

FORDSTAM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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FORDSTAM LIMITED

COMPANY INFORMATION

Directors	E Tenenbaum
Secretary	P Heagren
Company number	04784127
Registered office	Stamford Bridge Fulham Road London SW6 1HS
Auditor	KPMG LLP 15 Canada Square London E14 5GL

FORDSTAM LIMITED

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FORDSTAM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present the strategic report for the year ended 30 June 2019.

Results for the year

The net loss for the year, after taxation, was £110.4m (2018: profit of £24.9m).

Fair review of the business

Profit and Loss

The loss for the year before taxation was £115.6m compared to a profit of £30.3m before taxation for the prior year. Increased wages and salary costs and reduced profit on player sales were the principal reasons for this variance.

This year saw turnover increase from £448.0m to £452.2m. This was driven by a £15.5m increase in commercial income as a result of new sponsorship agreements including Vitality Health, MSC Cruises, Hyundai Unilever, Beats by Dre and Millennium & Copthorne Hotels; increased online sales as a result of the merchandising rights buyback undertaken in the prior year; and an increase in player loan fee income.

The growth in commercial income was offset by a £7.3m fall in matchday income and a £3.9m reduction in broadcasting income, principally due to the impact of Europa League revenue in the current year as opposed to income generated from the Champions' League in the prior year. There was also a reduction in average attendance compared to the prior year due to a reduction in capacity to improve access for disabled supporters under the disability charter and away teams not taking up their full allocation. This was partly mitigated by increased domestic revenue driven by progression in domestic cup competitions and the Club's improved Premier League finishing position versus the prior year.

Pre-exceptional operating expenses of £597.7m have increased by £80.1m compared with £517.6m in the previous year. This was principally as a result of increased player amortisation of £43.9m, and an increase in wages, salary and social security costs of £39.2m. Exceptional costs incurred of £26.6m in the current year relate to changes in the Men's team management and coaching staff, together with associated legal costs.

The football club made a profit on player trading of £60.5m in the year (2018: £113.0m) principally due to the sales of Thibaut Courtois to Real Madrid, Ola Aina to Torino, Jay Da Silva to Bristol City, Jeremie Boga to Sassuolo and Jonathan Panzo to Monaco. In addition, the Club realised contingent fees in relation to a number of previous transfers.

Balance Sheet

Intangible assets have increased to £482.1m at year end from £375.7m. This movement is primarily a result of £280.6m of player acquisitions, including Kepa Arrizabalaga from Athletic Bilbao, Christian Pulisic from Borussia Dortmund and Jorginho from Napoli. This was offset by amortisation of £167.6m and the disposal of player registrations with a combined net book value of £5.5m.

Tangible fixed assets and Investment properties are £248.7m at the year end. The main portion of the £15.5m additions in the year related to the acquisition of the leasehold of the Kingsmeadow stadium. A loss of £4.5m for the year is included within profit and loss relating to the revaluation of the Group's investment properties.

Net current liabilities at £347.4m have increased by £200.0m, principally as a result of an increase in amounts owed to related parties of £228.0m. This has been partially offset by an increase in debtors of £9.5m as well as other net movements in cash and working capital of £4.9m.

Creditors falling due after more than one year of £1,167m include £1,129m on a loan account repayable on eighteen months' notice.

FORDSTAM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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 majority of its income from football activities and related business activities of which there are three principal sources: matchday revenue, broadcasting and commercial income.

Expenditure

The Group's primary outgoings relate to matchday operations; the continued development of the football club's brand; employee remuneration; support services to facilitate elite sporting performance; and the development of the playing squad. The latter of these is achieved through a combination of activity in the transfer market and investment in the Club's academy and youth programmes to nurture and develop young players for the future.

Regulatory Environment

The football club is regulated by the rules of the FA, the Premier League, UEFA and FIFA. These regulations have a direct impact on the football club as they cover areas such as the division of centrally negotiated broadcasting and media agreements and the operation of the transfer market.

The football club continues to balance success on the field together with the financial imperatives of complying with UEFA and Premier League financial regulations. The Club has complied with these regulations since their inception in 2012 and expects to do so for the foreseeable future.

