

Company Registration No. 53703

**THE READING FOOTBALL
CLUB LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

30 JUNE 2007

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THE READING FOOTBALL CLUB LIMITED

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THE READING FOOTBALL CLUB LIMITED

OFFICERS AND ADVISERS

Directors R J Madejski OBE, DL (Chairman)
I Wood-Smith

Company Secretary B Stabler

Registered Office Madejski Stadium,
Junction 11, M4,
Reading,
Berkshire,
RG2 0FL

Auditors Myers Clark,
Iveco House,
Station Road,
Watford, Herts ,
WD17 1DL

Principal Bankers HSBC Bank plc,
26 Broad Street,
Reading,
Berkshire,
RG1 2BU

Solicitors Field Seymour Parkes,
The Old Coroners Court,
No 1 London Street,
P O Box 174,
Reading,
Berkshire,
RG1 4QW

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

The directors present herewith the audited financial statements of the company for the year ended 30 June 2007

Principal activities and review of business

The principal activity of the company continues to be that of a professional Football League Club. Following the company's expansion of its facilities in recent years, the company now provides sports and event venue and conference facilities.

The loss of Premiership status and the consequential effect on income is the significant risk to the Group. The Board acknowledges this and recognises that to remain competitive within this league, it needs to continue to invest in players, whilst managing the costs associated with this within the financial constraints the company faces.

The Board have also recognised the need to develop income streams that are not reliant on the club retaining its Premiership status and are continually researching ways to improve non-football income.

Results and dividends

The results for the year are set out in the profit and loss account on page 6.

The directors do not recommend payment of a dividend for the year ended 30 June 2007.

Market value of land and buildings

In the opinion of the directors, the market value of the freehold property exceeds the amount at which it is stated in the financial statements.

Future developments

The retention of Premiership status for the 2007 / 2008 season should enable the company to continue making profits and improve the balance sheet position.

Directors

The directors of the company at 30 June 2007 and who have served throughout the year were as follows:

R J Madejski OBE, DL (Chairman)
I Wood-Smith

Directors' interests in shares of the company

According to the share register required to be kept under the provisions of Section 325 of the Companies Act 1985, the interests of the directors holding office at 30 June 2007 in the shares of the company, were as follows:

	Ordinary Shares of 50p each	
	30 June 2007	30 June 2006
R J Madejski OBE, DL	-	-
I Wood-Smith	-	-

In addition, at 30 June 2007 R J Madejski OBE, DL and I Wood-Smith held 4,399,881 and 3 ordinary shares of 50p each respectively in the holding company, The Reading Football Club (Holdings) PLC.

Payment of creditors

It is the company's policy to settle terms of payment with its suppliers when agreeing the terms of each business transaction, and ensuring that they abide by them and that each supplier is aware of these agreed terms.

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2007 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing 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 period

In preparing those financial statements the directors are required to select suitable accounting policies and then apply them consistently, make judgements 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, and 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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

Employees

The company recognises the importance of good employee relations and communications. Employees are regularly kept informed of and express their views on activities which are of concern to them or which are likely to affect their interests

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

Auditors

In accordance with section 385(2) of the Companies Act 1985 a resolution will be submitted at the forthcoming Annual General Meeting that Myers Clark, Chartered Accountants, be re-appointed as auditors

Statement of disclosure to the auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

By Order of the Board

B STABLER

Secretary

Madejski Stadium,
Junction 11, M4,
Reading,
Berkshire,
RG2 0FL

9 November 2007

THE READING FOOTBALL CLUB LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE READING FOOTBALL CLUB LIMITED

We have audited the financial statements of The Reading Football Club Limited on pages 6 to 20 for the year ended 30 June 2007. These financial statements have been prepared in accordance with the historical cost convention and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices).

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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or 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 transactions with the company is not disclosed.

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

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 judgements 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.

