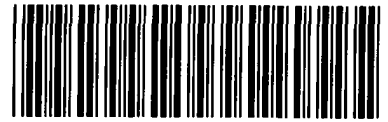


Company Registration No. 01965149 (England and Wales)

CHELSEA FOOTBALL CLUB LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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CHELSEA FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	B Buck D Barnard M Granovskaia E Tenenbaum J G Laurence
Secretary	J Bonington
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 2019

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

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 £96.0m (2018: profit of £60.1m).

Fair review of the business

Profit and Loss

The loss for the year before taxation was £101.2m compared to a profit of £65.3m for the prior year. Increased wages and salary costs and reduced profit on player sales were the principal reasons for this movement.

This year saw a marginal increase in turnover from £422.6m to £423.6m. This was driven by a £12.0 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 £7.0m fall in matchday income and a £4.0m 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. These movements were 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 £559.1m have increased by £93.4m compared with £465.7m 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 £39.9m.

The football club made a profit on player trading of £60.4m 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 £476.5m from £369.1m. This movement is a result of £280.5m of player acquisitions including Kepa Arrizabalaga from Athletic Bilbao, Christian Pulisic from Borussia Dortmund and Jorginho from Napoli. This was offset by amortisation of £167.5m and the disposal of player registrations with a combined net book value of £5.5m as noted above.

Tangible fixed assets are £144.7m at the year end. The main portion of the £10.3m additions related to the acquisition of the leasehold of the Kingsmeadow stadium.

Net current liabilities at £234.7m have decreased by £33.4m. This is principally as a result of a decrease in trade creditors falling due within one year of £7.7m, a decrease in accruals of £24.7m and an increase in debtors of 5.3m.

Creditors falling due after more than one year of £1,055.1m include £1,017.3m owed to the Company's parent company, Chelsea FC plc. This is the Company's principal source of financing.

CHELSEA FOOTBALL CLUB 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 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 three principal sources: matchday revenue, broadcasting and commercial income.

Expenditure

The football club'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 deals 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, Chelsea FC plc, which in turn is supported by Fordstam Limited. 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.

CHELSEA FOOTBALL CLUB 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 (2018: 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
- Compliance with Premier League enhanced financial regulations

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 2019 was £1,051.7m (2018: £843.6m). This assumes 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 £476.5m as disclosed in Note 12 to the financial statements.

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.

On behalf of the board



B Buck

Director

31 October 2019

CHELSEA FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their annual report and financial statements for the year ended 30 June 2019.

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
J G Laurence

Results and dividends

The results for the year are set out on page 8.

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.

On behalf of the board



B Buck

Director

31 October 2019

CHELSEA FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

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 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 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the 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 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 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 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.

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

CHELSEA FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHELSEA FOOTBALL CLUB LIMITED

Opinion

We have audited the financial statements of Chelsea Football Club Limited ("the company") for the year ended 30 June 2019, which comprise the Profit and Loss account, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 company's affairs as at 30 June 2019 and of its 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.

CHELSEA FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHELSEA FOOTBALL CLUB 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

CHELSEA FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Operations excluding player trading 2019 £000	Player amortisation and trading 2019 £000	Total 2019 £000	2018 £000
Turnover	3	423,637	-	423,637	422,593
Cost of sales		(322,334)	-	(322,334)	(280,859)
Gross profit		101,303	-	101,303	141,734
Administrative expenses		(69,273)	(167,494)	(236,767)	(184,794)
Exceptional item	4	(26,647)	-	(26,647)	(6,000)
Operating loss	5	5,383	(167,494)	(162,111)	(49,060)
Interest receivable and similar income	9	-	2,420	2,420	3,035
Interest payable and similar charges	10	-	(2,548)	(2,548)	(1,677)
Profit on disposal of player registrations	5	-	60,449	60,449	112,963
Loss on disposal of tangible fixed assets		594	-	594	11
(Loss)/profit before taxation		5,977	(107,173)	(101,196)	65,272
Taxation	11	5,176	-	5,176	(5,176)
(Loss)/profit for the financial year		11,153	(107,173)	(96,020)	60,096

The notes on pages 12 to 25 form an integral part of these financial statements.

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

CHELSEA FOOTBALL CLUB LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	2019 £000	2018 £000
(Loss)/profit for the year	(96,020)	60,096
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(96,020)</u>	<u>60,096</u>

The notes on pages 12 to 25 form an integral part of these financial statements.