The Club is in the process of appealing a ruling by FIFA where it was found to have breached regulations governing the registration of academy players. The Club is currently serving a two-window transfer ban whilst it awaits the outcome of this appeal.

Funding

Funding is provided by the parent company, Fordstam Limited, which is supported by the ultimate controlling party, Mr. R Abramovich. The Group has received an increase in funding of £247.0m during the last financial year (2018: increase in funding of £69.1m).

The Group reviews and updates its forecasts on a regular basis and keeps the parent company and ultimate controlling party aware of its financial commitments going forward.

FORDSTAM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

Key performance indicators

The principal key performance indicators for 2018/19 of both a financial and non-financial nature were as follows:

Non Financial

- Premier League - 3rd place (2018: 5th place)
- FA Cup - 5th round (2018: Winners)
- League Cup - Runners up (2018: Semi-Finals)
- Europa League - Winners (2018: Champions League - Round of 16)
- Average league attendance of 40,436 (2017: 41,482)

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

Other information and explanations

Going concern basis

The Company has received confirmation from its 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.

Fixed assets

The movements in fixed assets during the year are as shown in notes 12 to 15 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 2019 was £1,051.7m. (2018: £843.6m). The valuations assume willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time. This corresponds to a net book value of £476.6m as disclosed in Note 12 to the financial statements.

By order of the board



P Heagren
Secretary

31 October 2019

Stamford Bridge
Fulham Road
LONDON
SW6 1HS

FORDSTAM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The director presents the annual report and financial statements for the year ended 30 June 2019.

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.

Directors

The director who held office during the year and up to the date of signature of the financial statements was as follows:

E Tenenbaum

Company Secretary

P Heagren served as the Company Secretary throughout the year.

Results and dividends

The loss for the year before taxation was £115.6m (2018: profit of £30.3m).

No dividends were paid. The director does not recommend payment of a dividend.

Disabled persons

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 provided.

Employee involvement

The Group recognises the importance of good employee relations and communications and involves employees as appropriate to each company's circumstances. Employees are kept informed of and asked to express their view on activities which are of concern to them or are likely to affect their interests.

Auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as the director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Company and Group is unaware. Additionally, the director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the auditor of the Company and Group is aware of that information.

By order of the board


P Heagren
Secretary

31 October 2019

FORDSTAM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements and accounting 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FORDSTAM LIMITED

Opinion

We have audited the financial statements of Fordstam Limited ("the company") for the year ended 30 June 2019, which comprise the Group Profit and Loss account, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FORDSTAM LIMITED

Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Michael Maloney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL
October 2019

FORDSTAM LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Operations excluding player trading 30 June 2019 £000	Player amortisation and trading 30 June 2019 £000	Total 30 June 2019 £000	30 June 2018 £000
Turnover	3	452,245	-	452,245	447,983
Cost of sales		(339,401)	-	(339,401)	(296,296)
Gross profit		112,844	-	112,844	151,687
Administrative expenses		(90,647)	(167,637)	(258,284)	(221,330)
Exceptional item	4	(26,647)	-	(26,647)	(6,000)
Operating profit/(loss)		(4,450)	(167,637)	(172,087)	(75,643)
Interest receivable and similar income	9	63,588	2,420	66,008	62,882
Interest payable and similar charges	10	(63,548)	(2,548)	(66,096)	(61,427)
Profit on disposal of player registrations		-	60,459	60,459	112,995
Fair value loss on investment properties		(4,515)	-	(4,515)	(8,512)
Profit on disposal of tangible fixed assets		594	-	594	28
(Loss)/Profit before taxation	5	(8,331)	(107,306)	(115,637)	30,323
Taxation	11	5,215	-	5,215	(5,428)
(Loss)/Profit for the financial year		(3,116)	(107,306)	(110,422)	24,895

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 35 form an integral part of the financial statements.

FORDSTAM LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	£000	£000
(Loss)/Profit for the year	(110,422)	24,895
	<hr/>	<hr/>
Other comprehensive income		
Cash flow hedges gain/(loss) arising in the year	3,122	6,870
Deferred tax movement	107	-
	<hr/>	<hr/>
Other comprehensive income for the year	3,229	6,870
	<hr/>	<hr/>
Total comprehensive income for the year	(107,193)	31,765
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Total comprehensive income for the year is all attributable to the owners of the parent company.

