

Company Registration No. 00053703

**THE READING FOOTBALL
CLUB LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

30 JUNE 2016



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THE READING FOOTBALL CLUB LIMITED**OFFICERS AND ADVISERS**

Directors

Mr Narin Niruttinanon
Mr Sumrith Thanakarnjanasuth
Mrs K.Y. Sasima Srivikorn
Mr Taweesuk Srisumrid
Mr Theekharoj Piamphongsarn
Sir John Madejski OBE, DL
Mr Nigel Howe

Company Secretary

Mr Bryan Stabler

Registered Office

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

Auditors

Myers Clark
Egale 1,
80 St Albans Road,
Watford,
Hertfordshire,
WD17 1DL

Principal Bankers

Barclays Bank plc
4th Floor, Apex Plaza,
Forbury Road
Reading,
Berkshire,
RG1 4AX

Solicitors

Field Seymour Parkes
1 London Street,
Reading,
Berkshire,
RG1 4QW

THE READING FOOTBALL CLUB LIMITED**STRATEGIC REPORT**

The directors present their report on the affairs of The Reading Football Club Limited ("the Company" or "the Club"), together with the financial statements for the year ended 30 June 2016.

Background

The Club's Board consists of eight directors (as detailed on page 1), being the two co-chairmen, the chief executive and five other executive and non-executive directors. Details of appointments and resignations where applicable during the year are set out in the Directors' Report.

The chief executive has responsibility, in close liaison with the directors, for the day to day running and long term operation of the Club and refers to the Board in regard to significant decisions affecting all aspects of the Club.

Financial review

The Company reported a loss before tax for the year of £15,034,948 (2015: profit of £2,588,554). The loss for the year increases the deficit in shareholders' funds carried forward to £42,160,936 at 30 June 2016.

Total turnover reduced by £9.2m from £35m to £25.8m.

Media revenue has reduced by £10.3m in the third year of FAPL parachute payments.

Commercial revenues for the year to 30 June 2016 were £5.7m, an increase of £1.7m from the previous year's figure of £3.8m.

Revenues generated on match days has reduced by £400k in the year.

Salary costs have fallen by £2.5m from £33.3m in 2015 to £30.8 in 2016.

Other operating expenses have seen an increase of £1.5m from £48.1m in 2015 to £49.6m in 2016.

Amortisation and impairment costs have increased from £3.7m in 2015 to £5.1m in 2016.

The profit on disposal of players' registrations comprises total profits of £7.1m generated from sales, appearance and sell-on clauses in relation to the following players: Michael Hector, Nick Blackman, Alex McCarthy, Shame Long and Michail Antonio.

THE READING FOOTBALL CLUB LIMITED**STRATEGIC REPORT (continued)**

Principal risk 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 Club derives its income from three principal sources: gate receipts, television and commercial relationships.

All three sources of income are 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 Club can attract in a highly competitive market both on the domestic and European levels.

Expenditure

In order to attract the talent which will continue to improve the performances of the first team the Club continually invests in the playing staff by way of both transfer and wages.

Regulatory environment

The Club is regulated by the rules of the FA, FAPL, UEFA and FIFA. These regulations have a direct impact of the Club as they cover areas such as the division of centrally negotiated television deals and the operation of the transfer market. The Club has staff whose roles include ensuring that the Club monitors the evolution of the rules and ensures compliance with them.

Funding

Funds are provided by the Club's owners. The Club reviews and updates its cash forecasts on a regular basis and keeps the owners aware of financial commitments going forwards.

Signed on behalf of the Board of Directors



Sir John Madejski OBE DL
Co-Chairman

30 November 2016

THE READING FOOTBALL CLUB LIMITED**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

Principal activity

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 also provides sports and event venue and conference facilities.

Directors

The directors of the Company at 30 June 2016 and who have served throughout the year were as follows:

Mr Narin Niruttinanon	
Mr Sumrith Thanakarnjanasuth	
Mrs K.Y. Sasima Srivikorn	
Mr Taweesuk Srisumrid	
Mr Theekharoj Piamphongsarn	
Sir John Madejski OBE, DL	
Mr Ian Wood-Smith	resigned 30.04.2016
Mr Nigel Howe	

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the going concern basis can be found in the accounting policies at note 1 to the financial statements.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career developments and promotion.

