

Company Registration No. 00053703

**THE READING FOOTBALL
CLUB LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

30 JUNE 2011

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THE READING FOOTBALL CLUB LIMITED

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THE READING FOOTBALL CLUB LIMITED

OFFICERS AND ADVISERS

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

Company Secretary B Stabler

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

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

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

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

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The directors present herewith the audited financial statements of the company for the year ended 30 June 2011.

Principal activities and review of business

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

The Board has considered the risks and uncertainties the Football Club faces which are principally related to the costs and revenues involved in maintaining a playing squad and trading in players, and maintaining, if not improving, its league position. The Board acknowledges this and recognises that to remain competitive within this league and to achieve promotion to the Premiership, it needs to continue to maintain a competitive squad of players, whilst managing the costs associated with this within the financial constraints the company faces.

Following the conclusion of the Premier League parachute payments last year, the Board has continued to manage this significant shortfall in a prudent, long term manner. Through the sale of specific players, the Board has been able to support the costs of running the club's 2011/12 squad.

With this approach the Board remain confident the Club can push for success in the newpower Championship and again ensure its long-term financial stability.

The company is dependent upon the continued financial support of the Chairman, in particular the company benefiting from an extremely low rate of interest on the Chairman's loan to the company. Whilst the company should be able to raise finance to repay the loan if required, it is unlikely that a similar rate of interest could be achieved.

Results and dividends

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

The directors do not recommend payment of a dividend for the year ended 30 June 2011.

Market value of land and buildings

In the opinion of the directors the market value of the land and buildings exceed the current net book value.

Future developments

It is the Board's aim to achieve promotion to the Premiership, however the Board will not jeopardise the future of the Club in its attempts to gain promotion.

Directors

The directors of the company at 30 June 2011 and who have served throughout the year were as follows:

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

Creditor payment policy

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

At the year end the company's creditor days were 76 days (2010: 58 days).

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011 (continued)

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 directors' responsibilities

The directors are responsible for preparing 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.

Employees

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

Disabled persons are given full and fair consideration in all applications for employment. Equal consideration is also given for training, career development and opportunities for promotion.

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.

By Order of the Board



B Stabler
Secretary

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

17 November 2011

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 on pages 6 to 22 for the year ended 30 June 2011. 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).

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 3, 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 2011 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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

21 November 2011

Chartered Accountants
Statutory Auditor

Iveco House
Station Road
Watford
Hertfordshire
WD17 1DL

THE READING FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Operations excluding player trading £	Player trading £	2011 Total £	2010 Total £
Turnover	2	17,209,653	-	17,209,653	27,665,455
Operating expenses	3	(25,783,970)	(2,429,391)	(28,213,361)	(29,656,197)
Other operating income		327,619	-	327,619	322,619
Operating loss		(8,246,698)	(2,429,391)	(10,676,089)	(1,668,123)
Profit on disposal of players' registrations		-	5,777,876	5,777,876	4,039,365
(Loss) / profit before interest and taxation	5	(8,246,698)	3,348,485	(4,898,213)	2,371,242
Interest receivable				539	141
Interest payable and similar charges	4			(128,482)	(505,306)
(Loss) / profit on ordinary activities before taxation				(5,026,156)	1,866,077
Taxation	7			-	-
(Loss) / profit for the financial year				(5,026,156)	1,866,077

The profit and loss account has been prepared on the basis that all operation are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account


The notes on pages 8 to 22 form part of these financial statements

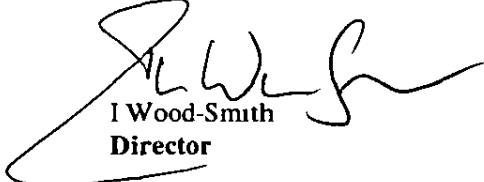
THE READING FOOTBALL CLUB LIMITED

BALANCE SHEET AS AT 30 JUNE 2011

	Notes	2011 £	2010 £
Fixed assets			
Intangible assets	8	3,225,175	3,307,861
Tangible assets	9	30,392,058	32,053,777
Investments	10	2	2
		<u>33,617,235</u>	<u>35,361,640</u>
Current assets			
Stocks	11	227,119	289,363
Debtors Due in one year	12	2,817,035	4,629,245
Due after one year	12	5,688	1,169,559
Cash at bank and in hand		898,847	2,679,869
		<u>3,948,689</u>	<u>8,768,036</u>
Creditors: amounts falling due within one year	13	(20,126,495)	(20,062,970)
Net current liabilities		<u>(16,177,806)</u>	<u>(11,294,934)</u>
Total assets less current liabilities		<u>17,439,429</u>	<u>24,066,706</u>
Creditors: amounts falling due after one year	14	(26,604,758)	(28,205,879)
		<u>(9,165,329)</u>	<u>(4,139,173)</u>
Capital and reserves			
Called up share capital	15	750,000	750,000
Share premium account	16	6,525,000	6,525,000
Profit and loss account	16	(16,440,329)	(11,414,173)
Shareholders' funds	17	<u>(9,165,329)</u>	<u>(4,139,173)</u>

Approved by the Board and authorised for issue on 17 November 2011


Sir R J Madejski OBE, DL
Director
Company Registration No. 00053703


I Wood-Smith
Director

The notes on pages 8 to 22 form part of these financial statements

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention. The financial statements have been drawn up on the basis that the Company is a going concern. The validity of the going concern basis of accounting depends on the continuing support of the Chairman (see note 13) and The Reading Football Club (Holdings) plc. The Chairman confirms that it is not his intention to withdraw his support for the Company in the foreseeable future. The Reading Football Club (Holdings) plc has confirmed that it will not seek repayment of its loan to the company unless the company's cashflow permits repayment to be made without jeopardising the company's position.

