

Southampton Football Club Limited

Report and Financial Statements

30 June 2007

WEDNESDAY



AN02TZB2

A43

30/04/2008

441

COMPANIES HOUSE

REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS	Page
Officers and professional advisers	1
Business Review	2
Directors' report	4
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	8
Balance sheet	9
Notes to the accounts	10

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M G R Wilde (Chairman) (resigned 28 February 2007)
L A Crouch (Chairman) (resigned 23 July 2007, re-appointed 19 December 2007)
M A Corbett
J P Hone (resigned 17 December 2007)
C L Hoos
D A Jones
L McMenemy

SECRETARY

E S Coley

MANAGER

Nigel Pearson

REGISTERED OFFICE

St Mary's Stadium
Britannia Road
Southampton
SO14 5FP

BANKERS

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

SOLICITORS

Paris, Smith & Randall
1 London Rd
Southampton
SO15 2AE

AUDITORS

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton

BUSINESS REVIEW

Summary

The financial statements have been prepared for the 12 months ended 30 June 2007, and the comparative figures are for a 13 month period ended 30 June 2006. The comparative figures include the additional month of June 2005, the impact of this is not significant as no football was played in that month.

The financial results for 2006/07 are based on Southampton Football Club playing its football in the Coca-Cola Championship for the second year running. The Club benefited from receiving a parachute payment of £6.7m from the Premier League in 2007, however, turnover remains considerably lower than when the Club was in the Premier League.

The results show a modest reduction in turnover from £20.5m to £19.0m and a reduced loss before taxation from £2.8m to £2.7m.

The Club finished the 2006/07 season in sixth place in the Championship, and lost in a penalty shoot out to Derby County in the play off semi-final. This compares with twelfth place in the 2005/06 season.

The Club loses its parachute payment for the 2007/08 season and accordingly turnover is expected to further reduce. The turnover reduction has necessitated the sale of a number of players since the year end in order to generate sufficient cash to ensure the company can live within its working capital facilities and at the same time field a playing squad capable of challenging for promotion to the Premier League.

Broadcasting income

- Broadcasting income of £8.1m remains at a level comparable with the previous year. The majority of this relates to the parachute payment from the Premier League. The parachute payment lasts for two seasons only, so no parachute payment will be received in the financial year to 30 June 2008.
- The Premier League has recently agreed to make a 'solidarity' payment to the Football League for the next three seasons. The Club's share of this will be £1.3m for the 2007/08 season.
- The Club also receives broadcasting income as a result of its participation in the Coca-Cola Championship. This amounted to £1.0m in the period.
- Other broadcasting income is received from TV facility fees for matches played in the Coca-Cola Championship and the FA Cup.

Matchday income

- Matchday attendances remained at a level consistent with the previous year, averaging 23,849 compared to 23,701 in the 2005/06 season. Season ticket sales were down on the previous year at 11,800 compared to 13,500. It is pleasing to note that season ticket sales for the 2007/08 season have exceeded 13,000.
- Ticket income from league matches reduced by £0.3m – largely due to reduced price ticket offers for schools and clubs associated with the Club.
- Cup receipts reduced from £0.7m to £0.3m. Cup income was disappointing with early exits in both the FA Cup and the Carling Cup.

Commercial income

- Commercial income reduced by £1.5m. The main areas impacted were central commercial League revenue and a reduction in Club sponsorship income. Club merchandising income increased from £1.9m to £2.0m, largely attributable to the launch of a new home kit in the 2006/07 season.

Operating costs

- The primary reduction was in player and coaches' wages. Player and coaches' wages reduced from £13.6m (66% of turnover) to £10.5m (55% of turnover). The reduction in the level of wages was possible following a reduction in the overall size of the playing squad and the transfer of high wage earners.