The notes on pages 15-35 form an integral part of these financial statements.

FORDSTAM LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2019

		2019		2018	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets	12		482,102		375,656
Tangible assets	13		185,088		181,872
Investment properties	14		63,595		68,110
			<u>730,785</u>		<u>625,638</u>
Current assets					
Stocks	18	31		74	
Debtors	19	175,112		165,605	
Cash at bank and in hand		36,581		31,680	
		<u>211,724</u>		<u>197,359</u>	
Creditors: amounts falling due within one year	20	(559,111)		(344,863)	
Net current liabilities			<u>(347,387)</u>		<u>(147,504)</u>
Total assets less current liabilities			383,398		478,134
Creditors: amounts falling due after more than one year	21		(1,166,839)		(1,173,289)
Provisions for liabilities	22		(975)		(1,130)
Net liabilities			<u>(784,416)</u>		<u>(696,285)</u>
Capital and reserves					
Called up share capital	24		1		1
Share premium account			59,999		59,999
Revaluation reserve			1,314		1,314
Hedging reserve			(8,002)		(11,124)
Capital contribution reserve			115,682		96,620
Profit and loss reserves			(953,410)		(843,095)
Total equity			<u>(784,416)</u>		<u>(696,285)</u>

The financial statements were approved by the board of directors and authorised for issue on 31 October 2019 and are signed on its behalf by:


E. Lehenbaum
Director

Company Registration No. 04784127

The notes on pages 15-35 form an integral part of these financial statements.

FORDSTAM LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	666	456
Investment properties	14	60,335	64,765
Investments	15	1,278,373	1,047,471
		<u>1,339,374</u>	<u>1,112,692</u>
Current assets			
Debtors	19	447	297
Cash at bank and in hand		-	-
		<u>447</u>	<u>297</u>
Creditors: amounts falling due within one year	20	<u>(254,644)</u>	<u>(27,357)</u>
Net current liabilities		<u>(254,197)</u>	<u>(27,060)</u>
Total assets less current liabilities		1,085,177	1,085,632
Creditors: amounts falling due after more than one year	21	(1,129,000)	(1,129,000)
Net liabilities		<u>(43,823)</u>	<u>(43,368)</u>
Capital and reserves			
Called up share capital	24	1	1
Share premium account		59,999	59,999
Capital contribution reserve		115,682	96,620
Profit and loss reserves		<u>(219,505)</u>	<u>(199,988)</u>
Total equity		<u>(43,823)</u>	<u>(43,368)</u>

The financial statements were approved by the board of directors and authorised for issue on 31 October 2019 and are signed on its behalf by:


E Tenenbaum
Director

Company Registration No. 04784127

The notes on pages 15-35 form an integral part of these financial statements.

FORDSTAM LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share Capital	Share premium account	Capital contribution reserve	Revaluation reserve	Hedging reserve	Retranslation reserve	Profit and loss reserves	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 July 2017	1	59,999	90,845	1,314	(17,994)	(1)	(867,990)	(733,826)
Year ended 30 June 2018:								
Profit for the year	-	-	-	-	-	-	24,895	24,895
Other comprehensive income:								
Cash flow hedge gains arising in the year	-	-	-	-	6,870	-	-	6,870
Total comprehensive income for the year	-	-	-	-	6,870	-	24,895	31,765
Other movements	-	-	5,775	-	-	1	-	5,776
Balance at 30 June 2018	1	59,999	96,620	1,314	(11,124)	-	(843,095)	(696,285)
Year ended 30 June 2019:								
Loss for the year	-	-	-	-	-	-	(110,422)	(110,422)
Other comprehensive income:								
Cash flow hedge gains arising in the year	-	-	-	-	3,122	-	-	3,122
Deferred tax movement	-	-	-	-	-	-	107	107
Total comprehensive income for the year	-	-	-	-	3,122	-	(110,315)	(107,193)
Other movements	-	-	19,062	-	-	-	-	19,062
Balance at 30 June 2019	1	59,999	115,682	1,314	(8,002)	-	(953,410)	(784,416)

The notes on pages 15-35 form an integral part of these financial statements.

