

SOUTHEND UNITED FOOTBALL CLUB LIMITED

Report and Financial Statements

31 July 2008

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SOUTHEND UNITED FOOTBALL CLUB LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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SOUTHEND UNITED FOOTBALL CLUB LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G King
D M Markscheffel
R J Osborne
D A J Wilshire
R Martin
F Van Wezel
P Robinson
G Lockett (appointed 29 September 2008)

SECRETARY

H Norbury

HON. MEDICAL OFFICER

Dr A K Sinha

REGISTERED OFFICE

Torrington House
47 Holywell Hill
St Albans
Hertfordshire
AL1 1HD

BANKERS

The Royal Bank of Scotland plc
Commercial Office
26 High Street
Chelmsford CM1 1YJ

INDEPENDENT AUDITORS

HLB Vantis Audit plc
Chartered Accountants
Torrington House
47 Holywell Hill
St Albans
Hertfordshire
AL1 1HD

SOUTHEND UNITED FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2008.

ACTIVITIES

The principal activity of the company continues to be that of a Professional Football League Club.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Club has maintained its position in League One, and is confident of future success.

During the year the company made a share offer to its shareholders of ordinary shares of 25p each at a price of £6 per share. The company has had a subscription of 51,255 shares with a total monetary value of £307,530.

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 the payment of a dividend (2007 - nil).

DIRECTORS

The directors who served during the year and subsequent to the year end are shown on page 1.

CHARITABLE DONATIONS

During the year the company made charitable donations of £5,083 (2007 - £1,520).

AUDITORS

In accordance with the company's Articles, a resolution for the reappointment of HLB Vantis Audit plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

SOUTHEND UNITED FOOTBALL CLUB LIMITED

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

United Kingdom 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 as at the end of the financial year 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; 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.

STATEMENT OF DISCLOSURE TO 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 as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Director



**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SOUTHEND UNITED FOOTBALL CLUB LIMITED**

We have audited the financial statements of Southend United Football Club Limited on pages 6 to 21 for the year ended 31 July 2008. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 the 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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, 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 United Kingdom Auditing Standards 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.

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 31 July 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.

SOUTHEND UNITED FOOTBALL CLUB LIMITED

Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the company's ability to continue as a going concern. The directors are confident that the parent company, South Eastern Leisure (UK) Limited and its major shareholder, will continue to provide the necessary funds to the company through their financing facilities. However, there can be no certainty in these matters and this indicates the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern. In view of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

HLB Vantis Audit plc

HLB Vantis Audit Plc

Chartered Accountants & Registered Auditors

Torrington House

47 Holywell Hill

St. Albans

Herts AL1 1HD

22 May 2009

SOUTHEND UNITED FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 July 2008

| | Note | Operations excluding player trading £ | Player trading £ | Total 2008 £ | 2007 £ |
|--|-------|---|------------------------|--------------------|-------------|
| TURNOVER | 2 | 4,728,861 | 630,000 | 5,358,861 | 8,391,989 |
| Cost of sales | 4 | (5,220,582) | (566,074) | (5,786,656) | (5,578,349) |
| Gross Profit/(loss) | | (491,721) | 63,926 | (427,795) | 2,813,640 |
| Administrative expenses | | (2,052,202) | - | (2,052,202) | (1,509,162) |
| Other operating income | 2 | 75,484 | - | 75,484 | 75,020 |
| OPERATING PROFIT/(LOSS) | 5 | (2,468,439) | 63,926 | (2,404,513) | 1,379,498 |
| Profit/(loss) before interest and taxation | | (2,468,439) | 63,926 | (2,404,513) | 1,379,498 |
| Other interest receivable and similar income | | | | 12,509 | 2,174 |
| Interest payable and similar charges | 6 | | | (33,660) | (38,191) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | | | (2,425,664) | 1,343,481 |
| Tax on profit on ordinary activities | 7 | | | - | - |
| Retained profit/(loss) for the year | 17,20 | | | (2,425,664) | 1,343,481 |

All the results derive from continuing operations. There are no recognised gains and losses for the current or previous financial year other than those shown above.