Where existing employees become it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Future developments

The Club's owners continue to strive for promotion to the Premier League, without jeopardising the Club's financial position.

THE READING FOOTBALL CLUB LIMITED**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with the company's articles, a resolution proposing that Myers Clark be re-appointed as auditors of the company will be put at the Annual General Meeting.

Statement of disclosure to the auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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 auditors are aware of that information.

Signed on behalf of the Board of Directors



Sir John Madejski OBE DL
Co-Chairman

30 November 2016

THE READING FOOTBALL CLUB LIMITED**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED**

We have audited the financial statements of The Reading Football Club Limited for the year ended 30 June 2016 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

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

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £15,034,948 during the year ended 30 June 2016 and, at that date it had net current liabilities of £64,996,029. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

THE READING FOOTBALL CLUB LIMITED**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Paul Windmill (Senior Statutory Auditor)
for and on behalf of Myers Clark**

30 November 2016

**Chartered Accountants
Statutory Auditor**

**Egale 1
80 St Albans Road
Watford
WD17 1DL**

THE READING FOOTBALL CLUB LIMITED

STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Operations excluding player trading £	Player trading £	2016 Total £	2015 Total £
Turnover	2	25,784,213	-	25,784,213	35,034,616
Operating expenses	3	(44,521,786)	(5,082,622)	(49,604,408)	(48,093,405)
Other operating income		322,619	-	322,619	322,619
Operating loss		(18,414,954)	(5,082,622)	(23,497,576)	(12,736,170)
Profit on disposal of players' registrations		-	7,101,626	7,101,626	4,641,238
Loss on foreign currency translation		(1,709,262)	-	(1,709,262)	-
Profit on disposal of fixed assets		-	-	-	11,000,000
Profit on disposal of investments		5,625,000	-	5,625,000	-
Profit/(loss) before interest & taxation	5	(14,499,216)	2,019,004	(12,480,212)	2,905,068
Amount received under a guarantee				-	898,332
Interest payable and similar charges	4			(2,554,736)	(1,214,846)
Profit/(loss) on ordinary activities before taxation				(15,034,948)	2,588,554
Taxation	7			-	-
Profit/(loss) for the financial year				(15,034,948)	2,588,554
				=====	=====
Total comprehensive income for the year				(15,034,948)	2,588,554
				=====	=====

Player trading consists primarily of the amortisation of the costs of acquiring player registrations and profit on disposal of player registrations.

All trading resulted from continuing operations.

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

THE READING FOOTBALL CLUB LIMITED

BALANCE SHEET
AS AT 30 JUNE 2016

	Notes	2016 £	2015 £
Fixed assets			
Intangible assets	8	2,747,812	3,597,559
Tangible assets	9	24,856,047	25,195,602
Investments	10	5,625,002	11,250,002
		<u>33,228,861</u>	<u>40,043,163</u>
Current assets			
Stocks	12	285,433	273,804
Debtors	13	7,394,684	4,582,720
Cash at bank and in hand		337,514	5,492,019
		<u>8,017,631</u>	<u>10,348,543</u>
Creditors: amounts falling due within one year	14	(73,013,660)	(67,708,944)
Net current liabilities		<u>(64,996,029)</u>	<u>(57,360,401)</u>
Total assets less current liabilities		<u>(31,767,168)</u>	<u>(17,317,238)</u>
Creditors: amounts falling due after one year	15	(285,044)	(177,407)
Deferred contributions	16	(10,108,724)	(10,431,343)
		<u>(42,160,936)</u>	<u>(27,925,988)</u>
		=====	=====
Capital and reserves			
Called up share capital	17	1,550,000	750,000
Share premium account	18	6,525,000	6,525,000
Profit and loss account	18	(50,235,936)	(35,200,988)
Shareholders' funds	19	<u>(42,160,936)</u>	<u>(27,925,988)</u>
		=====	=====