FORDSTAM LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Share premium account	Capital contribution reserve	Profit and loss reserves	Total
Notes	£000	£000	£000	£000	£000
Balance at 1 July 2017	1	59,999	90,845	(370,735)	(219,890)
Year ended 30 June 2018:					
Profit for the year	-	-	-	170,747	170,747
Other comprehensive income:					
Cash flow hedges gains arising in the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	170,747	170,747
Other movements	-	-	5,775	-	5,775
Balance at 30 June 2018	1	59,999	96,620	(199,988)	(43,368)
Year ended 30 June 2019:					
Loss for the year	-	-	-	(19,517)	(19,517)
Other comprehensive income:					
Cash flow hedges gains arising in the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(19,517)	(19,517)
Other movements	-	-	19,062	-	19,062
Balance at 30 June 2019	1	59,999	115,682	(219,505)	(43,823)

The notes on pages 15-35 form an integral part of these financial statements.

FORDSTAM LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Cash (used in) / generated from operations	31	(82,624)	38,672
Interest paid		-	-
Interest received		40	97
Tax paid		(4,104)	(1,076)
Net cash inflow from operating activities		(86,688)	37,693
Investing activities			
Purchase of intangible assets		(282,238)	(191,710)
Proceeds on disposal of intangibles		119,773	91,800
Purchase of tangible fixed assets		(14,779)	(21,056)
Proceeds on disposal of tangible fixed assets		2,887	-
Net cash used in investing activities		(174,357)	(120,966)
Financing activities			
Proceeds from funding party		323,512	163,500
Repayments to funding party		(76,500)	(88,668)
Interest paid		(2,548)	(1,677)
Interest received		2,420	3,035
Capital contribution		19,062	5,775
Net cash generated from financing activities		265,946	81,965
Net increase/(decrease) in cash and cash equivalents		4,901	(1,308)
Cash and cash equivalents at beginning of year		31,680	32,987
Retranslation of foreign currency subsidiary		-	1
Cash and cash equivalents at end of year		36,581	31,680

The notes on pages 15-35 form an integral part of these financial statements.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Company information

Fordstam Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Stamford Bridge, Fulham Road, London, SW6 1HS.

The "Group" consists of Fordstam Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £19.5m (2018: £170.7m profit).

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Fordstam Limited and all of its subsidiaries (ie entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 June 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method.

1.3 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 30) that sufficient funds will be made available to allow the Company and Group to continue trading for the foreseeable future. The funding party has confirmed there is no intention to recall the amounts due.

1.4 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 gate receipts, sponsorship, sale of broadcasting rights, matchday, central awards from the Premier League, UEFA solidarity and prize money and other commercial activities.

Gate receipts, matchday 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. UEFA pool distributions relating to participation in European competitions are recognised when received whilst distributions relating to match performance are taken when earned; these distributions are classified as broadcasting revenues.

1.5 Players' registrations

All costs less financing element associated with the acquisition of a player's registration are capitalised as intangible fixed assets and are amortised evenly over the period of the player's 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 in connection with the sale of a player 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. If the arrangement constitutes a financing transaction, for example if payment is deferred, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

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.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 to 5 years
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FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land	Not depreciated
Leasehold land	Not depreciated
Freehold and long leasehold buildings	50 years on a straight line basis
Assets in the course of construction	Not depreciated
Plant & Equipment	2 to 10 years on a straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.9 Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.14 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is recognised without discounting in respect of all timing differences when items are included in a tax assessment in one period and recognised in the financial statements in another, except as otherwise required by FRS 102.29 'Income Tax'.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only when, on the basis of available evidence, it can be regarded as more likely than not that the reversal of underlying timing differences will result in a reduction in future tax payments.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is committed to terminate the employment of an employee or to provide termination benefits.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

1.17 Retirement benefits

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. Where there is insufficient information to enable the entity to adopt defined benefit accounting, the scheme is accounted for as a defined contribution scheme in line with FRS102.28.11.

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.19 Foreign exchange

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.

1.20 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.

