

CHELSEA FOOTBALL CLUB LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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CHELSEA FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	B Buck D Barnard M Granovskaia E Tenenbaum
Secretary	C I Alexander
Company number	01965149
Registered office	Stamford Bridge Fulham Road London UK SW6 1HS
Auditor	KPMG LLP 15 Canada Square London E14 5GL

CHELSEA FOOTBALL CLUB LIMITED

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CHELSEA FOOTBALL CLUB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present the strategic report for the year ended 30 June 2016.

Principal activity

The Company's principal activity during the year continued to be that of a Premier League football club.

Results for the year

The loss for the year, after taxation, was £72.3m (2015: loss of £26.3m).

Fair review of the business

Profit and Loss

The loss for the year before taxation was £71.8m compared to a loss of £26.0m for the previous year. This was predominantly due to the accrual of a termination fee, following the decision to terminate the partnership agreement with the club kit sponsor.

Turnover of £298.9m was up on the previous year turnover of £283.0m by £15.9m. This increase can be attributed to an increase in broadcasting revenue, due to the increased distribution from UEFA for participation in the Champions League, as well as an increase in commercial revenue following the new shirt sponsorship agreement.

Pre-exceptional item operating expenses of £346.9m have decreased by £4.8m compared with £351.7m in the previous year.

The football club made a profit on player trading of £49.0m in the year (2015: £40.8m) principally due to the sales of Petr Cech to Arsenal, Ramires to Jiangsu Suning, Mohamed Salah to Roma, Stipe Perica to Udinese and Oriol Romeu to Southampton.

Balance Sheet

Intangible assets have increased to £241.2m from £222.0m as a result of £119m of player acquisitions offset by the net book value of disposals of £28.9m and amortisation of £70.8m. Other intangible assets have been recognised with £0.1m of additions and an amortisation charge of £0.1m in relation to internally generated software.

Tangible fixed assets are £150.3m at the year end. As in prior years, the bulk of the £6.9m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham.

The net current liabilities at £209.4m have increased by £86.4m. This is as a result of an increase in trade creditors of £21.8m as well as an increase in accruals and deferred income of £71.3m. Other net movements have resulted in a decrease in working capital of £5.0m.

Creditors falling due after more than one year of £827.9m include £799.2m owed to the Company's parent company, Chelsea FC plc. This is the Company's principal source of finance.

CHELSEA FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

Principal risks and uncertainties

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

Income

The Football club derives its income from principal sources: gate receipts, broadcasting and commercial relationships. All three sources of income are largely 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 continue to balance success on the field together with the financial imperatives of this new regime.

Funding

Funds are provided by the parent company, Chelsea FC plc, which in turn is supported by Fordstam Limited. The football club reviews and updates its cash 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 2015/16 of both a financial and non-financial nature were as follows:-

Non Financial

- FAPL 10th place (2015: FAPL Champions)
- Champions League Round of 16 (2015: Champions League Round of 16)
- FA Cup 6th round (2015: FA Cup 4th Round)
- League Cup 4th Round (2015:Winners)
- Average league attendance of 41,500 (2015: 41,546)

Financial (reviewed by the Board on a monthly basis)

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

CHELSEA FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

Fixed Assets


The movements in fixed assets during the year are as shown in notes 12 and 13 to the Financial Statements. The intangible fixed assets comprises the unamortised portion of the cost of players' registrations as well as a small balance in relation to internally generated software.

Officers of the Company have valued the playing staff. The average of their aggregate valuation as at 30 June 2016 was £398.8m (2015: £349.7m). This assumes willing buyers for the relevant players' registrations on normal contractual terms and an orderly disposal over a period of time.

Going concern basis

The Company has received confirmation from the ultimate funding party that sufficient funds will be provided to finance the business for the foreseeable future. The Directors have therefore adopted the going concern basis in preparing these financial statements.

By order of the board



C I Alexander
Secretary

18 November 2016

Stamford Bridge
Fulham Road
London
SW6 1HS

CHELSEA FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present their annual report and financial statements for the year ended 30 June 2016.

Principal activities

The principal activity of the Company continued to be that of a Premier League football club.