Approved by the Board and authorised for issue on 30 November 2016


Sir John Madejski OBE, DL
Director

Nigel Howe
Director
Company Registration No. 00053703

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

THE READING FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Called up share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 July 2015	750,000	6,525,000	(35,200,988)	(27,925,988)
Loss for the year	-	-	(15,034,948)	(15,034,948)
Issue of share capital	800,000	-	-	800,000
At 30 June 2016	<u>1,550,000</u>	<u>6,525,000</u>	<u>(50,235,936)</u>	<u>(42,160,936)</u>

THE READING FOOTBALL CLUB LIMITED

CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016		2015	
	£	£	£	£
Cash flow from operating activities				
(Loss)/profit for the financial year		(15,034,948)		2,588,554
Adjusted for:				
Depreciation of tangible fixed assets		1,586,387		1,663,721
Amortisation of intangible fixed assets		5,048,931		3,708,153
Profit on disposal of investments		(5,625,000)		-
Profit on disposal of fixed assets		-		(11,000,000)
Loss on foreign currency translation		1,709,262		-
Profit on disposal of intangible assets		(7,101,626)		(4,641,238)
Amount received under guarantee		-		(898,332)
Interest paid		2,554,735		1,214,846
Movements in working capital:				
Decrease/(increase) in trade debtors		(2,811,964)		(7,958)
Decrease/(increase) in stocks		(11,632)		(6,915)
Increase/(decrease) in trade creditors		1,854,649		(517,166)
		(17,831,206)		(7,896,335)
Interest paid		(2,554,735)		(1,214,846)
		(20,385,941)		(9,111,181)
Cash flows from investing activities				
Purchases of tangible fixed assets	(1,246,832)		(2,502,723)	
Purchases of intangible fixed assets	(5,149,888)		(3,146,316)	
Proceeds from sales of tangible fixed assets	-		1,646,355	
Proceeds from sales of intangible assets	8,052,333		4,805,087	
Amounts received under a guarantee	-		898,332	
Net cash generated from investing activities		1,655,613		1,700,735
Cash flows from financing activities				
Issue of ordinary share capital	800,000		-	
Increase/(decrease) in other loans	12,775,823		13,020,147	
Net capital advances/(repayments) under hire purchase contracts	-		78,938	
Net cash generated from financing activities		13,575,823		13,099,085
Net increase/decrease in cash and cash equivalents		(5,154,505)		5,688,639
Cash and cash equivalents at beginning of the year		5,492,019		(196,620)
Cash and cash equivalents at end of the year		337,514		5,492,019
Relating to:				
Cash at bank and in hand		337,514		5,492,019
		337,514		5,492,019

THE READING FOOTBALL CLUB LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1. Accounting policies**Company information**

The Reading Football Club Limited is a company limited by shares incorporated in England and Wales. The registered office is Madejski Stadium, Junction 11 M4, Reading, Berkshire, RG2 0FL.

1.1 Accounting convention

The financial statements for the year ended 30 June 2016 have been prepared in accordance with Financial Reporting Standard 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 £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

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

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The Reading Football Club Limited is a wholly owned subsidiary of Reading Football Holdings Limited. The results of The Reading Football Club Limited are included in the consolidated financial statements of Reading Football Holdings Limited which are available from Madejski Stadium, Junction 11 M4, Reading, Berkshire, RG2 0FL.

1.2 Going concern

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 shareholders. The shareholders have confirmed that they will not seek repayment of their loans to the company unless the company's cash flow permits repayment to be made without jeopardising the company's ability to continue as a going concern.

1.3 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.

THE READING FOOTBALL CLUB LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**
1. Accounting policies (continued)**1.4 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.

1.5 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 calculated so as to write off the cost of all tangible fixed assets over their expected useful economic lives on a straight line basis. The principal annual rates used for this purpose, are as follows:

% of cost		
Fixtures, fittings and equipment	-	20
Training ground improvements	-	10

Freehold buildings are depreciated in equal annual amounts over the useful economic life of the building, being 50 years. Additions to the building are only depreciated once completed and are done so over the remaining useful economic life of the building. Where the additions are considered to have a shorter useful economic life than the remaining life of the building, they are depreciated over their useful economic life.

