

Company Registration No. 01965149 (England and Wales)

CHELSEA FOOTBALL CLUB LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018



CHELSEA FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	B Buck D Barnard M Granovskaia E Tenenbaum G Laurence
Secretary	J Bonington
Company number	01965149
Registered office	Stamford Bridge Fulham Road London 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 2018

The directors present the strategic report for the year ended 30 June 2018.

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 profit for the year, after taxation, was £60.1m (2017: profit of £12.97m).

Fair review of the business

Profit and Loss

The profit for the year before taxation was £65.3m compared to a profit of £13.1m before taxation for the prior year. Increased revenues and profits on player sales were the principal reasons for this improvement.

This year saw turnover increase from £332.2m to a record £422.6m. This was primarily a result of the club returning to European competition in the year, which led to an increase in broadcasting revenues of £41.7m together with an increase in matchday revenues of £9.9m. Furthermore, commercial income also increased in the year by £38.8m due to new sponsorship partners being introduced, which included new agreements with Nike, Sony and Ericsson.

Pre-exceptional item operating expenses of £465.7m have increased by £77.6m compared with £388.1m in the previous year. This was a result of increased player amortisation of £35.2m, an increase in our cost of sales of £29.8m and increased administrative expenses of £12.6m.

The football club made a profit on player trading of £113.0m in the year (2017: £69.2m) principally due to the sales of Diego Costa to Atletico Madrid, Nathan Ake and Asmir Begovic to Bournemouth and Nemanja Matic to Manchester United.

Balance Sheet

Intangible assets have increased to £369.1m at year end from £230.1m. This movement is a result of £290.3m of acquisitions offset by the net book value of disposals of £27.6m and amortisation of £123.7m.

Tangible fixed assets are £142.8m at the year end. As in prior years, the bulk of the £2.9m additions have been spent on improving facilities at Stamford Bridge and the training ground at Cobham.

The net current liabilities at £268.1m have increased by £52.1m. This is as a result of an increase in creditors falling due within one year of £55.4m, against a rise in debtors due within one year of £3.3m.

Creditors falling due after more than one year of £816.3m include £783.2m 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 2018

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: gate receipts, television 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

The football club will continue to invest in the playing staff by way of both transfer fees and wages, in order to attract the talent that will help us achieve our aim of being successful in both domestic and European competitions.

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 transactions 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, which it has done since 2012 and expects to do for the foreseeable future.

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.

CHELSEA FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Key performance indicators

The principal key performance indicators for 2017/18 of both a financial and non-financial nature were as follows:-

Non Financial

- Premier League 5th place (2017: Premier League 1st place)
- FA Cup Winners (2017: FA Cup Runners-Up)
- League Cup Semi-Finals (2017:4th Round)
- Champions League – Round of 16 (2017: n/a)
- Average league attendance of 41,482 (2017: 41,508)

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 financial regulations

Fixed Assets

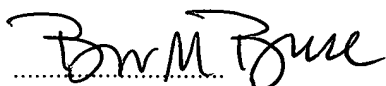
The movements in fixed assets during the year are as shown in notes 12 and 13 to the Financial Statements. The intangible fixed assets comprises the unamortised portion of the cost of players' registrations as well as a small balance in relation to internally generated software.

Officers of the Company have valued the playing staff. The average of their aggregate valuation as at 30 June 2018 was £843.6m. 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.

On behalf of the board



B Buck

Director

11 October 2018

CHELSEA FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the year ended 30 June 2018.

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
G Laurence (Appointed 26 February 2018)

Results and dividends

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

No dividends were paid. The directors do not recommend payment of a dividend.

Disabled persons

Disabled persons are given full and fair consideration in all applications for employment. Equal consideration is also given for training, career development and opportunities for promotion. If an existing employee becomes disabled, such steps that are practical are taken, in respect of adjustments to premises or employment arrangements, to retain him/her in employment. Where appropriate, rehabilitation and suitable training are provided.

Employee involvement

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

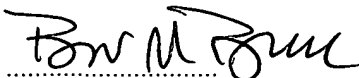
Auditor

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

Statement of disclosure to auditor

So far as 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

11 October 2018

CHELSEA FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

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.

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 2018 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and 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. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF CHELSEA FOOTBALL CLUB LIMITED

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.