Directors

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

B Buck
D Barnard
M Granovskaia
E Tenenbaum

Results and dividends

The loss for the year before taxation was £71.8m (2015: £26.0m).

No ordinary dividends were paid. The directors do not recommend payment of a final 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 given.

Employee involvement

The Company recognises the importance of good employee relations and communications and involves employees as appropriate to the 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.

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 each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Company Secretary

AL Shaw served as Company Secretary from the beginning of the financial year until his resignation on 27th August 2015. CI Alexander was appointed as Company Secretary on 27th August 2015.

By order of the board



C I Alexander
Secretary

18 November 2016

CHELSEA FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Company for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHELSEA FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHELSEA FOOTBALL CLUB LIMITED

We have audited the financial statements of Chelsea Football Club Limited for the year ended 30 June 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

CHELSEA FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHELSEA FOOTBALL CLUB LIMITED

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, 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.



Michael Maloney (Senior Statutory Auditor)

for and on behalf of KPMG LLP

Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

18/11/16

CHELSEA FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2016

	Not	Operations excluding player trading 2016 £000	Player amortisation and trading 2016 £000	Total 2016 £000	2015 £000
Turnover	3	298,903	-	298,903	282,974
Cost of sales		(235,265)	-	(235,265)	(239,230)
Gross profit		63,638	-	63,638	43,744
Administrative expenses		(40,754)	(70,843)	(111,597)	(112,507)
Exceptional item	4	(75,315)	-	(75,315)	-
Operating loss		(52,431)	(70,843)	(123,274)	(68,763)
Interest receivable and similar income	9	-	2,885	2,885	2,936
Interest payable and similar charges	10	-	(450)	(450)	(1,020)
Profit on disposal of player registrations	5	-	48,995	48,995	40,811
Loss before taxation	5	(52,431)	(19,413)	(71,844)	(26,036)
Taxation	11	(503)	-	(503)	(243)
Loss for the financial year		(52,934)	(19,413)	(72,347)	(26,279)

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 28 form an integral part of the financial statements.

CHELSEA FOOTBALL CLUB LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016 £000	2015 £000
Loss for the year	(72,347)	(26,279)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(72,347)</u>	<u>(26,279)</u>

The notes on pages 12 to 28 form an integral part of the financial statements.

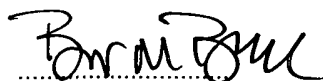
CHELSEA FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 30 JUNE 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Intangible assets	12	241,254	222,023
Tangible assets	13	150,292	149,481
		<u>391,546</u>	<u>371,504</u>
Current assets			
Stocks	14	72	77
Debtors	15	8,905	4,409
Cash at bank and in hand		3	3
		<u>8,980</u>	<u>4,489</u>
Creditors: amounts falling due within one year	16	(218,384)	(127,513)
Net current liabilities		<u>(209,404)</u>	<u>(123,024)</u>
Total assets less current liabilities		182,142	248,480
Creditors: amounts falling due after more than one year	17	(827,867)	(822,361)
Net liabilities		<u>(645,725)</u>	<u>(573,881)</u>
Capital and reserves			
Called up share capital	20	10	10
Share premium account		99,990	99,990
Revaluation reserve		10,664	11,377
Profit and loss reserves		(756,389)	(685,258)
Total equity		<u>(645,725)</u>	<u>(573,881)</u>

The financial statements were approved by the board of directors and authorised for issue on 18 November 2016 and are signed on its behalf by:



B Buck
Director

Company Registration No. 01965149

The notes on 12 to 28 form an integral part of these financial statements.