BUSINESS REVIEW

Player trading

- The net income generated from player trading amounted to £3.5m and compares with net income of £4.5m in the prior period
- The profit on disposal of players £6.1m during the period arises primarily from the sale of Bale to Spurs for an initial fee of £5.0m, as well as the sales of Cranie, Blackstock and Van Damme. The Club can potentially receive a further amount of up to £8m on the sale of Walcott and Bale, this amount due is contingent on club appearances, league position and international appearances
- Six new players were added to the squad during the period at a cost of £6.1m. These were Wright-Phillips, Pele, Davis, Skacel, Viáfara and Idiakez
- Following the sale of a number of players and a reduction in the squad playing size, player amortisation has reduced from £5.3m to £2.5m

Dividend

The Directors are not proposing a dividend (2006 nil)

Balance sheet

- Fixed assets have increased from £3.6m to £6.3m. The value of player registrations increasing from £3.0m to £5.4m and tangible fixed assets increasing from £0.6m to £0.85m

Post balance sheet events

- Since the period end and during the August 2007 transfer window, the Club has purchased and sold a number of players, giving rise to net transfer income of £9.6m

Outlook

The relegation of the Club from the Premier League in 2005 and the subsequent failure to win back promotion to that level have shaped and continue to exert an overwhelming influence on the state of the Company's finances

There has been a £21.6m reduction in annual turnover since the club was relegated at the end of the 2004/05 football season. The major element of this reduction has been a £12m per annum decline in broadcasting revenue

Unfortunately and unavoidably, this very substantial decline is now being exacerbated by the further loss in the current 2007/08 financial year of the £6.7m broadcasting revenue "parachute payment" which was paid to the Club by the Premier League in the first and second seasons following relegation

It is unrealistic to expect this further reduction in turnover to be compensated by improvements in other major revenue streams, such as season and match day ticket and corporate hospitality sales, in Saints' third consecutive season in the Coca-Cola Championship

Against this background, the business has very restricted borrowing capacity

Accordingly, in the absence of new investment, further cost cutting and player sales will be essential to ensure the Company can continue to function within its overdraft facilities, meet its payment obligations in relation to the stadium bond and thereby maintain the support of its major creditors

These creditors are currently supporting the operations of the business but Barclays have intimated they will not passively sit by and watch the liquidity position of the Company deteriorate over the coming year

The Company continues to trade in the current financial year, ending 30 June 2008, broadly in line with the directors' expectations. However, unless and until there is significant new investment, the directors will have no recourse but to continue cutting costs and trading players in order to generate funds for use as working capital and to offset operational losses before player trading

Ongoing cost cutting and player sales will undoubtedly diminish SFC's prospects of achieving promotion to the Premier League. Moreover, maintaining the Company as a going concern by such means is an inherently time-limited strategy. New investment is therefore required as a matter of considerable urgency

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2007

PRINCIPAL ACTIVITY

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

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The profit and loss account is set out on page 8 and shows a loss before tax for the year of £2,714,768 (2006 loss £2,793,536) No dividend (2006 £nil) is proposed The information that fulfils the requirements of the business review can be found on pages 2 to 3

DIRECTORS AND THEIR INTERESTS

A list of the present directors of the company is given on page 1

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

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

PLAYERS' REGISTRATION

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

POLICY ON PAYMENT OF CREDITORS

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

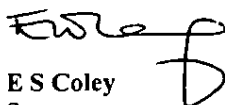
Trade creditors at 30 June 2007 represented 35 days of annual purchases (2006 37) This figure excludes creditors in respect of player purchases which are paid on the date when payment is contractually due

AUDITORS

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

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

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


E S Coley
Secretary

24 Apr 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of Southampton Football Club Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 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

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure made in Note 1 to the financial statement concerning the company's ability to continue as a going concern. The company made a significant loss in the year and had net current liabilities at the year end and is dependent on the continuing support of the parent company, which in turn is dependent on the support of the group's bankers and loan note holders. These conditions, together with the other matters explained in the note 1 to the financial statements, indicate the existence of a material uncertainty which may cast 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 were unable to continue as a going concern.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

