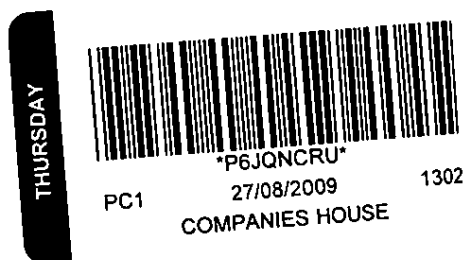


Southampton Football Club Limited

Report and Financial Statements

30 June 2008



REPORT AND FINANCIAL STATEMENTS 2008

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REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D A Jones
N Cortese (appointed 1 August 2009)

SECRETARY

D A Jones (appointed 3 July 2008)

REGISTERED OFFICE

St Mary's Stadium
Britannia Road
Southampton
SO14 5FP

BANKERS

Barclays Bank PLC
4th Floor
Apex Plaza
Forbury Road
Reading
RG1 1AX

SOLICITORS

Paris Smith LLP
1 London Rd
Southampton
SO15 2AE

AUDITORS

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton

BUSINESS REVIEW

Financial Review

The financial statements have been prepared for the 12 months ended 30 June 2008.

The 2007/2008 football season was a major disappointment with the Club finishing 20th in the Coca Cola Championship, only surviving relegation on the final day of the season. Having been so close to promotion in 2006/2007 season, and losing in a penalty shoot out in the play off semi-final, the Board backed its football manager George Burley, to strengthen the squad with transfer fees increased player wages to make a further challenge for promotion to the lucrative Premier League. This challenge did not materialise and the poor football performances had an impact on attendances and all other commercial revenue streams.

The cost of this player expenditure, together with the loss of the parachute payment from the Premier League, has had a materially adverse impact on the financial results, which show a 42% reduction in revenue from £19m to £12m and an increase in the loss before taxation from £2.7m to £4.7m, despite a £13.1m profit on disposal of players' registrations.

Principal risks and uncertainties

The principal risks are associated with the performance of the team and the league in which the football club operate, as revenues, particularly those from broadcasting, are substantially lower when the club is participating in the lower leagues. The company manages the impact of that risk through close control of its direct costs, relative to its forecast income. Liquidity risk has been a problem in recent years but as set out in note 1 to the accounts, the company now has the support of its new parent company and controlling party. Credit risk relates primarily to trade debtors from its commercial activities. The company monitors credit risk closely and consider its policies mitigate its exposure to credit risk. The company does not have any major exposure to interest rate risk as its borrowings are now financed by inter company loans.

Outlook

In April 2009, the parent company of Southampton Football Club, Southampton Leisure Holdings Plc, was placed into administration by its directors. The appointed administrators quickly set about trying to find a buyer for the Club. The Club continued to trade with the support of its creditors and with the help from its fans through increased attendances and through donations. On the pitch however, the Club was unsuccessful, and was relegated from the Championship at the end of the 2008/09 season. The Club will start the 2009/10 season in Division 1 with a 10 point deficit, following a penalty imposed by the Football League due to the administration of the Club's parent company.

On 8 July 2009, the entire share capital of the Club was purchased by DMWSL 613 Ltd, a company which is 100% owned by Markus Liebherr, a Swiss businessman. The Club is now financially stable, and having just appointed Alan Pardew as its new football manager, the Directors are now optimistic about the future prospects for the Club both on and off the field.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2008.

PRINCIPAL ACTIVITY

The company is a football club, which participates in the Coca Cola Football League Championship, other leagues and cup competitions.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The profit and loss account is set out on page 7 and shows a loss before tax for the year of £4,686,600 (2007: loss £2,714,768). No dividend (2007: £nil) is proposed. The information that fulfils the requirements of the business review can be found on page 2.

DIRECTORS AND THEIR INTERESTS

A list of the present directors of the company is given on page 1. M G R Wilde, R J G Lowe and A E Cowen were appointed to the Board on 15 May 2008 and resigned as directors on 1 April 2009. C L Hoos resigned as a director on 13 May 2008. L A Crouch, M A Corbett and L McMenemy resigned as directors on 15 May 2008. K Tointon was appointed to the board on 1 April 2009 and resigned as a director on 8 July 2009.

The directors had no interests in the share capital of the company or any other group company, other than the parent undertaking at the year end.