THE READING FOOTBALL CLUB LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE READING FOOTBALL CLUB LIMITED (continued)**

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 2007 and of its profit 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

Myers Clark

Myers Clark

21 November 2007

Chartered Accountants
Registered Auditor

Iveco House,
Station Road,
Watford,
Herts ,
WD17 1DL

THE READING FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Operations excluding player trading £	Player trading £	2007 Total £	2006 Total £
Turnover	2	44,926,307	-	44,926,307	12,324,377
Operating expenses	3	(35,756,781)	(3,309,775)	(39,066,556)	(19,842,203)
Other operating income		487,120	-	487,120	533,978
Operating profit / (loss)		9,656,646	(3,309,775)	6,346,871	(6,983,848)
Profit on disposal of players' registrations		-	548,341	548,341	756,787
Profit / (loss) before interest and taxation		9,656,646	(2,761,434)	6,895,212	(6,227,061)
Interest receivable				1,845	130
Interest payable and similar charges	4			(574,365)	(732,024)
Profit / (loss) on ordinary activities before taxation	5			6,322,692	(6,958,955)
Taxation	7			-	-
Profit / (loss) for the financial year				6,322,692	(6,958,955)

All the Company's activities are classed as continuing

The Company had no recognised gains or losses other than the profit for the year

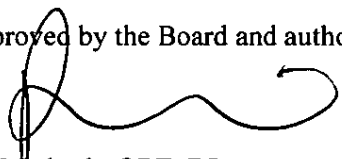
The notes on pages 8 to 20 form part of these financial statements

THE READING FOOTBALL CLUB LIMITED

BALANCE SHEET AS AT 30 JUNE 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	8	5,606,824	2,769,229
Tangible assets	9	31,379,755	29,175,275
Investments	10	2	2
		<u>36,986,581</u>	<u>31,944,506</u>
Current assets			
Stocks	11	450,531	236,472
Debtors Due in one year	12	2,391,989	7,980,052
Due after one year	12	1,062,318	104,673
Cash at bank and in hand		5,463	5,160
		<u>3,910,301</u>	<u>8,326,357</u>
Creditors: amounts falling due within one year	13	(28,513,456)	(33,524,280)
Net current liabilities		<u>(24,603,155)</u>	<u>(25,197,923)</u>
Total assets less current liabilities		<u>12,383,426</u>	<u>6,746,583</u>
Creditors: amounts falling due after one year	14	(28,964,500)	(29,650,349)
		<u>(16,581,074)</u>	<u>(22,903,766)</u>
Capital and reserves			
Called up share capital	15	750,000	750,000
Share premium account	16	6,525,000	6,525,000
Profit and loss account	16	(23,856,074)	(30,178,766)
Equity shareholders' funds	17	<u>(16,581,074)</u>	<u>(22,903,766)</u>

Approved by the Board and authorised for issue on 9 November 2007


R J Madejski OBE, DL
Director


J Wood-Smith
Director

The notes on pages 8 to 20 form part of these financial statements

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. Accounting policies

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices), which have been applied consistently (except as otherwise stated). The financial statements have been drawn up on the basis that the Company is a going concern. The validity of the going concern basis of accounting depends on the continuing support of the Chairman (see note 13) and The Reading Football Club (Holdings) plc. The Reading Football Club (Holdings) plc have confirmed that they will not seek repayment of their loan to the company unless the company's cashflow permits repayment to be made without jeopardising the company's position.

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of The Reading Football Club (Holdings) Plc.

1.2 Consolidation

The financial statements contain information about The Reading Football Club Limited as an individual undertaking and not about its group.

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements on the grounds that the company and its subsidiary are included in the financial statements of The Reading Football Club (Holdings) Plc. Copies of these financial statements can be obtained from The Company Secretary, The Reading Football Club (Holdings) Plc, Madejski Stadium, Junction 11 M4, Reading, Berks, RG2 0FL.

1.3 Intangible assets

Transfer fees payable for the acquisition of players' registrations, including transfer fee levies and other direct costs, are capitalised as intangible fixed assets. These costs are amortised, in equal annual instalments, fully over the contract period. 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. Permanent diminutions in value below the amortised value, such as through injury or loss of form, are provided for when management become aware that the diminution is permanent.