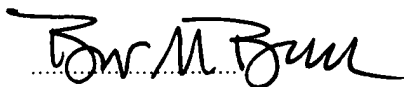
CHELSEA FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	12	476,548	369,052
Tangible assets	13	144,679	142,823
		<u>621,227</u>	<u>511,875</u>
Current assets			
Debtors	14	14,401	9,082
Cash at bank and in hand		5	3
		<u>14,406</u>	<u>9,085</u>
Creditors: amounts falling due within one year	15	<u>(249,067)</u>	<u>(277,137)</u>
Net current liabilities		<u>(234,661)</u>	<u>(268,052)</u>
Total assets less current liabilities		<u>386,566</u>	<u>243,823</u>
Creditors: amounts falling due after more than one year	16	(1,055,102)	(816,339)
Net liabilities		<u>(668,536)</u>	<u>(572,516)</u>
Capital and reserves			
Called up share capital	18	10	10
Share premium account		99,990	99,990
Revaluation reserve		7,016	8,232
Profit and loss reserves		(775,552)	(680,748)
Total equity		<u>(668,536)</u>	<u>(572,516)</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



B Buck
Director

Company Registration No. 01965149

The notes on pages 12 to 25 form an integral part of these financial statements.

CHELSEA FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Share premium account	Revaluation reserve	Profit and loss reserves	Total
Notes	£000	£000	£000	£000	£000
Balance at 1 July 2017	10	99,990	9,448	(742,060)	(632,612)
Year ended 30 June 2018:					
Profit and total comprehensive income for the year	-	-	-	60,096	60,096
Difference on depreciation	-	-	(1,216)	1,216	-
Balance at 30 June 2018	10	99,990	8,232	(680,748)	(572,516)
Year ended 30 June 2019:					
Loss for the year	-	-	-	(96,020)	(96,020)
Other comprehensive income:					
Total comprehensive income for the year	-	-	-	(96,020)	(96,020)
Difference on depreciation	-	-	(1,216)	1,216	-
Balance at 30 June 2019	10	99,990	7,016	(775,552)	(668,536)

The notes on pages 12 to 25 form an integral part of these financial statements.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Company information

Chelsea Football Club Limited 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.

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 2019

1 Accounting policies

(Continued)

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 European competitions 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 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
----------	-----------

1.5 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
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

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

1.6 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.

1.7 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.

1.8 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.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

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.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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.

1.9 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.

1.10 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.

1.11 Retirement benefits

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

1.12 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 profit and loss account for the period.

1.13 Players' Registrations

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

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

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

1.14 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.

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:

	2019 £000	2018 £000
Turnover		
Matchday	64,761	71,751
Commercial	158,688	146,701
Broadcasting	200,188	204,141
	<u>423,637</u>	<u>422,593</u>

Other significant revenue

Interest income	<u>2,420</u>	<u>3,035</u>
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Turnover analysed by geographical market

	2019 £000	2018 £000
United Kingdom	<u>423,637</u>	<u>422,593</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

4 Exceptional costs

	2019 £000	2018 £000
Exceptional items	26,647	6,000

Exceptional items in the current year of £26.6m relate to changes in respect of 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.

5 Operating loss

	2019 £000	2018 £000
Operating loss for the year is stated after charging/(crediting):	£000	£000
Depreciation of owned tangible fixed assets	6,192	6,518
Profit on disposal of player registrations	(60,449)	(112,963)
Profit on disposal of tangible fixed assets	(594)	(11)
Amortisation of intangible assets	167,585	123,670
Operating lease charges	12	12

6 Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the company's auditor and associates:	£000	£000
For audit services		
Audit of the company's financial statements	40	39
For other services		
Fees payable to the Company auditor for the review of the Company's interim accounts	17	17
Taxation compliance services	16	16

7 Employees

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

	2019 Number	2018 Number
Playing staff (including managers/coaches)	126	124
Administration and commercial	283	236

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

7 Employees (Continued)

Their aggregate remuneration comprised:

	2019	2018
	£000	£000
Wages and salaries	231,306	197,394
Social security costs	30,677	24,703
Pension costs	812	773
	<u>262,795</u>	<u>222,870</u>

The company also employs approximately 950 (2018: 1,000) temporary staff on match days.