The directors' interests in the share capital of the parent undertaking, Southampton Leisure Holdings PLC, are disclosed in the accounts of that company.

PLAYERS' REGISTRATION

As stated in accounting policy note 1, the cost of acquired players is reflected in the accounts in order to comply with FRS 10 Goodwill and intangible assets.

POLICY ON PAYMENT OF CREDITORS

The company values its relationship with its many suppliers. As part of meeting its obligations under each purchase transaction, the company's policy is to pay amounts due for settlement in accordance with the negotiated terms of trade.

Trade creditors at 30 June 2008 represented 41 days of annual purchases (2007: 35). This figure excludes creditors in respect of player purchases which are paid on the date when payment is contractually due.

AUDITORS

All of the current Directors have the reasonable belief that they have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board



D A Jones
Secretary

19.8.09

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHAMPTON FOOTBALL CLUB LIMITED

We have audited the financial statements of Southampton Football Club Limited for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and the Business Review and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHAMPTON FOOTBALL CLUB LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

Arcadia House

Maritime Walk

Ocean Village

Southampton

SO14 3TL

Date: *26 August, 2009*

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2008

	Note	Operations excluding player trading 2008 £	Player trading* 2008 £	Year ended 30 June 2008 £	Year ended 30 June 2007 £
TURNOVER	2	11,691,644	-	11,691,644	19,048,280
Cost of sales		(23,306,544)	(3,262,057)	(26,268,601)	(24,344,204)
Gross loss		(11,314,900)	(3,262,057)	(14,576,957)	(5,295,924)
Administrative expenses					
Provision against inter-company loans		-	-	-	(345,365)
Other		(2,869,270)	-	(2,869,270)	(2,963,354)
Total		(2,869,270)	-	(2,869,270)	(3,308,719)
Operating loss	3	(14,184,170)	(3,262,057)	(17,446,227)	(8,604,643)
Profit on disposal of players		-	13,063,635	13,063,635	6,054,164
(Loss)/profit before interest and taxation		(14,184,170)	9,801,578	(4,382,592)	(2,550,479)
Net interest receivable/(payable)	6			(304,008)	(164,289)
Loss on ordinary activities before taxation				(4,686,600)	(2,714,768)
Tax on loss on ordinary activities	7			-	749,795
Retained loss for the financial year	18			(4,686,600)	(1,964,973)

*Player trading represents the amortisation and the profit or loss on disposal of player registrations.

All amounts derive from continuing activities.

There are no recognised gains or losses for the current financial year or preceding financial year other than as stated above. Accordingly a statement of total recognised gains and losses has not been presented.

BALANCE SHEET

30 June 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	8	6,375,723	5,401,989
Tangible assets	9	593,912	849,274
		<u>6,969,635</u>	<u>6,251,263</u>
CURRENT ASSETS			
Stocks	10	287,612	383,259
Debtors	11	9,833,364	6,820,062
Cash and bank balances		-	660,922
		<u>10,120,976</u>	<u>7,864,243</u>
CREDITORS: amounts falling due within one year	12	<u>(23,366,659)</u>	<u>(15,088,277)</u>
NET CURRENT LIABILITIES		<u>(13,245,683)</u>	<u>(7,224,034)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(6,276,048)	(972,771)
CREDITORS: amounts falling due after more than one year	13	(403,004)	(976,444)
PROVISION FOR LIABILITIES AND CHARGES	16	<u>(456,803)</u>	<u>(500,000)</u>
NET (LIABILITIES)/ASSETS		<u>(7,135,815)</u>	<u>(2,449,215)</u>
CAPITAL AND RESERVES			
Called up share capital	17	52,570	52,570
Profit and loss account	18	<u>(7,188,385)</u>	<u>(2,501,785)</u>
	18	<u>(7,135,815)</u>	<u>(2,449,215)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 19 - August 2009.

Signed on behalf of the Board of Directors



D A Jones
Secretary

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

Going Concern

Although the company is reporting a loss for the year and has significant net liabilities, its principal indebtedness at the year end was to a fellow subsidiary company and the bank. As set out in note 22 the company has been acquired since the year end and its indebtedness to the bank cleared.