1.4 Depreciation

Depreciation is calculated so as to write off the cost of all tangible fixed assets over their expected useful economic lives on a straight line basis, except for the motor vehicles, which are written off on a reducing balance basis. The principal annual rates used for this purpose, are as follows:

	% of written down value	% of cost
Fixtures, fittings and equipment	-	20
Motor vehicles	25	-
Indoor Training Centre	-	10
Freehold buildings	-	2

1.5 Stocks

Stocks are valued at the lower of cost and net realisable value.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

1. Accounting policies (continued)

1.6 Turnover and income recognition

Turnover, which excludes value added tax, represents receipts and all other income associated with the company's principal activity, excluding fees receivable from other football clubs on the transfer of players' registrations

Broadcasting fees are recognised over the course of the season as the games are played. The fixed element of broadcasting income is recognised over the course of the playing season.

Match day receipts are stated after deducting the percentage based payments to The Football Association, The Football League and visiting clubs. This revenue is recognised over the course of the football season as the games are played.

Sponsorship and similar commercial income is recognised over the duration of the respective contracts.

1.7 Players' signing on fees

Players' contracts of employment may include a signing on fee payable in equal instalments over the period of the contract. The company's policy is to charge such fees evenly to the profit and loss account over the period of the player's contract. Where a player's registration is transferred any signing on fees payable in respect of future periods are charged against the profit/loss on disposal of players' registrations in the period in which the disposal is recognised.

1.8 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. A deferred tax asset is only recognised where there is sufficient evidence that the asset will be recovered.

1.9 Finance leases, hire purchase contracts and operating leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of change on the net obligation in each period.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease term.

1.10 Grants

Capital grants received are included in the balance sheet as liabilities. Where grants are not repayable they are released to the profit and loss account over the useful life of the applicable asset.

1.11 Pensions

The pension costs charged in the financial statements include contributions paid into the Football League Limited Pension and Life Assurance Scheme (Defined Benefit Section) in the year. This includes payments for deficits that are spread over the working lives of the players.

The pension costs charged in the financial statements also include the contributions payable by the company into a defined contribution pension scheme.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

2. Turnover

Turnover, all of which originates in the United Kingdom, is attributable to one class of business, that of a professional football club, and may be analysed as follows

	2007	2006
	£	£
Media and broadcasting	26,183,977	1,338,343
Matchday income	11,648,393	6,373,955
Commercial income	6,102,375	3,592,020
Commission from rugby matches	639,429	667,448
Other income	352,132	352,611
	<u>44,926,307</u>	<u>12,324,377</u>

3. Operating expenses

	2007	2006
	£	£
Staff costs (note 6)	28,062,562	12,477,726
Depreciation	1,115,793	1,114,385
Loss on sale of fixed assets	1,377	14,004
Amortisation of players registrations	3,309,775	1,284,831
Depreciation and other amounts written off tangible and intangible fixed assets	<u>4,426,945</u>	<u>2,413,220</u>
Other operating charges	<u>6,577,049</u>	<u>4,951,257</u>
Operating expenses	<u>39,066,556</u>	<u>19,842,203</u>

4. Interest payable and similar charges

	2007	2006
	£	£
Bank loans and overdrafts wholly repayable within five years	147,923	373,712
Bank loans not wholly repayable within five years	33,176	35,954
Other loans repayable	354,511	282,206
Charges on finance leases and hire purchase contracts	38,755	40,152
	<u>574,365</u>	<u>732,024</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

5. Profit / (loss) on ordinary activities before taxation

	2007	2006
	£	£
Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting)		
Auditors' remuneration - audit	15,500	12,500
- non-audit	2,000	2,500
Directors' emoluments (note 6)	-	-
Operating lease rentals	94,349	74,667
Depreciation	1,115,793	1,114,385
Amortisation of intangible fixed assets	3,309,775	1,284,831
Loss on disposal of tangible fixed assets	1,377	14,004
Profit on disposal of intangible fixed assets	(548,341)	(756,787)

6. Staff numbers and costs

	2007	2006
	Number	Number
The average number of persons employed by the company, including Directors, was as follows		
Players	35	28
Football management and coaching staff	52	39
Administrative staff	80	73
Staff employed under government training schemes	24	18
Matchday staff	163	191
	354	349

	£	£
The aggregate payroll costs of these persons were as follows:		
Gross wages and salaries	24,814,686	11,137,417
Social security costs	3,084,832	1,273,157
Pension costs	163,044	67,152
	28,062,562	12,477,726