SOUTHEND UNITED FOOTBALL CLUB LIMITED

BALANCE SHEET

31 July 2008

| | Note | £ | 2008 £ | £ | 2007 £ |
|---|-------|---------------|--------------------|---------------|--------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 8 | | 606,837 | | 752,861 |
| Tangible assets | 9 | | 295,713 | | 555,109 |
| | | | <u>902,550</u> | | <u>1,307,970</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 10 | | 24,134 | | 46,727 |
| Debtors -- due within one year | 11 | 425,570 | | 819,798 | |
| Debtors -- due after more than one year | 11,12 | <u>13,355</u> | | <u>56,818</u> | |
| | | | 438,925 | | 876,616 |
| Cash at bank and in hand | | | <u>17,721</u> | | <u>846,484</u> |
| | | | 480,780 | | 1,769,827 |
| CREDITORS: amounts falling due within one year | 13 | | <u>(6,468,505)</u> | | <u>(5,873,974)</u> |
| NET CURRENT LIABILITIES | | | <u>(5,987,725)</u> | | <u>(4,104,147)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | (5,085,175) | | (2,796,177) |
| DEFERRED GRANT INCOME | 14 | | (3,341) | | (73,722) |
| | | | <u>(5,088,516)</u> | | <u>(2,869,899)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 16,20 | | 169,488 | | 156,674 |
| Share premium account | 20 | | 676,702 | | 482,469 |
| Profit and loss account | 17,20 | | <u>(5,934,706)</u> | | <u>(3,509,042)</u> |
| Total equity shareholders' deficit | 20 | | <u>(5,088,516)</u> | | <u>(2,869,899)</u> |

These financial statements were approved by the Board of Directors on - 21 May 2009

Signed on behalf of the Board of Directors

Director

SOUTHEND UNITED FOOTBALL CLUB LIMITED

CASH FLOW STATEMENT

Year ended 31 July 2008

| | Note | 2008 £ | 2007 £ |
|---|------|--------------------|-------------------|
| Net cash outflow from operating activities | 1 | (1,199,457) | (500,110) |
| Returns on investments and servicing of finance | 2 | (21,151) | (36,017) |
| Capital expenditure and financial investment | 2 | 21,164 | 309,395 |
| Cash outflow before use of liquid resources and financing | | (1,199,444) | (226,732) |
| Financing | | 136,666 | 36,208 |
| | | <u> </u> | <u> </u> |
| Increase/(Decrease) in cash | | <u>(1,062,778)</u> | <u>(190,524)</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Year ended 31 July 2008

| | 2008 £ | 2007 £ |
|---|--------------------|-------------------|
| Increase/(Decrease) in cash | (1,062,778) | (190,524) |
| Cash inflow from increase in debt and lease financing | 152,603 | 621,988 |
| | <u> </u> | <u> </u> |
| Movement in net debt in the year | (1,215,381) | 431,464 |
| Net debt at 1 August 2007 | (162,645) | (594,109) |
| | <u> </u> | <u> </u> |
| Net debt at 31 July 2008 | <u>(1,378,026)</u> | <u>(162,645)</u> |

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 July 2008

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 2008 | 2007 |
|---|--------------------|------------------|
| | £ | £ |
| Operating profit/(loss) | (2,404,513) | 1,379,498 |
| Profit on disposal of intangible fixed assets | (358,665) | (1,520,000) |
| Amortisation of intangible fixed assets | 443,404 | 344,365 |
| Depreciation charges | 299,517 | 260,044 |
| Decrease/(Increase) in stock | 22,593 | (16,573) |
| (Increase)/decrease in debtors | 437,691 | (200,515) |
| Increase/(decrease) in creditors | 360,516 | (746,929) |
| | <u>(1,199,457)</u> | <u>(500,110)</u> |

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

| | 2008 | 2007 |
|--|-----------------|-----------------|
| | £ | £ |
| Returns on investments and servicing of finance | | |
| Interest received | 12,509 | 2,174 |
| Interest paid | (33,660) | (38,191) |
| Interest paid on overdue taxes | - | - |
| | <u>(21,151)</u> | <u>(36,017)</u> |
| Capital expenditure and financial investment | | |
| Payment to acquire intangible fixed assets | (584,465) | (912,100) |
| Payment to acquire tangible fixed assets | (44,371) | (298,505) |
| Receipts from disposal of intangible fixed assets | 650,000 | 1,520,000 |
| | <u>21,164</u> | <u>309,395</u> |
| Financing | | |
| Proceeds from the issue of ordinary shares | 207,047 | - |
| Deferred grant income | (70,381) | 36,208 |
| | <u>136,666</u> | <u>36,208</u> |