The company is now dependent for financial support on its new parent company to fund its working capital requirements for the foreseeable future. The Directors have prepared a cash flow forecast for the twelve months ended 30 June 2010 which demonstrates the need for an injection of Working Capital. The directors have received assurances from the new controlling party that these funds will be made available as and when they are required. Accordingly, the Directors consider it appropriate to prepare the accounts on a going concern basis.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the total amount receivable from the principal activities of the company, excluding transfer fees receivable, and is stated net of value added tax. Income from broadcasting, match days, and those elements of commercial activities relating to matches is recognised when related matches are played; income from advance ticket sales is deferred accordingly. Other commercial income is recognised on a receivable basis.

Intangible assets

The element of each player's transfer fee which relates to his registration is capitalised as an intangible asset and amortised over the period of his contract including any agreed extensions, subject to any provision for impairment. Contingent fees payable, which are dependent upon the number of first team appearances and international debuts made, are capitalised in the year when it is considered probable that the conditions of the contract will be satisfied.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation less any provision for impairment. Depreciation is provided on all tangible fixed assets other than assets under development, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Equipment	-	over 4 to 10 years
Motor vehicles	-	over 4 to 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

Signing on fees

Signing on fees are charged to cost of sales over the duration of the player's contract.

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company makes contributions to the Football League Pension Scheme on behalf of its employees who are members of that scheme. The charge in the accounts represents the premiums due during the year.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties excluding transfer fees receivable. Turnover is attributable to one continuing activity, the operation of a professional football club. All amounts are derived in the United Kingdom.

3. OPERATING LOSS

	2008 £	2007 £
Operating loss is stated after charging:		
Amortisation of players	3,262,057	2,565,614
Auditors' remuneration		
- audit	15,000	15,000
- other services	15,000	15,000
Depreciation of fixed assets		
- owned	320,997	377,837
Rentals under operating leases		
- plant and machinery	8,904	4,400
- other	136,537	143,744

4. DIRECTORS' REMUNERATION

Directors' remuneration is borne by the parent company and disclosed in its accounts. The company paid £75,000 in the year for consultancy services to Lawrie McMenemy Limited, a company in which one of the directors, L McMenemy has an interest.

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

5. STAFF COSTS

	2008 £	2007 £
Wages and salaries	13,886,551	12,585,610
Social security costs	1,613,680	1,421,322
Pension contributions	103,229	99,536
	<u>15,603,460</u>	<u>14,106,468</u>

The average monthly number of employees employed by the company during the year is as follows:

	2008 No.	2007 No.
Administrative	59	41
Football	129	155
	<u>188</u>	<u>196</u>

In addition the company employs approximately 300 temporary staff on match days (2007: 320).

Certain staff of the company are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS'), a defined benefit scheme. As the company is one of a number of participating employers in the FLLPLAS, the scheme actuary has indicated that it is not possible to allocate any of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and consequently contributions are expensed in the profit and loss account as they become payable. For this reason, under FRS 17, the scheme would be accounted for as if it were a defined contribution scheme. Other than the information below, no information is available about the deficit in the scheme as a whole. The assets of the schemes are held separately from those of the company, being invested with insurance companies.

In August 1999, following an independent actuaries' report commissioned by the Trustees a substantial deficit in the FLLPLAS was identified. The scheme has now closed to new members.

The latest actuarial valuation of the scheme at 31 August 2005 has indicated that the Club's provisional share of the deficit is £198,903 as at 1 April 2006. This is being repaid over a ten year period at a monthly repayment of £2,449.

Contributions payable by the company to employees' (including executive Directors) personal pension schemes are charged to the profit and loss account in the year to which they relate. The schemes are defined contribution schemes, the assets of which are held separately from the company.

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

6. NET INTEREST RECEIVABLE/(PAYABLE)

	2008 £	2007 £
Interest payable on bank overdraft and loan	(312,510)	(172,590)
Bank deposit interest receivable	8,502	8,301
	<u>(304,008)</u>	<u>(164,289)</u>

7. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	2008 £	2007 £
Current tax:		
United Kingdom corporation tax at 29.5% (2007: 30%)	-	-
Total current tax (credit)/charge	-	-
Deferred tax		
Timing differences, origination and reversal	-	-
Adjustment in respect of prior years	-	(749,795)
Total deferred tax charge	-	(749,795)
Tax (credit) charge on (loss) on ordinary activities	-	(749,795)

Factors affecting tax charge for the current year

The tax assessed for the year is higher (2007: higher) than that resulting from applying the standard rate of corporation tax in the UK: 29.5% (2007: 30%).