Directors' remuneration (including pension contributions) was as follows

Directors' emoluments	-	-
Remuneration as executives	-	-

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

7. Taxation

	2007	
	£	
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	6,322,692	
	<u> </u>	
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30%	1,896,808	
	<u> </u>	
Effects of		
Non deductible expenses	15,879	
Depreciation	334,738	
Tax losses utilised	(2,246,871)	
Group loss relief claimed	(554)	
	<u> </u>	
	(1,896,808)	
	<u> </u>	
Current tax charge	-	
	<u> </u>	
	2007	2006
Losses carried forward	28,844,219	36,333,788
	<u> </u>	<u> </u>

On the basis of these financial statements no provision has been made for corporation tax

A deferred tax asset has not been recognised in respect of timing differences relating to tax trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £8,653,266. The asset would be recovered if sufficient taxable trading profits arose in the future.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

8. Intangible fixed assets

	Players' transfer fees £
Cost	
At 1 st July 2006	5,886,924
Additions	8,124,029
Disposals	(2,528,063)
At 30 th June 2007	11,482,890
Amortisation	
At 1 st July 2006	3,117,695
Charge for the year	3,309,775
Disposals	(551,404)
At 30 th June 2007	5,876,066
Net Book Value	
At 30 th June 2007	5,606,824
At 30 th June 2006	2,769,229

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

9. Tangible fixed assets

	Freehold land and buildings £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 st July 2006	33,676,456	2,272,616	25,325	35,974,397
Additions	2,927,695	394,305	-	3,322,000
Disposals	-	-	(25,325)	(25,325)
At 30 th June 2007	36,604,151	2,666,921	-	39,271,072
Depreciation				
At 1 st July 2006	5,195,931	1,580,492	22,699	6,799,122
Provided in year	865,579	249,315	899	1,115,793
Disposals	-	-	(23,598)	(23,598)
At 30 th June 2007	6,061,510	1,829,807	-	7,891,317
Net book value				
At 30 th June 2007	30,542,641	837,114	-	31,379,755
At 30 th June 2006	28,480,525	692,124	2,626	29,175,275

Assets held under finance lease and hire purchase contracts at 30 June 2007 originally cost £534,817 (2006 £547,717) and have a net book value of £257,864 (2006 £378,291) Depreciation charged for the year was £105,651 (2006 £108,231)

Additions to freehold land and buildings include £696,578 in relation to costs incurred in connection with the stadium extension These are the total costs capitalised for the project to date and have not been depreciated

10. Fixed asset investments

	2007 £	2006 £
Shares in group undertakings	2	2

The above investments are unlisted and represent shares in the following wholly owned subsidiary company The aggregate amount of capital and reserves and the results of the undertaking for the year are as follows

	Country of Incorporation	Nature of Business	Capital & reserves £	Profit/(loss) For the year £
Madejski Stadium Hotel Limited	United Kingdom	Hotel and leisure	2,287,899	318,014

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

11. Stocks

	2007	2006
	£	£
Goods for resale	450,531	236,472

12. Debtors

	2007	2006
	£	£
Trade debtors	2,595,363	3,158,078
Amounts owed by group undertakings	21,027	3,860,810
Other debtors	20,368	22,249
Prepayments and accrued income	817,549	1,043,588
	<u>3,454,307</u>	<u>8,084,725</u>

Of which the following amounts fall due after one year

Trade debtors	1,000,000	-
Prepayments	62,318	104,673
	<u>1,062,318</u>	<u>104,673</u>

13. Creditors: amounts falling due within one year

	2007	2006
	£	£
Bank loan and overdraft	454,767	9,117,122
Chairman's loan	8,763,383	8,746,138
Obligations under finance lease and hire purchase contracts	89,983	140,004
Trade creditors	1,966,534	2,083,719
Other creditors	98,204	345,939
Other taxes and social security costs	4,212,110	1,735,432
Other loans	89,933	89,933
Accruals	3,863,623	2,317,861
Deferred income	8,974,919	8,948,132
	<u>28,513,456</u>	<u>33,524,280</u>

The bank loan and overdraft is secured by a first legal charge over the assets of the company