Arcadia House

Maritime Walk

Ocean Village

Southampton

SO14 3TL

Date *24-4-8*

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2007

	Note	Operations excluding player trading 2007 £	Player trading* 2007 £	Year ended 30 June 2007 £	13 months ended 30 June 2006 £
TURNOVER	2	19,048,280	-	19,048,280	20,506,885
Cost of sales		<u>(21,778,590)</u>	<u>(2,565,614)</u>	<u>(24,344,204)</u>	<u>(31,213,474)</u>
Gross loss		(2,730,310)	(2,565,614)	(5,295,924)	(10,706,589)
Administrative expenses					
Provision against inter-company loans		(345,365)	-	(345,365)	(1,149,597)
Other		<u>(2,963,354)</u>	-	<u>(2,963,354)</u>	<u>(3,238,578)</u>
Total		<u>(3,308,719)</u>	-	<u>(3,308,719)</u>	<u>(4,388,175)</u>
Operating loss	3	(6,039,029)	(2,565,614)	(8,604,643)	(15,094,764)
Profit on disposal of players		-	6,054,164	6,054,164	12,240,863
(Loss)/profit before interest and taxation		<u>(6,039,029)</u>	<u>3,488,550</u>	<u>(2,550,479)</u>	<u>(2,853,901)</u>
Net interest receivable/(payable)	6			<u>(164,289)</u>	<u>60,365</u>
Loss on ordinary activities before taxation				(2,714,768)	(2,793,536)
Tax on loss on ordinary activities	7			<u>749,795</u>	<u>113,408</u>
Retained loss for the financial year	19			<u><u>(1,964,973)</u></u>	<u><u>(2,680,128)</u></u>

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

All amounts derive from continuing activities

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

Southampton Football Club Limited

BALANCE SHEET

30 June 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Intangible assets	8	5,401,989	2,970,482
Tangible assets	9	849,274	599,086
Investments	10	-	1,000
		<u>6,251,263</u>	<u>3,570,568</u>
CURRENT ASSETS			
Stocks	11	383,259	404,150
Debtors	12	6,820,062	11,857,061
Cash and bank balances		660,922	144,656
		<u>7,864,243</u>	<u>12,405,867</u>
CREDITORS. amounts falling due within one year	13	<u>(15,088,277)</u>	<u>(13,394,266)</u>
NET CURRENT LIABILITIES		<u>(7,224,034)</u>	<u>(988,399)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(972,771)	2,582,169
CREDITORS: amounts falling due after more than one year	14	(976,444)	(1,483,216)
PROVISION FOR LIABILITIES AND CHARGES	17	<u>(500,000)</u>	<u>(1,583,195)</u>
NET (LIABILITIES)/ASSETS		<u>(2,449,215)</u>	<u>(484,242)</u>
CAPITAL AND RESERVES			
Called up share capital	18	52,570	52,570
Profit and loss account	19	<u>(2,501,785)</u>	<u>(536,812)</u>
	19	<u>(2,449,215)</u>	<u>(484,242)</u>

These financial statements were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors



D A Jones
Secretary

24 April 2008

~~2007~~

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

1 ACCOUNTING POLICIES

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

Going Concern

The company made a further loss for the year and had net current liabilities, at the year end. The company is dependent on the parent company and a fellow subsidiary company for financial support and currently the group manages its working capital requirement through a bank overdraft facility which is repayable on demand. The current facility is due to be reviewed in June 2008. The group directors believe the facility will be renewed at that time.

The group directors have prepared cash flow forecasts for the forthcoming 12 months, which include the sale of various group assets, and cost reductions and rely upon the continued support of the bank and the group loan note holders. On this basis and with the continued support of the parent company the directors consider it appropriate to prepare the financial statements on the going concern basis.

In the event that the group's bankers do not renew the facility, alternative financing would need to be found in order for the group to continue as a going concern and therefore continue to support the company. The Directors continue to explore opportunities for finance from both external and internal sources. The above matters indicate the existence of a material uncertainty which may cast doubt about the group's ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the company is unable to continue as a going concern.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidated accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company is a wholly owned subsidiary undertaking of Southampton Leisure Holdings PLC and so it is exempt from preparing group accounts under section 228 of the Companies Act 1985.

Turnover

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

Intangible assets

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

Investments

Investments that are held for the long term are included in the balance sheet as fixed assets at cost. Provision is made where in the opinion of the directors, an impairment in value has occurred.

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

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

Stocks

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

Signing on fees

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

Deferred taxation

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

Leasing and hire purchase commitments

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

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

Pensions

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

2 TURNOVER

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

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

3 OPERATING LOSS

	2007 £	2006 £
Operating loss is stated after charging		
Amortisation of players	2,565,614	4,574,111
Auditors' remuneration		
- audit	15,000	20,000
- other services	15,000	28,000
Depreciation of fixed assets		
- owned	377,837	372,105
Rentals under operating leases		
- plant and machinery	82,404	90,430
- other	151,436	139,049