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 recognised in the profit and loss account.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

1.6 Valuation of investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

1.7 Impairment of fixed assets and financial assets

At each reporting end date, the company reviews the carrying amounts of its tangible, intangible and financial 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. An impairment loss is recognised in profit or loss.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**1. Accounting policies (continued)****1.8 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and 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.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash due within one year, are initially measured at transaction price including transaction costs and are subsequently carried at cost less impairment.

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 trade and other payables and loans from fellow group companies due within one year, are initially recognised at transaction price including transaction costs and are subsequently measured at the undiscounted amount of the cash or other consideration expected to be paid.

Derecognition of financial liabilities

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

1.10 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.

1.11 Deferred income

Deferred income represents income from sponsorship agreements and other contractual agreements which will be credited to the profit and loss account over the period of the agreements, season ticket renewals for the 2016/17 season and advance income from executive boxes.

THE READING FOOTBALL CLUB LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

1. Accounting policies (continued)**1.12 Stocks**

Stocks are valued at the lower of cost and net realisable value. The cost of each stock line is calculated on a first in first out (FIFO) basis. Any damaged stock is returned and removed from stock as it is detected. The company provides against merchandise that relates to previous football seasons if net realisable value is expected to be below cost.

1.13 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.

1.14 Deferred taxation

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.

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.

1.15 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, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 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.

Revenue grants are released to the profit and loss account to match the expenditure to which they relate.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**1. Accounting policies (continued)****1.18 Pensions**

The company makes contributions on behalf of employees and directors to The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate. In addition, the company is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). Under the provisions of FRS 102 Section 28 the Scheme would be treated as a defined benefit multi-employee scheme. The Scheme's actuary has advised that the participating employers' share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and accordingly no disclosures are made under the provisions of FRS 102 Section 28. The assets of the Scheme are held independent from the company.

1.19 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.

2. Turnover

Turnover, all of which originates in the UK, comprises the following:

	2016	2015
	£	£
Media and broadcasting	14,127,935	24,417,162
Matchday income	5,218,887	5,680,582
Commercial income	5,696,815	3,884,530
Commission from rugby matches	518,438	584,924
Other income	222,138	467,418
	<u>25,784,213</u>	<u>35,034,616</u>
	=====	=====

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)

3. Operating expenses

	2016	2015
	£	£
Staff costs	30,761,382	33,336,809
Depreciation	1,586,323	1,663,721
Amortisation of players' registrations	5,082,622	3,708,153
Depreciation and amortisation of tangible and intangible fixed assets	6,668,945	5,371,874
Other operating charges	12,174,081	9,384,722
Operating expenses	49,604,408	48,093,405
	=====	=====

4. Interest payable and similar charges

	2016	2015
	£	£
Bank loans and overdrafts	-	1,347
Other loans	1,037,212	1,205,068
Fees for arranging finance	1,492,088	-
Charges on finance leases and hire purchase contracts	25,436	8,431
	<u>2,554,736</u>	<u>1,214,846</u>
	=====	=====

5. Operating loss after disposal of players' registrations

	2016	2015
	£	£
Operating loss for the year is stated after charging /(crediting):		
Directors' emoluments (note 6)	687,795	585,590
Operating lease rentals	144,692	160,947
Depreciation	1,586,324	1,663,721
Amortisation of intangible fixed assets	5,082,622	3,708,153
Inventory recognised as an expense	516,072	496,216
Profit on disposal of intangible fixed assets	7,101,626	4,641,238
	=====	=====

Auditor's remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	29,500	39,000
Remuneration of auditors for accounting and taxation services	20,450	17,425
	<u>49,950</u>	<u>56,425</u>
	=====	=====

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)

6. Staff numbers and costs

	2016 Number	2015 Number
The average number of persons employed by the company, including Directors, was as follows:		
Players	56	56
Football management and coaching staff	108	150
Administrative staff	71	72
Staff employed under government training schemes	17	20
Matchday staff	236	305
	<u>488</u>	<u>603</u>
	====	====
	2016	2015
	£	£
The aggregate payroll costs of these persons were as follows:		
Gross wages and salaries	27,488,407	29,624,669
Social security costs	3,176,601	3,540,370
Pension costs	96,374	171,770
	<u>30,761,382</u>	<u>33,336,809</u>
	=====	=====

Key management remuneration

Key management personnel include all directors of the company who together have authority and responsibility for planning, directing and controlling the activities of the company.