The Chairman's loan is repayable on demand, interest bearing at 1% below HSBC Bank base rate. The Chairman confirms that it is not his intention to withdraw his support for the Company in the foreseeable future.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

14. Creditors: amounts falling due after one year

	2007	2006
	£	£
Bank loan (see note below)	746,585	937,394
Amounts owed to group undertakings	14,617,949	14,617,949
Other loans (see note below)	548,750	631,188
Obligations under finance leases and hire purchase contracts	38,921	128,904
Deferred contributions (see note below)	13,012,295	13,334,914
	<u>28,964,500</u>	<u>29,650,349</u>

Deferred contributions

Pursuant to an agreement between the Company, Salmon Harvester Properties Limited (SHP) and Reading Borough Council dated 4 March 1997 (as subsequently amended) the company became entitled to contributions from SHP towards the capital cost of the stadium

Additionally the company has received contributions towards the capital cost from the Football Trust. In the event of the Club ceasing to use Madejski Stadium, the grant is repayable, although this is at the discretion of the Football Trust

The deferred contributions are released to the profit and loss account over the stadium's expected useful life, being 50 years, in accordance with the depreciation policy for the asset to which the contributions relate

Bank loan

	2007	2006
	£	£
Not wholly repayable within five years by instalments	-	1,128,202
Wholly repayable within five years by instalments	937,394	-
	<u>937,394</u>	<u>1,128,202</u>
Included in current liabilities	(190,809)	(190,808)
	<u>746,585</u>	<u>937,394</u>

Loan maturity analysis

In more than one year but not more than two years	190,809	190,808
In more than two year but not more than five years	555,776	687,868
In more than five years	-	58,718
	<u></u>	<u></u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

14. Creditors: amounts falling due after one year (continued)

Other loans

Other loan is a loan from Scottish and Newcastle plc. The loan is repayable in equal monthly instalments over 10 years commencing September 2004. Interest is payable at 3.75% below base rate, or nil where base rate is below 3.75%. The loan is secured by a legal charge over the Madejski Stadium and a floating debenture over the assets of the company.

Other loan analysis	2007	2006
	£	£
Not wholly repayable within five years by instalments	638,683	721,121
	638,683	721,121
Included in current liabilities	(89,933)	(89,933)
	548,750	631,188

Loan maturity analysis

In more than one year but not more than two years	89,933	89,933
In more than two years but not more than five years	269,799	269,800
In more than five years	189,018	271,455

Obligations under finance lease and hire purchase contracts

	2007	2006
	£	£
Amounts repayable within one year	89,983	140,004
Amounts repayable between one and two years	38,921	89,983
Amounts repayable between two and five years	-	38,921
	128,904	268,908
Included in current liabilities	(89,983)	(140,004)
	38,921	128,904

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

15. Share capital

	2007 £	2006 £
Authorised:		
1,500,000 ordinary shares of 50p each	750,000	750,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
1,500,000 ordinary shares of 50p each	750,000	750,000
	<u> </u>	<u> </u>

16. Reserves

	Profit and loss account £	Share premium £
At 1 July 2006	(30,178,766)	6,525,000
Profit for the year	6,322,692	-
	<u> </u>	<u> </u>
At 30 June 2007	(23,856,074)	6,525,000
	<u> </u>	<u> </u>

17. Reconciliation of movements in shareholders funds

	2007	2006
Profit / (loss) for the financial year	6,322,692	(6,958,955)
Opening shareholders' funds	(22,903,766)	(15,944,811)
	<u> </u>	<u> </u>
Closing shareholders' funds	(16,581,074)	(22,903,766)
	<u> </u>	<u> </u>

18. Financial commitments

At 30 June 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 June 2008

	2007 £	2006 £
Land and Buildings		
Operating leases expiring after five years	18,000	18,000
	<u> </u>	<u> </u>
Other		
Operating leases expiring within one year	5,249	1,906
Operating leases expiring in two to five years	85,762	38,034
	<u> </u>	<u> </u>
	91,011	39,940
	<u> </u>	<u> </u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

19. Contingent liabilities

Under the terms of certain contracts for the purchase of players' registrations future payments may be due, dependent on the future success of the team and/or future team selection of individual players. The maximum unprovided liability, which may arise in respect of this at 30 June 2007, is £4,596,500 (2006 £1,216,333). In addition, under the terms attached to the purchase of certain players' registrations, an amount may become payable to the previous club on any subsequent sale of the players' registration. This is normally expressed as a percentage of the subsequent transfer fee received in excess of the original transfer fee paid. Due to its unpredictable nature the amount in respect of these cannot be quantified.