CHELSEA FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 July 2014		10	99,990	15,437	(660,244)	(544,807)
Transition to FRS102	27	-	-	(3,087)	49	(3,038)
As restated		10	99,990	12,350	(660,195)	(547,845)
Year ended 30 June 2015:						
Loss and total comprehensive income for the year		-	-	-	(26,279)	(26,279)
Difference on depreciation		-	-	(1,216)	1,216	-
Other movements		-	-	243	-	243
Balance at 30 June 2015		10	99,990	11,377	(685,258)	(573,881)
Year ended 30 June 2016:						
Loss and total comprehensive income for the year		-	-	-	(72,347)	(72,347)
Difference on depreciation		-	-	(1,216)	1,216	-
Other movements		-	-	503	-	503
Balance at 30 June 2016		10	99,990	10,664	(756,389)	(645,725)

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

Company information

Chelsea Football Club Limited ("the Company") is a company limited by shares incorporated in England and Wales. The registered office is Stamford Bridge, Fulham Road, London, UK, SW6 1HS.

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. The principal accounting policies adopted are set out below.

These financial statements for the year ended 30 June 2016 are the first financial statements of Chelsea Football Club Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 July 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 27.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Chelsea FC plc. These consolidated financial statements are available from its registered office, Stamford Bridge, Fulham Road, London, SW6 1HS.

1.2 Going concern

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate. The Company is reliant on its ultimate parent undertaking, Fordstam Limited, for its continued financial support. Fordstam Limited has indicated its continued support for the foreseeable future. The Directors have therefore adopted the going concern basis in preparing these financial statements.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

1.3 Turnover

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

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 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 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.

1.5 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	3-5 years
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1.6 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.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

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
Long leasehold land	Not depreciated
Construction in progress	Not depreciated
Long leasehold buildings	50 to 100 years on a straight line basis
Computers	4 years on a straight line basis
Fixtures, fittings & 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 credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the Company 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.

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.

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.

1.8 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.

1.9 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.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

1.10 Financial instruments

The Company 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 Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

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 Company 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 Company after deducting all of its liabilities.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

Basic financial 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.

Derecognition of financial liabilities

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

1.11 Equity instruments

Equity instruments issued by the Company 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 Company.

1.12 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 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 demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 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.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.17 Players' signing on fees

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

1.18 Stadium Development

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

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

2 Judgements and key sources of estimation uncertainty

In the application of the Company'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 Company's turnover is as follows:

	2016 £000	2015 £000
Turnover		
Matchday	65,669	65,928
Commercial	90,301	81,494
Broadcasting	142,933	135,552
	<u>298,903</u>	<u>282,974</u>

Turnover analysed by geographical market

	2016 £000	2015 £000
United Kingdom	<u>298,903</u>	<u>282,974</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

4 Exceptional costs

	2016 £000	2015 £000
Exceptional items	75,315	-

Exceptional items consist of termination payments and compensation totalling £8.3m (2015: £nil) in relation to the changes in the first team management during the year as well as an accrual of £67m (2015: £nil) relating to a compensation fee arising as a result of the early termination of the club's kit sponsorship deal.

5 Loss before taxation

	2016 £000	2015 £000
Loss before taxation for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	6,118	5,979
Profit on disposal of player registrations	(48,995)	(40,811)
Amortisation of intangible assets	70,989	69,207
Operating lease charges	12	10

6 Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the Company's financial statements	40	28
	40	28
For other services		
Fees payable to the Company auditor for the review of the Company's interim accounts	9	9
Taxation compliance services	26	24
All other non-audit services	-	3
	35	36

7 Employees

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

	2016 Number	2015 Number
Playing staff (including managers/coaches)	103	92
Administration and commercial	219	206
	322	298

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

7 Employees

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	178,423	177,425
Social security costs	23,507	21,659
Pension costs	756	747
	<u>202,686</u>	<u>199,831</u>

The Company also employs approximately 1,100 (2015: 1,000) temporary staff on match days.

8 Directors' remuneration

	2016 £000	2015 £000
Remuneration for qualifying services	223	215
Company pension contributions to defined contribution schemes	22	21
	<u>245</u>	<u>236</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>223</u>	<u>215</u>
--------------------------------------	------------	------------

The other Directors who held office during the year were not paid for their services as Director of this company by the Group or any third party.