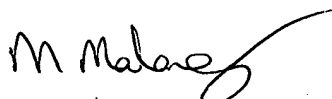
Auditor's responsibilities

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

11 October 2018

CHELSEA FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2018

		Operations excluding player trading 2018 £000	Player amortisation and trading 2018 £000	Total 2018 £000	2017 £000
	Notes				
Turnover	3	422,593	-	422,593	332,211
Cost of sales		(280,859)	-	(280,859)	(251,099)
Gross profit		141,734	-	141,734	81,112
Administrative expenses		(61,205)	(123,589)	(184,794)	(137,032)
Exceptional item	4	(6,000)	-	(6,000)	-
Operating loss	5	74,529	(123,589)	(49,060)	(55,920)
Interest receivable and similar income	9	-	3,035	3,035	1,470
Interest payable and similar charges	10	-	(1,677)	(1,677)	(1,524)
Profit on disposal of player registrations	5	-	112,963	112,963	69,216
Profit/(loss) on disposal of tangible fixed assets		11	-	11	(129)
Profit before taxation		74,540	(9,268)	65,272	13,113
Taxation	11	(5,176)	-	(5,176)	(143)
Profit for the financial year		69,364	(9,268)	60,096	12,970

The notes on 12 to 26 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 2018

	2018	2017
	£000	£000
Profit for the year	60,096	12,970
Other comprehensive income		
Tax relating to other comprehensive income	-	143
Total comprehensive income for the year	<u>60,096</u>	<u>13,113</u>

The notes on 12 to 26 form an integral part of these financial statements.

CHELSEA FOOTBALL CLUB LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Intangible assets	12	369,052	230,056
Tangible assets	13	142,823	146,457
		<u>511,875</u>	<u>376,513</u>
Current assets			
Debtors	14	9,082	5,802
Cash at bank and in hand		3	3
		<u>9,085</u>	<u>5,805</u>
Creditors: amounts falling due within one year	15	<u>(277,137)</u>	<u>(221,740)</u>
Net current liabilities		<u>(268,052)</u>	<u>(215,935)</u>
Total assets less current liabilities		243,823	160,578
Creditors: amounts falling due after more than one year	16	<u>(816,339)</u>	<u>(793,190)</u>
Net liabilities		<u>(572,516)</u>	<u>(632,612)</u>
Capital and reserves			
Called up share capital	18	10	10
Share premium account		99,990	99,990
Revaluation reserve		8,232	9,448
Profit and loss reserves		<u>(680,748)</u>	<u>(742,060)</u>
Total equity		<u>(572,516)</u>	<u>(632,612)</u>

The financial statements were approved by the board of directors and authorised for issue on 11 October 2018 and are signed on its behalf by:


B Buck
Director

Company Registration No. 01965149

The notes on 12 to 26 form an integral part of these financial statements.

CHELSEA FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Share premium account	Revaluation reserve	Profit and loss reserves	Total
Notes	£000	£000	£000	£000	£000
Balance at 1 July 2016	10	99,990	10,664	(756,389)	(645,725)
Year ended 30 June 2017:					
Profit for the year	-	-	-	12,970	12,970
Other comprehensive income:					
Deferred tax	-	-	-	143	143
Total comprehensive income for the year	-	-	-	13,113	13,113
Difference on depreciation	-	-	(1,216)	1,216	-
Balance at 30 June 2017	10	99,990	9,448	(742,060)	(632,612)
Year ended 30 June 2018:					
Profit for the year	-	-	-	60,096	60,096
Other comprehensive income:					
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)

The notes on 12 to 26 form an integral part of these financial statements.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 2018

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 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
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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 2018

1 Accounting policies

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 2018

1 Accounting policies

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 2018

1 Accounting policies

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 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 profit and loss account 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.

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 profit and loss account, 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.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

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

1.13 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.

1.14 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 in connection with the sale of a player are set off against the players' net book value at the date of sale, plus any payments made in settlement of the contracts, and the difference is treated as a profit or loss on disposal.

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.

1.15 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.

1.16 Stadium Development

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

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.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

3 Turnover and other revenue

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

	2018 £000	2017 £000
Turnover		
Matchday	71,751	61,814
Commercial	146,701	107,952
Broadcasting	204,141	162,445
	<u>422,593</u>	<u>332,211</u>

Other significant revenue

Interest income	<u>3,035</u>	<u>1,470</u>
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Turnover analysed by geographical market

	2018 £000	2017 £000
United Kingdom	<u>422,593</u>	<u>332,211</u>

4 Exceptional costs

	2018 £000	2017 £000
Exceptional items	<u>6,000</u>	<u>-</u>

Exceptional items consist of an accrual of £6m (2017: £nil) relating to the buy back of certain retail and licensing rights.

5 Operating loss

	2018 £000	2017 £000
Operating loss for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	6,518	6,345
Profit on disposal of player registrations	(112,963)	(69,216)
(Profit)/loss on disposal of tangible fixed assets	(11)	129
Amortisation of intangible assets	123,670	88,471
Operating lease charges	<u>12</u>	<u>12</u>

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

6 Auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	39	36
For other services		
Fees payable to the Company auditor for the review of the Company's interim accounts	17	9
Taxation compliance services	16	16
	33	25

7 Employees

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

	2018	2017
	Number	Number
Playing staff (including managers/coaches)	124	117
Administration and commercial	236	224
	360	341

Their aggregate remuneration comprised:

	2018	2017
	£000	£000
Wages and salaries	197,394	181,083
Social security costs	24,703	21,664
Pension costs	773	752
	222,870	203,499

The company also employs approximately 1,000 (2017: 1,100) temporary staff on match days.