8 Directors' remuneration

	2019	2018
	£000	£000
Remuneration for qualifying services	250	244
Company pension contributions to defined contribution schemes	24	24
	<u>274</u>	<u>268</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1)

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

Remuneration for qualifying services	<u>250</u>	<u>244</u>
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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

	2019	2018
	£000	£000
Interest income		
Other interest income	<u>2,420</u>	<u>3,035</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 2019

10 Interest payable and similar charges

	2019	2018
	£000	£000
Other interest	2,548	1,677
	<u>2,548</u>	<u>1,677</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

	2019	2018
	£000	£000
Current tax		
UK corporation tax on (loss)/profit for the current period	(5,176)	5,176
	<u>(5,176)</u>	<u>5,176</u>

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

	2019	2018
	£000	£000
(Loss)/profit before taxation	(101,196)	65,272
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(19,227)	12,402
Tax effect of expenses that are not deductible in determining taxable profit	232	264
Adjustments in respect of prior years	2	-
Differences in current and deferred tax rates	1,534	-
Group relief	636	(1,015)
Fixed asset differences	67	635
Deferred tax not recognised	11,580	(7,110)
Tax expense for the year	<u>(5,176)</u>	<u>5,176</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

12 Intangible fixed assets

	Software £000	Players Registrations £000	Total £000
Cost			
At 1 July 2018	499	661,255	661,754
Additions	80	280,479	280,559
Disposals	-	(72,272)	(72,272)
At 30 June 2019	579	869,462	870,041
Amortisation and impairment			
At 1 July 2018	350	292,352	292,702
Amortisation charged for the year	91	167,494	167,585
Disposals	-	(66,794)	(66,794)
At 30 June 2019	441	393,052	393,493
Carrying amount			
At 30 June 2019	138	476,410	476,548
At 30 June 2018	149	368,903	369,052

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 2019 and no impairment was deemed necessary (2018: £0).

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

13 Tangible fixed assets

	Freehold land & buildings	Long lease land & buildings	Construction in progress	Fixtures, fittings & equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 July 2018	11,604	142,422	1,207	51,335	206,568
Additions	-	-	7,987	2,352	10,339
Disposals	(3,174)	-	-	(661)	(3,835)
Transfers	-	-	(434)	434	-
At 30 June 2019	8,430	142,422	8,760	53,460	213,072
Depreciation and impairment					
At 1 July 2018	2,478	34,540	-	26,727	63,745
Depreciation charged in the year	216	2,414	-	3,562	6,192
Eliminated in respect of disposals	(883)	-	-	(661)	(1,544)
At 30 June 2019	1,811	36,954	-	29,628	68,393
Carrying amount					
At 30 June 2019	6,619	105,468	8,760	23,832	144,679
At 30 June 2018	9,126	107,882	1,207	24,608	142,823

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:

	2019 £000	2018 £000
Cost	129,562	129,562
Accumulated depreciation	(40,426)	(37,835)
Carrying value	89,136	91,727

14 Debtors

	2019 £000	2018 £000
Amounts falling due within one year:		
Corporation tax recoverable	5,176	-
Other debtors	105	115
Prepayments and accrued income	9,120	8,967
	14,401	9,082

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

15 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	114,958	122,615
Corporation tax	-	4,100
Other creditors	10,998	2,648
Accruals and deferred income	123,111	147,774
	<u>249,067</u>	<u>277,137</u>

16 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Trade creditors	37,838	33,165
Amounts due to group undertakings	1,017,264	783,174
	<u>1,055,102</u>	<u>816,339</u>

17 Retirement benefit schemes

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).

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 (2018: £0.8m).

18 Share capital

	2019 £000	2018 £000
Ordinary share capital		
Issued and fully paid		
10,100 Ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>

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

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

19 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).

20 Events after the reporting date

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

21 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	
	2019 £000	2018 £000	2019 £000	2018 £000
Chelsea FC Foundation	1,702	53	259	307
Nike Chelsea Merchandising Limited	650	14	18	196
	<u>2,352</u>	<u>67</u>	<u>277</u>	<u>503</u>

The Board considers that the Chelsea FC Foundation and its subsidiaries are related parties of Chelsea Football Club Limited by virtue of significant influence.

Mr J Bonington is Company Secretary of Chelsea Football Club Limited, as well as serving as a Director of Nike Chelsea Merchandising Limited

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2019 £000	2018 £000
Nike Chelsea Merchandising Limited	-	50
Chelsea FC Foundation	68	39
	<u>68</u>	<u>89</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

22 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 registered office of Fordstam Limited and Chelsea FC plc is Stamford Bridge, Fulham Road, London, SW6 1HS. A copy of the Financial Statements can be obtained from the registered office.