1.21 Deferred Income

Income from season tickets, sponsorship, broadcasting and other commercial contracts, which has been received prior to the period end in respect of future football seasons, is treated as deferred income. Income is then recognised in the profit and loss account in the relevant financial period in line with the recognition criteria of FRS 102.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2019 £000	2018 £000
Turnover		
Broadcasting	200,188	204,141
Commercial	185,434	169,904
Matchday	66,623	73,938
	<u>452,245</u>	<u>447,983</u>

Turnover analysed by geographical market

	2019 £000	2018 £000
United Kingdom	<u>452,245</u>	<u>447,983</u>

4 Exceptional costs

	2019 £000	2018 £000
Exceptional items	<u>26,647</u>	<u>6,000</u>

Exceptional items of £26.6m in the current year relate to changes in the Men's team management and coaching staff, together with associated legal costs. Exceptional items in the prior year of £6.0m related entirely to the buyback of retail, licensing and sponsorship rights.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

5 Profit/(Loss) before taxation

	2019	2018
	£000	£000
Profit/(Loss) for the year before taxation is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	9,946	9,825
Amortisation and impairment of intangible assets	170,010	127,312
Fair value loss on investment properties	4,515	8,512
Profit on disposal of tangible fixed assets	(594)	(28)
Profit on disposal of player registrations	(60,459)	(112,995)
Operating lease charges	201	213

6 Auditor's remuneration

	2019	2018
	£000	£000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	14	14
Audit of the Company's subsidiaries	110	102
	<u>124</u>	<u>116</u>
For other services		
Taxation compliance services	50	54
Other taxation services	85	39
Review of the Company's interim accounts	42	40
	<u>177</u>	<u>133</u>

7 Employees

The average monthly number of persons (including directors) employed by the Group during the year was:

	2019	2018
	Number	Number
Administration and commercial	663	619
Playing staff, managers and coaches	165	162
	<u>828</u>	<u>781</u>

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

7 Employees

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	253,128	217,488
Social security costs	33,149	26,812
Pension costs	1,497	1,409
	<u>287,774</u>	<u>245,709</u>

8 Directors' remuneration

	2019 £000	2018 £000
Remuneration for qualifying services	<u>100</u>	<u>100</u>

9 Interest receivable and similar income

	2019 £000	2018 £000
Interest income		
Interest on bank deposits	40	32
Other interest income	<u>65,968</u>	<u>62,850</u>
Total income	<u>66,008</u>	<u>62,882</u>

Other interest income in the year includes £63.5m (2018: £59.8m) relating to the reassessment of the repayment date of a long term loan. As the timing of the repayment of the interest free loan is uncertain the repayment date has been reassessed as the minimum contractual repayment term of the loan at the balance sheet date using a market value interest rate of a similar transaction.

Debtor balances relating to future amounts receivable have been recorded at the net present value of future payments, discounted using a market rate of interest resulting in other interest income of £2.4m (2018: £3.1m) being recognised over the period of the transactions.

10 Interest payable and similar charges

	2019 £000	2018 £000
Interest on financial liabilities measured at amortised cost:		
Other interest	<u>66,096</u>	<u>61,427</u>
Total finance costs	<u>66,096</u>	<u>61,427</u>

Other interest payable includes £63.5m (2018: £59.8m) relating to the unwinding of the discount to present value in respect of the long term loan. The loan is measured initially at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The discount is then unwound over a period of 18 months from the previous balance sheet date. The minimum contractual repayment term of 18 months is used for this purpose as the timing of eventual repayment is uncertain.

Creditor balances relating to future transfer fees payable have been recorded at the net present value of future payments, discounted using a market rate of interest resulting in an interest expense of £2.5m (2018: £1.7m) being recognised over the period of the transactions.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

11 Taxation

	2019 £000	2018 £000
Current tax		
Current tax on (loss)/income for the period	(5,167)	5,178
Total Current Tax	<u>(5,167)</u>	<u>5,178</u>
Deferred tax (see note 22)		
Origination and reversal of timing differences	(48)	250
Changes in tax rates	-	-
Other adjustments	-	-
Total Deferred Tax	<u>(48)</u>	<u>250</u>
Total tax (credit)/charge	<u>(5,215)</u>	<u>5,428</u>