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 July 2008

3. ANALYSIS OF NET DEBT

| | 1 August 2007 £ | Cash flow £ | Non cash movements £ | 31 July 2008 £ |
|----------------------------|--------------------------------|------------------------|-------------------------------------|-------------------------------|
| Cash at bank and in hand | 846,484 | (1,062,778) | - | (216,294) |
| Debt due to parent company | (1,009,129) | (152,603) | - | (1,161,732) |
| Total | (162,645) | (1,215,381) | - | (1,378,026) |

4. LIQUID RESOURCES

Liquid resources relate to cash in hand and at bank.

SOUTHEND UNITED FOOTBALL CLUB LIMITED

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention and have been prepared in accordance with applicable accounting standards.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors are confident that the parent company, South Eastern Leisure (UK) Limited and its major shareholder, will continue to provide the necessary funds to the company through their financing facilities. However, there can be no certainty in these matters. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of funding facilities.

Turnover

Turnover represents revenue arising from the principal activities of the company within the UK net of value added tax.

Signing on fees

Signing on fees are expensed in the profit and loss account in the year in which the commitment falls due.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less the estimated residual value of each asset over its expected useful life as follows:

| | |
|----------------------------------|-------------------------------|
| Leasehold Improvements | - 33% per annum straight line |
| Fixtures, fittings and equipment | - 33% per annum straight line |
| Motor vehicles | - 25% reducing balance |

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised, in equal annual instalments, over the period of the respective players' contracts. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

SOUTHEND UNITED FOOTBALL CLUB LIMITED

1. ACCOUNTING POLICIES (continued)

Stocks

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

Deferred grant income

Grants receivable from the Football Trust and the former Football Grounds Improvement Trust in respect of capital expenditure are treated as deferred income and released to the profit and loss account so as to match the depreciation charged on the fixed assets purchased with the grant. Deferred income in the balance sheet represents total grants receivable less amounts released to the profit and loss account.

Deferred taxation

Deferred taxation is provided in full on timing differences which 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 financial statements.

Leases and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on inception and depreciated over their estimated useful lives. The finance charges are allocated to the profit and loss account on a straight line basis over the term of the agreement.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

Defined contribution pension arrangements are made for eligible employees of the company. The pension cost charged in the year represents contributions payable by the company to the relevant pension schemes.

SOUTHEND UNITED FOOTBALL CLUB LIMITED

2. TURNOVER

| | 2008 £ | 2007 £ |
|---|------------------|------------------|
| (a) Football activities | | |
| Gate receipts | 1,160,437 | 2,041,824 |
| Season tickets | 1,011,431 | 1,171,936 |
| Share of league and cup pools and television fees (after deducting contributions to league and association pools) | 787,689 | 1,314,960 |
| Centre of excellence | 142,414 | 181,397 |
| | <u>3,101,971</u> | <u>4,710,117</u> |
| (b) Sundry commercial income | | |
| Sports and promotions | 1,011,436 | 1,408,267 |
| Souvenir shop | 78,167 | 156,512 |
| Bars and catering | 464,812 | 494,573 |
| Other income including donations | 72,475 | 102,520 |
| | <u>1,626,890</u> | <u>2,161,872</u> |
| Total turnover | <u>4,728,861</u> | <u>6,871,989</u> |
| (c) Other operating income | | |
| Market rentals | <u>75,484</u> | <u>75,020</u> |

SOUTHEND UNITED FOOTBALL CLUB LIMITED

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Director's emoluments during the year were £nil (2007: £nil) and employer pension scheme payments were made of £nil (2007: £nil).

| | 2008 No. | 2007 No. |
|---|-------------|-------------|
| Average number of persons employed | | |
| Playing, training and coaching | 64 | 62 |
| Establishment and ground maintenance | 24 | 28 |
| Directors | 7 | 7 |
| | <u>95</u> | <u>97</u> |

| | £ | £ |
|--|------------------|------------------|
| Staff costs during the year (including directors) | | |
| Wages and salaries | 3,301,141 | 3,559,377 |
| Social security costs | 319,002 | 363,128 |
| Pension costs | 7,363 | 3,686 |
| Healthcare costs | 100,685 | 39,431 |
| Other Staff Costs | 8,052 | 5,679 |
| | <u>3,736,243</u> | <u>3,971,301</u> |