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

8 Directors' remuneration	2018 £000	2017 £000
Remuneration for qualifying services	244	229
Company pension contributions to defined contribution schemes	24	22
	<u>268</u>	<u>251</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

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

Remuneration for qualifying services	<u>244</u>	<u>229</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	2018 £000	2017 £000
Interest income		
Other interest income	<u>3,035</u>	<u>1,470</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

10 Interest payable and similar charges	2018 £000	2017 £000
Other interest	<u>1,677</u>	<u>1,524</u>
	<u>1,677</u>	<u>1,524</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

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

11 Taxation

	2018 £000	2017 £000
Current tax		
UK corporation tax on profits for the current period	5,176	-
Deferred tax		
Changes in tax rates	-	143
Total tax charge	<u>5,176</u>	<u>143</u>

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

	2018 £000	2017 £000
Profit before taxation	<u>65,272</u>	<u>13,113</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	12,402	2,590
Tax effect of expenses that are not deductible in determining taxable profit	264	1,105
Deferred tax not recognised	(7,110)	(10,444)
Effect of change in corporation tax rate	-	6,126
Group relief	(1,015)	-
Fixed asset differences	635	623
Deferred tax charged directly to equity	-	143
Tax expense for the year	<u>5,176</u>	<u>143</u>

CHELSEA FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

12 Intangible fixed assets

	Software	Players	Total
	Registrations		
	£000	£000	£000
Cost			
At 1 July 2017	330	456,393	456,723
Additions	169	290,146	290,315
Disposals	-	(85,284)	(85,284)
At 30 June 2018	<u>499</u>	<u>661,255</u>	<u>661,754</u>
Amortisation and impairment			
At 1 July 2017	269	226,398	226,667
Amortisation charged for the year	81	123,589	123,670
Disposals	-	(57,635)	(57,635)
At 30 June 2018	<u>350</u>	<u>292,352</u>	<u>292,702</u>
Carrying amount			
At 30 June 2018	<u>149</u>	<u>368,903</u>	<u>369,052</u>
At 30 June 2017	<u>61</u>	<u>229,995</u>	<u>230,056</u>

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 2018 and no impairment was deemed necessary (2017: £0).

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

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 2017	11,604	142,422	781	50,878	205,685
Additions	-	-	263	2,621	2,884
Disposals	-	-	-	(2,001)	(2,001)
Transfers	-	-	163	(163)	-
At 30 June 2018	11,604	142,422	1,207	51,335	206,568
Depreciation and impairment					
At 1 July 2017	2,246	32,126	-	24,856	59,228
Depreciation charged in the year	232	2,414	-	3,872	6,518
Eliminated in respect of disposals	-	-	-	(2,001)	(2,001)
At 30 June 2018	2,478	34,540	-	26,727	63,745
Carrying amount					
At 30 June 2018	9,126	107,882	1,207	24,608	142,823
At 30 June 2017	9,358	110,296	781	26,022	146,457

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:

	2018 £000	2017 £000
Cost	129,562	129,562
Accumulated depreciation	(37,835)	(35,244)
Carrying value	91,727	94,318

14 Debtors

	2018 £000	2017 £000
Amounts falling due within one year:		
Other debtors	115	99
Prepayments and accrued income	8,967	5,703
	9,082	5,802

CHELSEA FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

15 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	122,615	43,768
Corporation tax	4,100	-
Other creditors	2,648	2,751
Accruals and deferred income	147,774	175,221
	<u>277,137</u>	<u>221,740</u>

16 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Trade creditors	33,165	12,802
Amounts due to group undertakings	783,174	780,388
	<u>816,339</u>	<u>793,190</u>

17 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 £284,158. 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 (2017: £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 (2017: £0.8m).

18 Share capital

	2018 £000	2017 £000
Ordinary share capital		
Issued and fully paid		
10,100 Ordinary shares of £1 each	<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 2018

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 £4.7m (2017: £2.8m).

20 Events after the reporting date

On 13 July 2018 the Club parted company with Head Coach Antonio Conte. Maurizio Sarri was appointed as his replacement on 14 July 2018.

Since the year end the Club has acquired the registrations of 3 players and disposed of the registrations of 3 players.

The likely net cost of these transactions, including all applicable levies, is £125.5m.

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	
	2018 £000	2017 £000	2018 £000	2017 £000
Roman Abramovich	-	1,028	-	-
Chelsea FC Foundation	53	45	307	283
Nike Chelsea Merchandising Limited	14	-	196	-
	<u>67</u>	<u>1,073</u>	<u>503</u>	<u>283</u>

The Board considers that Chelsea FC Foundation and its subsidiaries are a related party 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.

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

CHELSEA FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

21 Related party transactions

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2018	2017
	£000	£000
Nike Chelsea Merchandising Limited	50	-
Chelsea FC Foundation	39	59
	<u>89</u>	<u>59</u>

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.