The (credit)/charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2019 £000	2018 £000
(Loss)/Profit on ordinary activities before taxation	<u>(115,637)</u>	<u>30,323</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	(21,971)	5,762
Tax effect of expenses that are not deductible in determining taxable profit	1,583	4,582
Tax effect of income not taxable in determining taxable profit	-	-
Chargeable gains	593	-
Deferred tax credited directly to equity	107	-
Utilisation of brought forward tax losses	-	-
Deferred tax recognised in relation to property valuations	(931)	(2,303)
Fixed asset differences	272	2,793
Adjustment to tax charge in respect of previous periods	2	-
Difference in current and deferred tax rates	1,762	182
Deferred tax not recognised	13,368	(5,588)
Tax (income)/expense for the year	<u>(5,215)</u>	<u>5,428</u>

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

12 Intangible fixed assets

Group	Software	Players' registrations	Total
	£000	£000	£000
Cost			
At 1 July 2018	14,677	661,661	676,338
Additions	1,349	280,634	281,983
Disposals	(44)	(72,299)	(72,343)
At 30 June 2019	15,982	869,996	885,978
Amortisation and impairment			
At 1 July 2018	8,142	292,540	300,682
Amortisation charged in the year	2,373	167,637	170,010
Eliminated in respect of disposals	-	(66,816)	(66,816)
At 30 June 2019	10,515	393,361	403,876
Carrying amount			
At 30 June 2019	5,467	476,635	482,102
At 30 June 2018	6,535	369,121	375,656

Players' registrations relate entirely to the carrying value of the playing squad and are amortised over the remaining length of the players' contracts. The figures relate solely to purchased players and are based on historical cost. 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 charge is recognised in profit and loss. Officers of Chelsea Football Club Limited have reviewed the carrying amount of players' registrations as at 30 June 2019 and no impairment was deemed necessary (2018: £0).

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

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

13 Tangible fixed assets

Group	Land and buildings £000	Assets under construction £000	Plant & Equipment £000	Total £000
Cost				
At 1 July 2018	199,106	1,843	88,319	289,268
Additions	-	9,880	5,573	15,453
Disposals	(3,173)	-	(1,881)	(5,054)
Transfers	-	(749)	749	-
At 30 June 2019	195,933	10,974	92,760	299,667
Depreciation and impairment				
At 1 July 2018	51,551	-	55,845	107,396
Depreciation charged in the year	3,180	-	6,766	9,946
Eliminated in respect of disposals	(884)	-	(1,879)	(2,763)
At 30 June 2019	53,847	-	60,732	114,579
Carrying amount				
At 30 June 2019	142,086	10,974	32,028	185,088
At 30 June 2018	147,555	1,843	32,474	181,872
Company		Assets under construction £000	Plant & Equipment £000	Total £000
At 1 July 2018		285	197	482
Additions		264	-	264
Transfers		-	-	-
At 30 June 2019		549	197	746
Depreciation and impairment				
At 1 July 2018		-	26	26
Depreciation charged in the year		-	54	54
At 30 June 2019		-	80	80
At 30 June 2019		549	117	666
At 30 June 2018		285	171	456

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

14 Investment property

	Group £000	Company £000
Fair value		
At 1 July 2018	68,110	64,765
Net gains or losses through fair value adjustments	(4,515)	(4,430)
At 30 June 2019	63,595	60,335

The fair value of the investment properties have been arrived at on the basis of a valuation carried out at 30 June 2019 by Rawley & Co, Chartered Surveyors, who are not connected with the Company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

15 Fixed asset investments

Company	Subsidiary undertakings £000	Loan to group undertakings £000	Total £000
Cost			
At 30 June 2018	1,114,310	45,777	1,160,087
Additions	-	241,267	241,267
Capitalisation of loan to equity	164,400	(164,400)	-
At 30 June 2019	1,278,710	122,644	1,401,354
Impairments			
At 30 June 2018	98,257	14,359	112,616
Movement in year	-	10,365	10,365
At 30 June 2019	98,257	24,724	122,981
Net book value			
At 30 June 2019	1,180,453	97,920	1,278,373
At 30 June 2018	1,016,053	31,418	1,047,471

The Directors have assessed the appropriateness of the carrying value of the subsidiary undertakings and have recognised an impairment of £10.4m against the value of the loan to Stamford Bridge Projects Ltd (2018: £211.7m reversal of historic impairments in relation to the investment in Chelsea FC Plc).