9 Interest receivable and similar income

	2016 £000	2015 £000
Interest income		
Other interest income	<u>2,885</u>	<u>2,936</u>

Debtor balances relating to future transfer fees receivable have been recorded at the net present value of future payments, discounted using a market rate of interest resulting in interest income being recognised over the period of the transactions

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

10 Interest payable and similar charges

	2016	2015
	£000	£000
Other interest	450	1,020
	<u>450</u>	<u>1,020</u>

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 interest expense being recognised over the period of the transactions

11 Taxation

	2016	2015
	£000	£000
Deferred tax		
Changes in tax rates	284	-
Other adjustments	219	243
	<u>503</u>	<u>243</u>

The charge for the year can be reconciled to the loss per the income statement as follows:

	2016	2015
	£000	£000
Loss before taxation	<u>(71,844)</u>	<u>(26,036)</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%)	(14,369)	(5,402)
Tax effect of expenses that are not deductible in determining taxable profit	1,625	1,127
Unutilised tax losses carried forward	-	3,282
Group relief	414	993
Movement on deferred tax	503	243
Current year losses for which no deferred tax recognised	<u>12,330</u>	<u>-</u>
Tax expense for the year	<u>503</u>	<u>243</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

12 Intangible fixed assets

	Software £000	Players Registrations £000	Total £000
Cost			
At 1 July 2015	256	406,607	406,863
Additions	75	119,009	119,084
Disposals	-	(75,185)	(75,185)
At 30 June 2016	331	450,431	450,762
Amortisation and impairment			
At 1 July 2015	121	184,719	184,840
Amortisation charged for the year	146	70,843	70,989
Disposals	-	(46,321)	(46,321)
At 30 June 2016	267	209,241	209,508
Carrying amount			
At 30 June 2016	64	241,190	241,254
At 30 June 2015	135	221,888	222,023

Intangible assets relating to players' registrations relate entirely to the carrying value of the playing squad and are being amortised over the remaining length of the players' contracts. The figures used are historical cost figures and relate solely to purchased players. 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 is recognised in profit and loss. Officers of the Company have reviewed the carrying amount as at 30 June 2016 and no impairment was deemed necessary (2015: £0).

13 Tangible fixed assets

	Freehold land & buildings £000	Long lease land & buildings £000	Construction in progress £000	Fixtures, fittings & equipment £000	Total £000
Cost or valuation					
At 1 July 2015	11,646	142,350	104	43,238	197,338
Additions	33	-	4,469	2,427	6,929
Disposals	-	-	-	(391)	(391)
At 30 June 2016	11,679	142,350	4,573	45,274	203,876
Depreciation and impairment					
At 1 July 2015	6,576	24,292	-	16,989	47,857
Depreciation charged in the year	903	2,037	-	3,178	6,118
Eliminated in respect of disposals	-	-	-	(391)	(391)
At 30 June 2016	7,479	26,329	-	19,776	53,584
Carrying amount					
At 30 June 2016	4,200	116,021	4,573	25,498	150,292
At 30 June 2015	5,070	118,058	104	26,249	149,481

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

13 Tangible fixed assets

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2016 £000	2015 £000
Cost	129,562	129,562
Accumulated depreciation	(32,653)	(30,062)
Carrying value	<u>96,909</u>	<u>99,500</u>

14 Stocks

	2016 £000	2015 £000
Finished goods and goods for resale	<u>72</u>	<u>77</u>

15 Debtors

	2016 £000	2015 £000
Amounts falling due within one year:		
Other debtors	97	390
Prepayments and accrued income	<u>8,808</u>	<u>4,019</u>
	<u>8,905</u>	<u>4,409</u>

16 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	54,242	33,030
Other creditors	3,487	5,087
Accruals and deferred income	<u>160,655</u>	<u>89,396</u>
	<u>218,384</u>	<u>127,513</u>

£40.4m (2015: £43.2m) of the accruals and deferred income balance represents season ticket sales for the 2016/17 season.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

17 Creditors: amounts falling due after more than one year

	2016	2015
	£000	£000
Trade creditors	28,719	16,755
Amounts due to group undertakings	799,148	805,606
	<u>827,867</u>	<u>822,361</u>

18 Deferred taxation

Deferred tax assets and liabilities are offset where the 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:

	2016
	£000
Movements in the year:	
Liability at 1 July 2015	-
Charge to profit or loss	503
Credit to equity	(503)
	<u>-</u>
Liability at 30 June 2016	<u>-</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

19 Retirement benefit schemes

Defined benefit schemes

Certain employees of the Company 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 Company is advised only of its share of the deficit in the scheme. The latest actuarial valuation as at 31 August 2014 highlighted that the group share of the deficit was £0.3m. The revised deficit is being paid off over a period of 5 1/2 years from 1st September 2014. The charge for the year was £64,572 (2015: £64,572).