4. DIRECTORS' REMUNERATION

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

5 STAFF COSTS

	2007 £	2006 £
Wages and salaries	12,585,610	14,918,501
Social security costs	1,421,322	1,683,300
Pension contributions	99,536	196,836
	<u>14,106,468</u>	<u>16,798,637</u>

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

2007 No	2006 No
<u>196</u>	<u>201</u>

In addition the company employs approximately 300 temporary staff on match days (2006 320)

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

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

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

5. STAFF COSTS (CONTINUED)

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

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

6. NET INTEREST RECEIVABLE/(PAYABLE)

	2007 £	2006 £
Interest payable on bank overdraft and loan	(172,590)	(59,650)
Bank deposit interest receivable	8,301	120,015
	<u>(164,289)</u>	<u>60,365</u>

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

The taxation charge is made up as follows

	2007 £	2006 £
Current tax		
United Kingdom corporation tax at 30% (2006 30%)	-	-
Total current tax (credit)/charge	-	-
Deferred tax		
Timing differences, origination and reversal	-	(91,398)
Adjustment in respect of prior years	(749,795)	(22,010)
Total deferred tax charge	<u>(749,795)</u>	<u>(113,408)</u>
Tax (credit) charge on (loss) on ordinary activities	<u>(749,795)</u>	<u>(113,408)</u>

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

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

Factors affecting tax charge for the current year

The tax assessed for the year is higher (2006 higher) than that resulting from applying the standard rate of corporation tax in the UK 30% (2006 30%)

The differences are explained below

	2007 £	2006 £
Loss on ordinary activities before tax	(2,244,768)	(2,793,536)
Loss on ordinary activities at the standard rate of corporation tax	(673,430)	(838,061)
Effects of		
Expenses not deductible for tax purposes	72,689	356,186
Capital allowances in excess of depreciation	(32,615)	108,416
Movement on unutilised tax losses	(110,905)	1,118,959
Group relief not paid for	102,375	390,476
Other deferred tax movements	641,886	(1,135,977)
Current tax charge	-	-

A deferred tax asset has not been recognised in respect of timing differences relating primarily to trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is (£1,493,622) (2006 £Nil). The asset would be recovered if the company make suitable taxable future profits.

	2007 £	2006 £
Analysis of deferred tax balance (see also note 7 and note 17)		
Capital allowances in excess of depreciation	238,554	268,579
Short term timing differences	44,721	56,956
Rolled over gain on players	(1,835,966)	(2,385,006)
Losses	1,552,691	1,309,676
Deferred tax (liability)/asset	-	(749,795)

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

8. INTANGIBLE FIXED ASSETS

	Player registrations £
Cost	
At 1 June 2006	14,106,073
Additions	6,144,020
Disposals	(5,712,832)
At 30 June 2007	14,537,261
Accumulated amortisation	
At 1 June 2006	11,135,592
Charge for the year	2,565,614
Disposals	(4,565,934)
At 30 June 2007	9,135,272
Net book value	
At 30 June 2007	5,401,989
At 30 June 2006	2,970,482

Amortisation of player registrations is normally calculated on a straight line basis. Where appropriate, adjustments are made to reflect the specific circumstances of individual players. The accounts include additional charges on this basis of £Nil (2006 £734,182).

9. TANGIBLE FIXED ASSETS

	Equipment £	Motor vehicles £	Total £
Cost			
At 1 June 2006	2,245,240	106,051	2,351,291
Additions	628,025	-	628,025
At 30 June 2007	2,873,265	106,051	2,979,316
Depreciation			
At 1 June 2006	1,673,860	78,345	1,752,205
Provided during the year	364,242	13,595	377,837
At 30 June 2007	2,038,102	91,940	2,130,042
Net book value			
At 30 June 2007	835,163	14,111	849,274
At 30 June 2006	571,380	27,706	599,086

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

10. FIXED ASSET INVESTMENTS

	£
Ordinary shares in subsidiary at cost:	
At 1 July 2006	1,000
Subsidiary company struck off	(1,000)
	<hr/>
At 30 June 2007	-
	<hr/>

11 STOCKS

	2007 £	2006 £
Goods for resale	383,259	404,150
	<hr/>	<hr/>

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

12 DEBTORS

	2007 £	2006 £
Trade debtors	1,546,017	6,277,248
Amounts due from parent company	4,421,520	4,544,309
Amounts due from group undertakings	139,281	316,693
Other debtors	-	184,904
Prepayments and accrued income	713,244	533,907
	<hr/>	<hr/>
	6,820,062	11,857,061
	<hr/>	<hr/>