4. COST OF SALES

| | 2008 £ | 2007 £ |
|----------------|------------------|------------------|
| Wages | 3,384,143 | 3,696,637 |
| Other expenses | 2,402,513 | 1,881,712 |
| | <u>5,786,656</u> | <u>5,578,349</u> |

SOUTHEND UNITED FOOTBALL CLUB LIMITED

5. OPERATING PROFIT

| | 2008 £ | 2007 £ |
|--|-----------|-----------|
| Operating profit is after charging: | | |
| Depreciation of tangible assets: | | |
| - owned assets | 299,517 | 252,543 |
| Amortisation of players' registrations | 443,404 | 344,366 |
| Auditors' remuneration | 14,000 | 14,000 |
| And after crediting: | | |
| Income from property | 75,484 | 75,020 |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2008 £ | 2007 £ |
|---------------------------------------|-----------|-----------|
| Bank loans, overdrafts and other loan | 33,660 | 38,191 |
| Interest on overdue tax | - | - |
| | 33,660 | 38,191 |

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

No tax charge arises in the year. There are losses carried forward against future profits of the same trade.

8. INTANGIBLE FIXED ASSETS

| | £ |
|-------------------------------|-----------|
| Players' registrations | |
| Cost | |
| At 1 August 2007 | 1,279,100 |
| Additions | 588,715 |
| Disposals | (460,000) |
| At 31 July 2008 | 1,407,815 |
| Amortisation | |
| At 1 August 2007 | 526,239 |
| Charge for the year | 443,404 |
| On disposals | (168,665) |
| At 31 July 2008 | 800,978 |
| Net book value | |
| At 31 July 2008 | 606,837 |
| At 31 July 2007 | 752,861 |

SOUTHEND UNITED FOOTBALL CLUB LIMITED

9. TANGIBLE FIXED ASSETS

| | Leasehold Improve- ments £ | Fixtures, fittings and equipment £ | Motor vehicles £ | Total £ |
|---------------------------------|-------------------------------------|--|------------------------|------------|
| Cost | | | | |
| At 1 August 2007 | 319,747 | 1,444,315 | 26,750 | 1,790,812 |
| Additions | - | 30,621 | 9,500 | 40,121 |
| At 31 July 2008 | 319,747 | 1,474,936 | 36,250 | 1,830,933 |
| Accumulated depreciation | | | | |
| At 1 August 2007 | 122,564 | 1,105,639 | 7,500 | 1,235,703 |
| Charge for the year | 68,393 | 221,032 | 10,092 | 299,517 |
| At 31 July 2008 | 190,957 | 1,326,671 | 17,592 | 1,535,220 |
| Net book value | | | | |
| At 31 July 2008 | 128,790 | 148,265 | 18,658 | 295,713 |
| At 31 July 2007 | 197,183 | 338,676 | 19,250 | 555,109 |

10. STOCKS

| | 2008 £ | 2007 £ |
|------------|-----------|-----------|
| Bar stocks | 12,618 | 8,895 |
| Catering | 5,461 | 5,572 |
| Shop stock | 6,055 | 32,260 |
| | 24,134 | 46,727 |

11. DEBTORS

| | 2008 £ | 2007 £ |
|--|-----------|-----------|
| Due within one year: | | |
| Trade debtors | 232,460 | 470,177 |
| Other debtors | 13,008 | 64,991 |
| Prepayments and accrued income | 180,102 | 284,630 |
| | 425,570 | 819,798 |
| Debtors due after more than one year (see note 12) | 13,355 | 56,818 |
| Total debtors | 438,925 | 876,616 |

SOUTHEND UNITED FOOTBALL CLUB LIMITED

12. DEBTORS - DUE AFTER MORE THAN ONE YEAR

| | 2008 | 2007 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Leasehold property equity shares | <u>13,355</u> | <u>56,818</u> |

During 1987, the company entered into a joint venture agreement ("the agreement") to build a block of flats on land owned by the company. The agreement specified that both parties would retain equity shares in each unit of leasehold property which would be realised no later than five years from the date of sale of each unit. The equity shares allowed the joint venture partners to participate in the agreed values of the leasehold interests on sale and any subsequent increase in value if sold within five years of granting the lease.