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

16 Subsidiaries

Details of the Company's subsidiaries at 30 June 2019 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Chelsea FC plc**	Holding company	Ordinary	100.00	
Stamford Bridge Projects Limited**	Restaurant operation	Ordinary	100.00	
Chelsea Digital Ventures Limited**	Information technology	Ordinary	100.00	
Fordstam Developments Limited	Dormant	Ordinary	100.00	
The Hotel at Chelsea Limited	Hotel management and catering services	Ordinary		100.00
Chelsea Football Club Limited	Professional football club	Ordinary		100.00
Chelsea Car Parks Limited	Car park management	Ordinary		100.00
Chelsea FC Merchandising Limited	Merchandising and mail order	Ordinary		100.00
Chelsea FC Pte Limited	Representative office	Ordinary		100.00
Chelsea TV Limited	Dormant	Ordinary		100.00
Chelsea Limited	Dormant	Ordinary		100.00
Chelsea Football Club Women Limited	Professional football club	Ordinary		100.00
Under the Bridge Limited	Music venue	Ordinary		100.00
Chelsea Leisure Services Limited	Health and fitness club	Ordinary		100.00
Stamford Bridge Securities Limited	Property holding	Ordinary		100.00

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 incorporated and registered in Singapore.

Chelsea FC Pte Limited is a wholly owned subsidiary of Chelsea FC plc and was formed as a management company. The registered office of this company is 21 Merchant Road, #04-01 Royal Meukh S.E.A., Singapore 058267.

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.

17 Financial instruments

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Carrying amount of financial assets/(liabilities)				
Instruments measured at fair value through profit or loss	(8,002)	(11,124)	-	-

The Group manages significant transactional currency risk by using forward currency contracts to minimise the net currency exposures. The financial assets/(liabilities) relate to future cash inflows and have been designated as a cash flow hedge and the gain/(loss) has been recognised in other comprehensive income.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

18 Stocks

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Finished goods and goods for resale	31	74	-	-

19 Debtors

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Amounts falling due within one year:				
Trade debtors	123,785	92,428	-	-
Other debtors	5,987	1,626	447	297
Prepayments and accrued income	11,436	12,744	-	-
	<u>141,208</u>	<u>106,798</u>	<u>447</u>	<u>297</u>
Amounts falling due after one year:				
Trade debtors	32,681	57,564	-	-
Other debtors	1,223	1,243	-	-
	<u>33,904</u>	<u>58,807</u>	<u>-</u>	<u>-</u>
Total debtors	<u>175,112</u>	<u>165,605</u>	<u>447</u>	<u>297</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 2019 was £8,258,983 (2018: £8,278,491). The directors believe that the balance outstanding will ultimately be recovered. The loan is currently held in the accounts at its present value, using a market rate of interest.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

20 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade creditors	116,105	136,222	-	-
Corporation Tax	-	4,100	-	-
Other taxation and social security	31,519	16,052	-	-
Other creditors	13,973	3,472	-	-
Amounts owed to parent undertaking	254,363	26,413	254,363	26,413
Derivative financial instruments	8,002	-	-	-
Accruals and deferred income	135,149	158,604	281	944
	<u>559,111</u>	<u>344,863</u>	<u>254,644</u>	<u>27,357</u>

£37.5m (2018: £42.4m) of the accruals and deferred income balance represents season ticket sales for the 2019/20 season. Amounts owed to related parties includes the balance of a loan repayable to Camberley International Investments Limited. The terms of this loan are such that 3 months' notice must be given for the loans to be repaid. No such notice had been received at year end, however the amounts are shown within amounts owed falling due within one year.