The company, together with The Reading Football Club (Holdings) plc and Madejski Stadium Hotel Limited, is a member of a VAT group under which all members are jointly and severally liable.

The company is party to a cross-guarantee for the bank borrowings of Madejski Stadium Hotel Limited. At 30 June 2007, these amounted to £7,551,419 (2006 £1,394,959).

20. Pension costs

Defined benefit scheme

The company contributes into the Football League Limited Pension and Life Assurance Scheme (Defined Benefit section) for certain players. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

Defined contribution scheme

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

	2007	2006
	£	£
Defined benefit scheme	106,965	19,862
Defined contribution scheme	56,079	47,290
	<u>163,044</u>	<u>67,152</u>

21. Pension Commitments

The latest actuarial valuation of the Football League Limited Pension and Life Assurance Scheme (Defined Benefit section) revealed that there was a deficit in the Scheme as at 31 August 2005. The Reading Football Club Limited's share of the deficit at 1 April 2006 was £16,603. This is being repaid by increased contributions in the years to 2016. On the basis that pension costs are spread over the working lives of the employees and the pension contributions vary in accordance with the actuarial valuation, no provision has been made for this in these financial statements.

22. Capital Commitments

At 30 June 2007, the company had capital commitments of £2,863,730 (2006 £400,000).

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

23. Transactions with directors

Included within creditors at 30 June 2007 is an amount of £8,763,383 (2006 £8,746,138) owing to R J Madejski

During the year, interest of £354,511 (2006 £282,206) accrued on the loan from R J Madejski. Included in accruals is £1,718,349 (2006 £1,363,838) in respect of accrued interest on the loan from R J Madejski

The company also paid rent for the training ground of £18,000 (2006 £18,000) to R J Madejski

24. Related party transactions

Transactions have taken place during the year with businesses in which directors have an interest as follows

The company was invoiced by Field Seymour Parkes, a firm of Solicitors in which I Wood-Smith is a partner, the amount of £23,209 (2006 £42,275) for legal and professional advice given during the year

In addition the company also made sales on normal commercial terms of £11,773 (2006 £18,208) to Field Seymour Parkes. At the year end a balance of £6,158 was included in creditors (2006 a debtor of £11,750) relating to Field Seymour Parkes

R J Madejski is a director of Reading Broadcasting Company Limited. During the year, the company made sales on normal commercial terms of £31,101 (2006 £85,773) to Reading Broadcasting Company Limited, and purchases of £11,934 (2006 £300). Included in trade debtors at 30 June 2007 is an amount owing of £30,831 (2006 £54,852)

R J Madejski is a director of Ark Hotels Limited. During the year, the company charged Ark Hotels Limited a management fee of £50,000 (2006 £50,000) and other sales of £2,268

R J Madejski is also a director of Goodhead Group Plc. During the year, the company made sales of £1,328 (2006 £10,434) to Goodhead Group Plc

R J Madejski is a director of Smiths Security Services Limited. During the year, the company made sales on normal commercial terms of £1,595 (2006 £1,548) to Smiths Security Services Limited and paid £6,669 (2006 £10,029) for services received. At 30 June 2007 there were balances of £3,525 (2006 £1,650) included in trade debtors and £30 (2006 £160) included in trade creditors

Both R J Madejski and I Wood-Smith are directors of Sackville Properties Plc. During the year, the company made sales of £14,914 (2006 £9,000) to Sackville Properties Plc

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

25. Post balance sheet events

Since the year end, the company has acquired players' registrations at a cost of £5,380,208 (2006 £2,246,500)

26. Control

The company's holding company is The Reading Football Club (Holdings) Plc, and the ultimate controlling party is R. J Madejski OBE, DL by virtue of his majority shareholding.