The differences are explained below:

	2008 £	2007 £
Loss on ordinary activities before tax	(4,686,600)	(2,714,768)
Loss on ordinary activities at the standard rate of corporation tax	(1,382,547)	(814,430))
Effects of:		
Expenses not deductible for tax purposes	39,625	72,689
Capital allowances in excess of depreciation	74,859	(38,656)
Movement on unutilised tax losses	1,342,374	124,374
Group relief not paid for	91,870	102,375
Other deferred tax movements	748,319	553,648
Proceeds on disposal of Theo Walcott	(914,500)	-
Current tax charge	-	-

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

7. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

A deferred tax asset has not been recognised in respect of timing differences relating primarily to trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is (£3,658,154) (2007: £1,665,765). The asset would be recovered if the company make suitable taxable future profits.

	2008 £	2007 £
Analysis of deferred tax balance (see also note 16)		
Capital allowances in excess of depreciation	310,776	232,513
Short term timing differences	-	-
Rolled over gain on players	(911,326)	(1,836,045)
Losses	600,550	1,603,532
	<hr/>	<hr/>
Deferred tax (liability)/asset	-	-
	<hr/>	<hr/>

8. INTANGIBLE FIXED ASSETS

	Player registrations £
Cost	
At 1 June 2007	19,278,200
Additions	4,803,776
Disposals	(2,612,142)
	<hr/>
At 30 June 2008	11,469,834
Accumulated amortisation	
At 1 June 2007	3,876,211
Charge for the year	3,262,057
Disposals	(2,044,157)
	<hr/>
At 30 June 2008	5,094,111
Net book value	
At 30 June 2008	<hr/> 6,375,723 <hr/>
At 30 June 2007	<hr/> 5,401,989 <hr/>

Amortisation of player registrations is normally calculated on a straight line basis. Where appropriate, adjustments are made to reflect the specific circumstances of individual players.

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

9. TANGIBLE FIXED ASSETS

	Equipment £	Motor vehicles £	Total £
Cost			
At 1 June 2007	2,873,265	106,051	2,979,316
Additions	70,635	-	70,635
Disposals	-	(28,482)	(28,482)
At 30 June 2008	2,943,900	77,569	3,021,469
Depreciation			
At 1 June 2007	2,038,102	91,940	2,130,042
Provided during the year	312,613	8,384	320,997
Disposals	-	(23,482)	(23,482)
At 30 June 2008	2,350,715	76,842	2,427,557
Net book value			
At 30 June 2008	593,185	727	593,912
At 30 June 2007	835,163	14,111	849,274

10. STOCKS

	2008 £	2007 £
Goods for resale	287,612	383,259

There is no material difference between the balance sheet values of stock and their replacement cost.

11. DEBTORS

	2008 £	2007 £
Trade debtors	4,443,892	1,546,017
Amounts due from parent company (Note 22)	4,919,812	4,421,520
Amounts due from group undertakings	107,749	139,281
Prepayments and accrued income	361,911	713,244
	9,833,364	6,820,062

All amounts are due within one year.

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Bank loan (see notes 14 and 22)	100,000	100,000
Football League loan	88,360	88,340
Bank overdraft	5,674,113	-
Trade creditors	2,334,134	1,661,468
Amounts due to group undertaking	13,288,829	10,368,668
Other taxation and social security	685,835	1,706,538
Accruals and deferred income	1,039,379	1,007,254
Finance Lease	156,009	156,009
	<u>23,366,659</u>	<u>15,088,277</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £	2007 £
Bank loan (see note 14)	325,000	425,000
Football League loan	-	88,320
Trade creditors	-	229,112
Accruals and deferred income	-	-
Finance Lease	78,004	234,012
	<u>403,004</u>	<u>976,444</u>

14. BORROWINGS

	2008		2007	
	Bank Loans & Overdraft £	Finance Lease £	Bank Loan £	Finance Lease 2007 £
Amounts payable:				
Within one year or on demand	5,862,473	156,009	188,340	156,009
Between one and two years	100,000	78,004	188,339	156,009
Between two and five years	225,000	-	299,981	78,003
After five years	-	-	25,000	-
	<u>6,187,473</u>	<u>234,013</u>	<u>701,660</u>	<u>390,021</u>