21 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade creditors	37,839	33,165	-	-
Amounts owed to parent undertaking	1,129,000	1,129,000	1,129,000	1,129,000
Derivative financial instruments	-	11,124	-	-
	<u>1,166,839</u>	<u>1,173,289</u>	<u>1,129,000</u>	<u>1,129,000</u>

Amounts owed to related parties comprises the balance of a loan repayable to Camberley International Investments Limited. The terms of this loan are such that 18 months' notice must be given for the loans to be repaid. No such notice had been received; therefore, the amounts are shown within amounts owed falling due after more than one year. The balance outstanding on all related party loans at 30 June 2019 was £1,499.0m (2018: £1,252.0m). The loans are currently held in the accounts at their present value, using a market rate of interest.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities	Liabilities	Assets	Assets
	2019	2018	2019	2018
	£000	£000	£000	£000
Group				
Tax losses	-	-	-	-
Other timing differences	(362)	(410)	-	-
Capital gains	(613)	(720)	-	-
	<u>(975)</u>	<u>(1,130)</u>	<u>-</u>	<u>-</u>

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

22 Deferred taxation

The Company has no deferred tax assets or liabilities.

Movements in the year:	Group 2019 £000
Liability at 1 July 2018	(1,130)
Credit to profit or loss	48
Credit to other comprehensive income	107
Liability at 30 June 2019	<u>(975)</u>

23 Retirement benefit schemes

	2019 £000	2018 £000
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	<u>1,497</u>	<u>1,409</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Defined benefit schemes

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 2017 highlighted that the Group share of the deficit was £378,779. The revised deficit is being paid off over a period of 5 ½ years from 1st September 2018. The charge for the year is £67,262 (2018: £64,572).

24 Share capital

	Group and Company	
	2019 £000	2018 £000
Ordinary share capital		
Issued and fully paid		
601 Ordinary shares of £1 each at 30 June	<u>1</u>	<u>1</u>

25 Financial commitments, guarantees and contingent liabilities

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Company if certain conditions are met. The maximum amount that could be payable is £10.2m (2018: £4.7m).

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

26 Operating lease commitments

Lessee

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £000	2018 £000
Within one year	157	201
Between two and five years	-	26
	<u>157</u>	<u>227</u>

27 Capital commitments

At 30 June 2019 the Group had capital commitments as follows:

	Group 2019 £000	2018 £000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	-	572
	<u>-</u>	<u>572</u>

28 Events after the reporting date

Since the year end Chelsea FC has disposed of the registrations of 7 players. The estimated income from these transactions, net of all applicable fees and levies, is £115.4m.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2019 £000	2018 £000
Aggregate compensation	100	100

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2019 £000	2018 £000	2019 £000	2018 £000
Group				
Chelsea FC Foundation	6,693	5,155	259	361
Nike Chelsea Merchandising Ltd	698	721	39	196
	<u>7,391</u>	<u>5,876</u>	<u>298</u>	<u>557</u>

The Board considers that Chelsea FC Foundation and its subsidiaries are a related party of Fordstam Limited by virtue of significant influence. During the year, Chelsea FC plc processed the Charity's payroll. The Charity repays this amount in full but with no additional charge or mark up for the provision of this service.

Mr J. Bonington, Mr R. Milham and Mr C. Townsend are all employees of Chelsea FC plc, as well as serving as Directors of Nike Chelsea Merchandising Limited.

Camberley International Investments Limited provides funding to Fordstam Limited and its subsidiaries as required to enable the Group to continue as a going concern.

FORDSTAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

29 Related party transactions

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2019 £000	2018 £000
Group		
Camberley International Investments Limited	1,383,363	1,155,413
Chelsea FC Foundation	68	39
Nike Chelsea Merchandising Ltd	-	42
	<u> </u>	<u> </u>

No guarantees have been given or received.

30 Controlling party

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.

31 Cash used in group operations

	2019 £000	2018 £000
(Loss)/Profit for the year after tax	(110,422)	24,895
Adjustments for:		
Taxation (credited)/charged	(5,215)	5,428
Finance costs	66,096	61,427
Investment income	(66,008)	(62,882)
Profit on disposal of tangible fixed assets	(594)	(28)
Fair value losses on investment properties	4,515	8,512
Amortisation and impairment of intangible assets	170,010	127,312
Depreciation and impairment of tangible fixed assets	9,946	11,718
Profit on disposal of player registrations	(60,459)	(112,995)
Movements in working capital:		
(Increase)/Decrease in stocks	43	(47)
(Increase)/Decrease in debtors	(48,107)	75,098
(Decrease)/Increase in creditors	(42,429)	(99,766)
	<u> </u>	<u> </u>
Cash (used in)/generated from operations	(82,624)	38,672
	<u> </u>	<u> </u>