Directors' remuneration (including pension contributions) was:	687,795	585,590
	=====	=====

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

Emoluments of the highest paid director (including pension contributions) was:	406,857	414,000
	=====	=====

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015: 1).

Emoluments of the highest paid director were £406,857 (2015: £414,000), including pension contributions.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)

7. Taxation

	2016 £	2015 £
Current tax charge	-	-
	=====	=====
Deferred tax	-	-
	=====	=====
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	(15,034,948)	1,867,062
	=====	=====
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2015: 21%)	(3,006,990)	392,083
	-----	-----
Effects of:		
Non deductible expenses	74,282	-
Non taxable income	(64,524)	(74,202)
Depreciation	317,277	349,381
Losses arising/(available)	2,679,955	(667,262)
	-----	-----
	3,006,990	(392,083)
	-----	-----
Current tax charge	-	-
	=====	=====
	2016	2015
	£	£
Losses carried forward (approximately)	40,000,000	35,000,000
	=====	=====

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 the net timing differences relating to tax trading losses and accelerated capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £8.0m (2015: £7.3m). 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 2016 (continued)

8. Intangible fixed assets

	Players' transfer fees £
Cost	
At 1 July 2015	9,595,187
Additions	5,149,888
Disposals	(3,069,983)
	<hr/>
At 30 June 2016	11,675,092
	<hr/>
Amortisation	
At 1 July 2015	5,997,628
Charge for the year	5,048,931
Disposals	(2,119,277)
	<hr/>
At 30 June 2016	8,927,280
	<hr/>
Net book value	
At 30 June 2016	2,747,812
	=====
At 30 June 2015	3,597,559
	=====

The figures for cost of player registrations are historic cost figures for purchased players only. Accordingly, the net book amount of player registrations will not reflect, nor is it intended to, the current market value of these players, nor does it take into account of players developed through the company's youth system.

The directors consider the net realisable value of intangible fixed assets to be significantly greater than their book value.

Amortisation of intangible fixed assets is included in operating expenses.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)

9.	Tangible fixed assets	Freehold land and buildings	Fixtures, fittings and equipment	Total
		£	£	£
	Cost			
	At 1 July 2015	42,434,216	1,297,718	43,731,934
	Additions	902,262	344,507	1,246,769
	Disposals	-	-	-
	At 30 June 2016	43,336,478	1,642,225	44,978,703
	Depreciation			
	At 1 July 2015	17,670,997	865,335	18,536,332
	Provided in year	1,365,762	220,562	1,586,324
	Disposals	-	-	-
	At 30 June 2016	19,036,759	1,085,897	20,122,656
	Net book value			
	At 30 June 2016	24,299,719	556,328	24,856,047
		=====	=====	=====
	At 30 June 2015	24,763,219	432,383	25,195,602
		=====	=====	=====

Assets held under finance lease and hire purchase contracts during the year have an original cost of £841,519 (2015: £466,973) and have a net book value of £509,053 (2015: £241,897). Depreciation charged for the year was £107,389 (2015: £66,678).

Included in freehold land and buildings are the total costs capitalised to date of £1,361,443 (2015: £1,361,443) for the stadium extension project. These have not been depreciated as the project is still active but not yet completed.