A bank loan of £1,000,000 was taken out during the year ended 31 May 2003. The loan is repayable in quarterly instalments over a ten year period at an interest rate of 2% over the bank base rate. The bank borrowings are secured upon group freehold properties. Obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

15. FINANCIAL COMMITMENTS

At 30 June 2008, the company was committed to making the following annual payment under operating leases. The total future value of minimum lease payments are as follows:-

	2008 Land and buildings £	2007 Land and buildings £
Leases which expire:		
Within one year	136,000	136,000
Within two to five years	522,000	545,000
Five years or more	225,000	338,000
	<u>883,000</u>	<u>1,019,000</u>

The comparatives have been adjusted as the other lease commitments in 2007 have been recognised as finance leases in 2008.

16. PROVISION FOR LIABILITIES AND CHARGES

	2008 £	2007 £
Contingent transfer fees payable	<u>456,803</u>	<u>500,000</u>
	2008 £	2007 £
Contingent transfer fees		
Opening balance	500,000	833,400
Capitalised in the year	632,741	762,813
Released	-	(311,525)
Paid	<u>(675,938)</u>	<u>(784,688)</u>
Closing balance	<u>456,803</u>	<u>500,000</u>

The Directors have made provision for contingent transfer fees where they consider it probable that the contingency will occur and the contractual amount will become payable.

17. SHARE CAPITAL

	2008 £	2007 £
Authorised:		
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>52,570</u>	<u>52,570</u>

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	2008 Total £	2007 Total £
At 1 June	52,570	(2,501,785)	(2,449,215)	(484,242)
(Loss) for the year	-	(4,686,600)	(4,686,600)	(1,964,973)
At 30 June	<u>52,570</u>	<u>(7,188,385)</u>	<u>(7,135,815)</u>	<u>(2,449,215)</u>

19. CONTINGENT LIABILITIES

Excluding items provided in the balance sheet, at 30 June 2008 Southampton Football Club had a liability to pay up to £1,072,500 (2007: £1,589,000) to other clubs in respect of players under contract, dependent upon the number of first team appearances and international debuts made.

At 30 June 2008 the company had contingent sums receivable from other Clubs in respect of players sold. Due to the uncertainty of receipt of these contingent assets it is not practicable to disclose the amount likely to be received.

20. ULTIMATE PARENT UNDERTAKING

During the year the company was a wholly owned subsidiary undertaking of Southampton Leisure Holdings PLC, now in administration, which was also the ultimate parent undertaking and controlling party and is incorporated in Great Britain.

Details of the change in ownership are disclosed under note 22.

21. RELATED PARTY TRANSACTIONS

The company has utilised the exemption given under Financial Reporting Standard No.8 paragraph 3(c) as a wholly owned subsidiary not to disclose transactions with other entities that are part of, or investees in, the Southampton Leisure Holdings PLC group. Disclosure of transactions with other related parties has been made in note 4.

22. POST BALANCE SHEET EVENTS

Since the end of the financial year, the company has contracted for the sale of various players. The net profit on sale of these players is approximately £4.8m. These transfers will be accounted for in the year ended 30 June 2009.

In April 2009, the parent company of Southampton Football Club, Southampton Leisure Holdings Plc, was placed into administration by its directors. The Company continued to trade with the support of its creditors and with the help from its fans through increased attendances and through donations. On the pitch however, the Company was unsuccessful, and was relegated from the Championship at the end of the 2008/09 season. Southampton F C will start the 2009/10 season in Division 1 with a 10 point deficit, following a penalty imposed by the Football League due to the administration of the Club's parent company.

22. POST BALANCE SHEET EVENTS (CONTINUED)

On 8 July 2009, the entire share capital of the Company was purchased by DMWSL 613 Ltd, a company which is 100% owned by Markus Liebherr, a Swiss businessman. The Company is now

NOTES TO THE ACCOUNTS

Period ended 30 June 2008

financially stable, and having just appointed Alan Pardew as its new football manager, the Directors are now optimistic about the future prospects for the Company both on and off the field.

As part of the acquisition of the company and its fellow subsidiaries, the company's indebtedness to the bank and trade creditors were settled, together with arrangements to cancel inter company balances with its old parent company.