Thus the equity share debtor of £13,355 (2007 - £56,818) represents the amounts due to the company, after provisions, in respect of its share in the total sale price of each unit of leasehold property.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 | 2007 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Directors loan accounts | 150,000 | - |
| Bank loans and overdraft | 234,015 | - |
| Amount owed to associated company | 1,000,000 | 1,000,000 |
| Trade creditors | 1,118,155 | 792,430 |
| Amount owed to parent undertaking and fellow subsidiaries | 1,161,732 | 1,009,129 |
| Other taxation and social security | 888,459 | 1,304,646 |
| Other creditors | 37,932 | 15,794 |
| Accruals and deferred income | 1,878,212 | 1,751,975 |
| | <u><u>6,468,505</u></u> | <u><u>5,873,974</u></u> |

SOUTHEND UNITED FOOTBALL CLUB LIMITED

14. DEFERRED GRANT INCOME

| | 2008 £ | 2007 £ |
|--|--------------|---------------|
| At 1 August 2007 | 73,722 | 37,514 |
| Stadium improvement grant received | - | 39,658 |
| Grants released to the profit and loss account | (70,381) | (3,450) |
| | <u>3,341</u> | <u>73,722</u> |
| At 31 July 2008 | <u>3,341</u> | <u>73,722</u> |

15. DEFERRED TAXATION

A deferred tax asset of £2,181,720 (2007 £1,758,753) in respect of fixed assets and short-term timing differences and losses has not been provided for due to the uncertainty of sufficient profits in the foreseeable future.

16. CALLED UP SHARE CAPITAL

| | 2008 £ | 2007 £ |
|--|----------------|----------------|
| Authorised | | |
| 1,216,000 ordinary shares of 25p each (2007 - 1,216,000) | <u>304,000</u> | <u>304,000</u> |
| Called up, allotted and fully paid | | |
| 677,951 ordinary shares of 25p each (2007 - 626,696) | <u>169,488</u> | <u>156,674</u> |

17. PROFIT AND LOSS ACCOUNT

| | £ |
|---|--------------------|
| At 1 August 2007 | (3,509,042) |
| Retained profit/(loss) for the financial year | <u>(2,425,664)</u> |
| At 31 July 2008 | <u>(5,934,706)</u> |

SOUTHEND UNITED FOOTBALL CLUB LIMITED

18. CONTINGENT ASSETS/LIABILITIES

Contingent liabilities

Under the terms of certain contracts for the purchase of players' registrations future payments may be due, dependent on the future transfer values attained for certain players. It is not possible to quantify the maximum liability that could be payable.

19. OPERATING LEASE COMMITMENTS

At 31 July 2008, the company was committed to making the following payments during the next year in respect of operating leases:

| | 2008 | | 2007 | |
|----------------------|--------------------|----------|--------------------|----------|
| | Land and buildings | Other | Land and buildings | Other |
| | £ | £ | £ | £ |
| Leases which expire: | | | | |
| Within 1 year | - | - | - | - |
| Within 2 to 5 years | 520,000 | - | 520,000 | - |
| | <u>520,000</u> | <u>-</u> | <u>520,000</u> | <u>-</u> |

Although the Company is committed to making rent payments of £520,000 under the terms of the lease, in practice no amounts have been payable in recent years.

20. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT AND STATEMENT OF MOVEMENTS ON RESERVES

| | Issued share capital | Share premium account | Profit and loss account | Total 2008 | Total 2007 |
|-------------------------------------|----------------------|-----------------------|-------------------------|--------------------|--------------------|
| | £ | £ | £ | £ | £ |
| Balance at 1 August 2007 | 156,674 | 482,469 | (3,509,042) | (2,869,899) | (4,213,380) |
| Retained profit/(loss) for the year | - | - | (2,425,664) | (2,425,664) | 1,343,481 |
| Ordinary shares issued in the year | 12,814 | 194,233 | - | 207,047 | - |
| Balance at 31 July 2008 | <u>169,488</u> | <u>676,702</u> | <u>(5,934,706)</u> | <u>(5,088,516)</u> | <u>(2,869,899)</u> |

During the year the company issued 51,255 ordinary shares of 25p each with an aggregate nominal value of £12,814 for a price of £6 per share. The company received proceeds from the share issue of £307,530. Costs associated with the share issue of £100,483 have been charged to the share premium account.