All tangible fixed assets are pledged as security for the company's other loans.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)

10. Fixed asset investments

	Group undertakings	Associated undertakings	2016	2015
	£	£	£	£
Shares in group undertakings				
Cost				
At 1 July 2015	2	11,250,000	11,250,002	11,250,002
Additions	-	-	-	-
Disposals	-	(5,625,000)	(5,625,000)	-
At 30 June 2015	2	5,625,000	5,625,002	11,250,002
	=====	=====	=====	=====

Holdings of more than 20%

The company holds more than 20% of the ordinary share capital of the following companies:

100 % of RFC Bearwood Limited

100 % of Reading Women's Football Club Limited

37.5% of RFC Prop Co Limited

The company is also the sole member of Reading FC Community Trust, a company limited by guarantee.

	Principal activity	Capital & Reserves	Profit/(loss) for the year
		£	£
Reading FC Community Trust	Charitable activities	179,034	(6,991)
RFC Bearwood Limited	Property development	(96,918)	(96,919)
Reading Women's Football Club Limited	Football club	(611,691)	(315,026)
RFC Prop Co Limited	Property development	14,995,000	(5,000)
		=====	=====

11. Financial instruments

Basic financial instruments, which include trade and other receivables/payables, cash and bank balances, third party loans and loans from fellow group companies, 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.

	2016	2015
	£	£
Carrying amount of financial assets		
Measured at amortised cost	6,664,916	9,239,945
	=====	=====
Carrying amount of financial liabilities		
Measured at amortised cost	63,932,291	59,340,807
	=====	=====

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**12. Stocks**

	2016	2015
	£	£
Goods for resale	285,433	273,804
	=====	=====

13. Debtors

	2016	2015
	£	£
Trade debtors	369,598	784,514
Transfer fees receivable	350,371	41,250
Amounts owed by group undertakings	5,540,054	2,887,556
Amounts owed by associated undertakings	49,396	-
Other debtors	17,983	34,606
Prepayments and accrued income	1,067,282	834,794
	<u>7,394,684</u>	<u>4,582,720</u>
	=====	=====

14. Creditors: amounts falling due within one year

	2016	2015
	£	£
Obligations under finance lease and hire purchase contracts	215,151	62,873
Trade creditors	1,599,018	1,948,815
Players' registration costs	1,266,024	879,935
Other creditors	215,890	216,767
Other taxes and social security costs	1,663,591	1,574,590
Other loans	59,388,414	56,153,329
Accruals	313,277	73,360
Accrued players' registration costs	402,495	713,718
Deferred income	7,949,800	6,085,557
	<u>73,013,660</u>	<u>67,708,944</u>
	=====	=====
Debt due within one year or less	59,603,565	56,216,202
	=====	=====

Security over the company's assets has also been provided in respect of the other loans noted above.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**15. Creditors: amounts falling due after one year**

	2016	2015
	£	£
Obligations under finance leases and hire purchase contracts	247,794	79,088
Accrued players' registration costs	37,250	98,319
	<u>285,044</u>	<u>177,407</u>
	=====	=====

Obligations under finance lease and hire purchase contracts

	2016	2015
	£	£
Amounts payable within one year	215,151	62,873
Amounts payable in the second to fifth years	247,794	79,088
	<u>462,945</u>	<u>141,961</u>
Included in current liabilities	(215,151)	(62,873)
	<u>247,794</u>	<u>79,088</u>
	=====	=====

16. Deferred contributions

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

Additionally the Club 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.

THE READING FOOTBALL CLUB LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**
17. Share capital

	2016	2015
	£	£
Allotted, called up and fully paid:		
3,100,000 ordinary shares of 50p each	1,550,000	750,000
	=====	=====

During the year 1,600,000 ordinary shares of 50p each were issued.

18. Reserves

	Profit and loss account	Share premium
	£	£
At 1 July 2015	(35,200,988)	6,525,000
Loss for the year	(15,034,948)	-
At 30 June 2016	(50,235,936)	6,525,000
	=====	=====

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account – includes all current and prior period retained profits and losses.