Defined contribution schemes

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.

The charge to profit and loss in respect of defined contribution schemes was £0.8m (2015: £0.7m).

20 Share capital

	2016 £000	2015 £000
Ordinary share capital		
Issued and fully paid		
10,100 Ordinary shares of £1 each	10	10

The Articles of Association limit dividends payable on ordinary shares to 15% of the paid up share capital in any one year.

21 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 £2.4m (2015: £1.5m).

22 Operating lease commitments

Lessee

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

	2016 £000	2015 £000
Within one year	3	6

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

23 Capital commitments

	2016 £000	2015 £000
At 30 June 2016 the Company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	14,010	2,554

24 Events after the reporting date

Since the year end the Group has acquired the registration of 4 football players at an initial cost of £96.3m (2015: £69.1m) and disposed of the registration of 4 players at a profit of £2.37m (2015: £21.2m).

The Group also received £1.8m (2015: £5.7m) in respect of sell on clauses for players disposed of in previous years.

25 Related party transactions

Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2016 £000	2015 £000	2016 £000	2015 £000
Skadden, Arps, Slate, Meagher, Flom & (UK) LLP	-	-	90	-
Mr R Abramovich	1,000	1,000	-	-
	<u>1,000</u>	<u>1,000</u>	<u>90</u>	<u>-</u>

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

Purchases from Skadden, Arps, Slate Meagher & Flom (UK) LLP were in relation to legal and professional fees. Mr Buck is a partner of Skadden, Arps, Slate Meagher & Flom LLP.

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2016 £000	2015 £000
Skadden, Arps, Slate, Meagher, Flom & (UK) LLP	51	-

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

26 Controlling party

The Directors consider the Ultimate Parent Undertaking to be Fordstam Limited, a company incorporated in England and Wales and the Ultimate Controlling Party is Mr R Abramovich. The largest group of undertakings in which the Company's results are included is Fordstam Limited. The smallest group of undertakings in which the Company's results are included is Chelsea FC plc.

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

27 Reconciliations on adoption of FRS 102

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30th June 2016 and the comparative information presented in these financial statements for the year ended 30th June 2015.

In preparing the accounts in accordance with FRS 102, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to the measurement and recognition principles of FRS 102 has affected the Company's financial position and financial performance is set out below and in the following tables.

Reconciliation of net assets

	1 July 2014 £000	30 June 2015 £000
Notes		
Net assets as reported under previous UK GAAP	(544,807)	(571,785)
Adjustments arising from transition to FRS 102:		
Revaluation of long term debtors/creditors	(3,038)	(2,096)
Net assets reported under FRS 102	<u>(547,845)</u>	<u>(573,881)</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

27 Reconciliations on adoption of FRS 102

Reconciliation of profit or loss

	Notes	2015 £000
Profit or loss as reported under previous UK GAAP		(26,978)
Adjustments arising from transition to FRS 102:		
Movement in amortisation of Intangible Assets	1	242
Movement in profit/(loss) on disposal of Intangible assets	1	(1,216)
Movement in finance income received	1	2,936
Movement in interest payable	1	(1,020)
Movement in tax charge	2	(243)
Profit or loss reported under FRS 102		<u>(26,279)</u>

Notes to reconciliations on adoption of FRS 102

1 Long term Debtors & Creditors

Debtor and creditor balances relating to future transfer fees receivable and payable have been recorded at the net present value of future payments, discounted using a market rate of interest resulting in interest expense and interest income being recognised over the period of the transactions.

2 Deferred Tax

Deferred tax movements have been recognised in relation to the revaluation of fixed assets at the substantively enacted tax rate at the applicable balance sheet date.