All amounts are due within one year

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

13. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Bank loan (see note 15)	100,000	100,000
Football League loan	88,340	88,340
Bank overdraft	-	1,912,323
Trade creditors	1,661,468	1,367,957
Amounts due to group undertaking	10,368,668	7,813,173
Other taxation and social security	1,706,538	502,245
Accruals and deferred income	1,007,254	1,610,228
Finance Lease	156,009	-
	<u>15,088,277</u>	<u>13,394,266</u>

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

	2007 £	2006 £
Bank loan (see note 15)	425,000	525,000
Football League loan	88,320	176,660
Trade creditors	229,112	590,000
Accruals and deferred income	-	191,556
Finance Lease	234,012	-
	<u>976,444</u>	<u>1,483,216</u>

15. BORROWINGS

	Loans £	Finance Lease £	Total 2007 £	Overdraft and Loans 2006 £
Amounts payable				
Within one year or on demand	188,340	156,009	344,349	2,100,663
Between one and two years	188,339	156,009	344,348	188,340
Between two and five years	299,981	78,003	377,984	388,320
After five years	25,000	-	25,000	125,000
	<u>701,660</u>	<u>390,021</u>	<u>1,091,681</u>	<u>2,802,323</u>

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

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

16 FINANCIAL COMMITMENTS

At 30 June 2007, the company was committed to making the following annual payment under non-cancellable operating leases to 30 June 2007

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Restated Other £
Leases which expire				
Within one year	-	4,400	-	-
Within two to five years	-	-	-	-
Five years or more	123,000	-	123,000	-
	<u>123,000</u>	<u>4,400</u>	<u>123,000</u>	<u>-</u>

The comparatives have been adjusted as the other lease commitments in 2006 have been recognised as finance leases in 2007

17. PROVISION FOR LIABILITIES AND CHARGES

	2007 £	2006 £
Deferred taxation (see note 7)	-	749,795
Contingent transfer fees payable	<u>500,000</u>	<u>833,400</u>
	<u>500,000</u>	<u>1,583,195</u>
	2007 £	2006 £
Contingent transfer fees		
Opening balance	833,400	429,000
Capitalised in the year	762,813	783,400
Released	(311,525)	(303,000)
Reclassified to creditors	<u>(784,688)</u>	<u>(76,000)</u>
Closing balance	<u>500,000</u>	<u>833,400</u>

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

NOTES TO THE ACCOUNTS

Period ended 30 June 2007

18. SHARE CAPITAL

	2007 £	2006 £
Authorised		
Ordinary shares of £1 each	60,000	60,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	52,570	52,570

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	2007 Total £	2006 Total £
At 1 June	52,570	(536,812)	(484,242)	2,195,886
(Loss) for the year	-	(1,964,973)	(1,964,973)	(2,680,128)
At 30 June	52,570	(2,501,785)	(2,449,215)	(484,242)

20. CONTINGENT LIABILITIES

Excluding items provided in the balance sheet, at 30 June 2007 Southampton Football Club had a liability to pay up to £1,589,000 (2006 £2,150,000) to other clubs in respect of players under contract, dependent upon the number of first team appearances and international debuts made

At 30 June 2007 the company had contingent sums receivable from other Clubs in respect of players sold. Due to the uncertainty of receipt of these contingent assets it is not practicable to disclose the amount likely to be received.

21. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary undertaking of Southampton Leisure Holdings PLC, which is also the ultimate parent undertaking and controlling party and is incorporated in Great Britain. The consolidated accounts of Southampton Leisure Holdings PLC are those of both the largest and smallest group of which the company is a member and for which group accounts are prepared.

Copies of the group accounts may be obtained from the Company Secretary, Southampton Leisure Holdings PLC, St Mary's Stadium, Britannia Road, Southampton, SO14 5FP.

22. RELATED PARTY TRANSACTIONS

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

23. POST BALANCE SHEET EVENTS

Since the end of the financial year, the company has contracted for the purchase and sale of various players. The net income from these transfers, taking into account the applicable levies but excluding value added tax, is approximately £9.6m. These transfers will be accounted for in the year ended 30 June 2008.