SOUTHEND UNITED FOOTBALL CLUB LIMITED

21. RELATED PARTY TRANSACTIONS

During the year the company made advertising and sponsorship sales of £1,576 (2007 - £25,220) to Universal Cycles Limited, a company in which D M Markscheffel, a director of this company, has a controlling interest. At the year-end £nil (2007 - £24,674) remained outstanding.

Sales were made to D M Markscheffel personally during the year amounting to £nil (2007 - £280). At the year end no balance (2007 - £nil) was outstanding with D M Markscheffel.

During the year D M Markscheffel made a loan to the company of £50,000. At the year end £50,000 (2007 - £nil) was outstanding.

P Robinson is a partner of Paul Robinson & Co Solicitors, who were engaged to provide the company with legal advice during the year to the value of £10,390 (2007 - £11,944). At the year-end £5,765 (2007 - £7,869) of those fees remained outstanding and are included within trade creditors. During the year the company provided advertising and hospitality sales of £8,225 (2007 - £7,000). At the year-end £nil (2007 - £nil) remained outstanding.

F Van Wezel is a director of Hi-Tec Sports Plc, a sportswear manufacturing company in which he has a controlling interest. The company provided sponsorship and hospitality sales during the year of £18,800 (2007 - £19,720) of which £nil (2007 - £18,800) remained outstanding at the year-end.

During the year F Van Wezel made a loan to the company of £100,000. At the year end £100,000 (2007 - £nil) was outstanding.

South Eastern Leisure UK Limited

South Eastern Leisure UK Limited ("SEL") is the direct parent undertaking. The amount owed to SEL at the year end was £950,308 (2007 - £1,001,724). This amount is included in creditors falling due within one year. The company leases the training ground from SEL and the Roots Hall ground from South Eastern Leisure Co Limited (SEL Co) a subsidiary company of SEL. Rent is charged amounting to £nil (2007 - £nil).

Martin Dawn plc

R Martin is a director of Martin Dawn plc. Martin Dawn plc is a joint venture partner in SEL. A management charge of £60,000 (2007 - £60,000) and recharged expenses of £4,625 (2007 - £95,585) were charged by Martin Dawn plc to the company during the year. During the year the company made sales of £nil (2007 - £1,430).

Southend United Community and Education Trust

G King is a director of Southend United Community and Education Trust. During the year the company made sales of £10,327 (2007 - £886) and recharged staff costs of £110,907 (2007 - £nil) to the Trust. At the year end the company was owed £5,651 (2007 - £188) by the Trust.

Mezcal Investments

Mezcal Investments Limited owns 50% of SEL. In 2006 the company received loans from Mezcal Investments Limited amounting to £1,000,000. At the year end £1,000,000 (2007 - £1,000,000) remained outstanding.

Roots Hall Limited

R Martin is a director of Roots Hall Limited. During the year the company made sales of £22,480 (2007: £31,848) and purchases of £nil (2007 - £3,913). At the year end the company owed Roots Hall Limited £211,424 (2007: £7,405).

22. PENSION COSTS

Players

Eligible players are members of the Football League Limited Players Retirement Income Scheme. No employers' contributions are made but the club deducts amounts from players' salaries and pays them into the scheme on their behalf. The scheme is defined contribution in nature. Total pension costs charged during the year amounted to £16,800 (2007 - £8,074). At the year-end £1,189 (2007 - £nil) of outstanding pension contributions were included in other creditors.

Administration & Support

The company contributes towards a Stakeholder Pension Scheme. During the year contributions of £7,363 (2007 - £3,686) were made.

23. CONTROLLING PARTY

The ultimate controlling party is Mr R Martin, Chariman of the direct controlling undertaking, South Eastern Leisure UK Limited (SEL), and majority shareholder of Martin Dawn Plc, which has a 50% shareholding in SEL.