945	38,310
	<u>(77,605)</u>	<u>(52,189)</u>
Financing		
Receipts from borrowings	114,641	106,499
Repayment of borrowings	(25,000)	(30,500)
	<u>89,641</u>	<u>75,999</u>
Acquisitions		
Cash acquired from subsidiary	-	6,422
	<u>-</u>	<u>6,422</u>

23 Analysis of net debt

	At 1 July 2012 £000	Cash flow £000	Other non-cash changes £000	At 30 June 2013 £000
Cash movements				
Cash at bank and in hand	16,987	9,120	-	26,107
	<u>16,987</u>	<u>9,120</u>	<u>-</u>	<u>26,107</u>
Debt due after one year	(894,592)	(89,641)	-	(984,233)
Net debt	<u>(877,605)</u>	<u>(80,521)</u>	<u>-</u>	<u>(958,126)</u>

Notes (continued)

24 Pension commitments

a) Defined Benefit Scheme

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

As one of a number of participating employers, the Group is advised only of its share of the deficit in the scheme. The latest actuarial valuation as at 31 August 2008 highlighted that the Group share of the deficit was £199,443. The revised deficit is being paid off over a period of 10 years from 01 September 2009. The charge for the year was £58,948 (2012 £30,828).

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 £6,430,000 (2012 £13,595,000). Amounts owed to the Schemes at the year end amounted to £137,828 (2012 £939,189), which represents the current amount due to be paid across to the schemes within the statutory time frame.

25 Operating leases and capital commitments

The annual commitments under non-cancellable operating leases are

	Group	
	2013 £000	2012 £000
Land and buildings		
Leases expiring in one year	70	70
Leases expiring between two to five years	252	243
Leases expiring in more than five years	-	-
	322	313
	322	313
Plant and equipment		
Leases expiring in one year	36	21
Leases expiring between two to five years	9	37
	45	58
	45	58
Capital expenditure commitments were as follows:		
Contracted for but not provided		
Tangible fixed assets	3,457	-
	3,457	-
	3,457	-

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 £2,125,357 (2012 £3,388,000).

27 Control

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

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

Notes (continued)

28 Post balance sheet events

Acquisition and disposal of players

Since the year end the Group has acquired the registration of seven football players at an initial cost of £56,172,000 (2012 £42,985,000) and disposed of the registration of one player at a profit of £673,000 (2012 £539,000)

The Group also received £nil (2012 £1,476,000) in respect of sell on clauses for players disposed of in previous years

29 Principal subsidiary undertakings

The Company has the following subsidiary undertakings

Trading

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 **
Briskspring Limited
Under The Bridge Limited
Burnaby Investments LP

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
Investment holding company
Music venue
Investment company

Non Trading at year end

Looklight Limited **
(formerly Chelsea Training Ground Limited)

Football club training facilities

Dormant

Chelsea TV Limited
Chelsea Limited
Chelsea Financial Consultants Limited
Fulham Holdings Limited

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

Burnaby Investments LP is a partnership between Briskspring Limited (the limited partner) and Burnaby GP Limited (the general partner)

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

Notes (continued)

30 Transactions with related parties

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

Group	2013 Sales to related party £000	2013 Purchases from related party £000	2013 Balance receivable £000	2013 Balance payable £000
Mr R Abramovich	2,038	-	-	-
Skadden, Arps, Slate, Meagher & Flom UK	-	215	-	-
Company	2013 Sales to related party £000	2013 Purchases from related party £000	2013 Balance receivable £000	2013 Balance payable £000
Skadden, Arps, Slate, Meagher & Flom UK	-	141	-	-
Group	2012 Sales to related party £000	2012 Purchases from related party £000	2012 Balance receivable £000	2012 Balance payable £000
Mr R Abramovich	3,000	-	-	-
Skadden, Arps, Slate, Meagher & Flom UK	-	555	-	-
Company	2012 Sales to related party	2012 Purchases from related party	2012 Balance receivable	2012 Balance payable
Skadden, Arps, Slate, Meagher & Flom UK	-	395	-	-

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

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

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