19. Reconciliation of movements in shareholders' funds

	2016	2015
Profit/(loss) for the financial year	(15,034,948)	2,588,554
Increase in share capital	800,000	-
Opening shareholders' funds	(27,925,988)	(30,514,542)
Closing shareholders' funds	(42,160,936)	(27,925,988)
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**
20. Financial commitments

At 30 June 2016 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 June 2017:

	2016	2015
	£	£
Operating leases expiring within one year	100,889	80,884
Operating leases expiring in two to five years	97,568	38,605
Operating leases expiring after five years	-	-
	<u>198,457</u>	<u>119,489</u>
	=====	=====

Certain plant and machinery and motor vehicles are held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases. The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

21. 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 un-provided liability which may arise in respect of this at 30 June 2016 is £10,207,500 (2015: £7,276,700). 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.

22. Pension costs
Defined benefit scheme

The company contributes into the Football League Limited Pension and Life Assurance Scheme (Defined Benefit section) in respect of the club's share of the scheme's deficit in respect of certain ex-employees (see note 23). The assets of the scheme are held separately from those of the company in independently administered 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.

The total contributions paid in the period was £124,679 (30 June 2015: £171,770).

THE READING FOOTBALL CLUB LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

23. Pension Commitments

Certain of the company's ex-employees are members of The Football League Pension and Life Assurance Scheme, a defined benefit scheme. The company is one of a number of participating employers in the scheme. The assets of the scheme are held separately from those of the company. Under the provisions of FRS 102 the scheme is accounted for as a defined contribution scheme. The latest actuarial valuation of the scheme reported that there was a deficit of £21.8m as at 31 August 2014. The Reading Football Club Limited's share of the deficit at 31 August 2014 was £36,066. This is being repaid by increased contributions in the years to 2021. The share of the deficit has not been recognised in the financial statements as the balance is not material.

24. Related party transactions

The company has taken advantage of the exemption available in accordance with FRS 102 not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.

During the year, the company sold 5,625,000 shares of its 11,250,000 holding in RFC Prop Co Limited to Empire Assets Group Pte Limited. Mr Narin Niruttinanon, Mr Sumrith Thanakarnjanasuth, Mrs K.Y. Sasima Srivikorn and Mr Theekharoj Piamphongsarn are shareholders in and collectively own 80% of Empire Assets Group Pte Limited. At the year end, RFC Prop Co Limited owed the company £918,505 (2015: £662,920).

Included in creditors falling due within one year are loans from the shareholders of the ultimate parent company totalling £36,332,024 (2015: £45,286,181).

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

The company was invoiced £1,569,431 by Empire Asia Group Company Limited for management consultancy services. Mr Taweasuk Srisumrid and Mr Theekharoj Piamphongsarn are directors of Empire Asia Group Company Limited.

The company was invoiced £888,952 (2015: £273,654) for legal advice and management fees by Field Seymour Parkes, a firm of Solicitors in which Mr Ian Wood-Smith is a partner. Included in trade creditors at 30 June 2016 is an amount payable of £12,850 (2015: £8,448) to Field Seymour Parkes. In addition, the company made sales of £1,149 (2015: £1,400) to Field Seymour Parkes. All transactions were on normal commercial terms.

25. Post balance sheet events

Since the year end, the company has acquired players' registrations at a cost of £2,674,396 (2015: £900,000). The company has also sold players' registrations for proceeds of £6,060,000 (2015: £4,000,000).

Since the year end, the company has converted part of its shareholder debt to equity in order to comply with the Financial Fair Play Regulations.

26. Control

The parent company is Reading Football Holdings Limited, a company registered in England and Wales. Reading Football Holdings Limited is controlled by a consortium of business people from Thailand.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016 (continued)

27. Reconciliations on adoption of FRS 102

Reconciliation of equity

	1 July 2015 £	30 June 2016 £
Equity as reported under previous UK GAAP and under FRS 102	(27,925,988)	(42,160,936)

Reconciliation of profit or loss

	30 June 2016 £	30 June 2015 £
Profit/(loss) as reported under previous UK GAAP and under FRS 102	(15,034,948)	2,588,554
As restated	(15,034,948)	2,588,554

Notes to reconciliations on adoption of FRS 102

There were no adjustments to the prior year accounts as a result of the adoption of FRS 102.