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

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Consolidation

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Reading Football Club (Holdings) Plc, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

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 Depreciation

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

	% of cost
Fixtures, fittings and equipment	20
Indoor training centre	10
Freehold buildings	2

1.6 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.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. Accounting policies (continued)

1.7 Turnover and income recognition

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

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

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

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

1.8 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.

1.9 Deferred taxation

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

1.10 Finance leases, hire purchase contracts and operating leases

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

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

1.11 Grants

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

1.12 Pensions

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

The pension costs charged in the financial statements also include contributions paid 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 arising from the club's ex-employees.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Turnover

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

	2011	2010
	£	£
Media and broadcasting	6,105,011	16,813,497
Matchday income	7,276,559	6,830,291
Commercial income	2,992,397	3,149,759
Commission from rugby matches	625,191	680,472
Other income	210,495	191,436
	<u>17,209,653</u>	<u>27,665,455</u>

3. Operating expenses

	2011	2010
	£	£
Staff costs (note 6)	18,265,995	18,124,214
Depreciation	1,778,432	1,819,386
Loss / (profit) on sale of fixed assets	35,743	(2,250)
Amortisation of players registrations	2,429,391	3,683,873
Depreciation and other amounts written off tangible and intangible fixed assets	<u>4,243,566</u>	<u>5,501,009</u>
Other operating charges	<u>5,703,800</u>	<u>6,030,974</u>
Operating expenses	<u>28,213,361</u>	<u>29,656,197</u>

4. Interest payable and similar charges

	2011	2010
	£	£
Bank loans and overdrafts	2,576	4,028
Other loans repayable	123,779	491,019
Charges on finance leases and hire purchase contracts	2,127	10,259
	<u>128,482</u>	<u>505,306</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

5. Operating loss after disposal of players registrations

	2011	2010
	£	£
Operating (loss) / profit after disposal of players registrations is stated after charging / (crediting)		
Directors' emoluments (note 6)	-	-
Operating lease rentals	71,840	86,986
Depreciation	1,778,432	1,819,386
Amortisation of intangible fixed assets	2,429,391	3,683,873
Loss / (profit) on disposal of tangible fixed assets	35,743	(2,250)
Profit on disposal of intangible fixed assets	(5,777,876)	(4,039,365)
	<u><u> </u></u>	<u><u> </u></u>

Auditor's Remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	20,500	20,500
Remuneration of auditors for accounting and taxation services	9,025	1,600
	<u><u>29,525</u></u>	<u><u>22,100</u></u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

6. Staff numbers and costs

	2011 Number	2010 Number
The average number of persons employed by the company, including Directors, was as follows		
Players	42	35
Football management and coaching staff	56	53
Administrative staff	62	65
Staff employed under government training schemes	17	22
Matchday staff	190	220
	<u>367</u>	<u>395</u>
	2011	2010
The aggregate payroll costs of these persons were as follows	£	£
Gross wages and salaries	16,173,379	15,973,239
Social security costs	2,013,929	2,079,835
Pension costs	78,687	71,140
	<u>18,265,995</u>	<u>18,124,214</u>
Directors' remuneration (including pension contributions) was as follows		
Directors' emoluments		
Remuneration as executives	-	-

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. Taxation

	2011	2010
	£	£
Current tax charge	-	-
Factors affecting the tax charge for the year		
(Loss) / profit on ordinary activities before taxation	(5,026,156)	1,866,077
(Loss) / profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26% (2010 28%)	(1,306,800)	522,501
Effects of		
Non deductible expenses	4,252	5,601
Non taxable income	(83,881)	(90,333)
Depreciation	463,299	494,816
Losses arising in period	923,130	-
Tax losses utilised	-	(932,546)
Group loss relief claimed	-	(39)
	1,306,800	(522,501)
Current tax charge	-	-
	2011	2010
	£	£
Losses carried forward	15,846,025	12,294,794

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 £4,252,153 (2010 £3,445,658). 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 2011 (continued)

8. Intangible fixed assets

	Players' transfer fees £
Cost	
At 1 July 2010	7,539,984
Additions	2,568,011
Disposals	(2,446,749)
At 30 June 2011	7,661,246
Amortisation	
At 1 July 2010	4,232,123
Charge for the year	2,429,391
Disposals	(2,225,443)
At 30 June 2011	4,436,071
Net book value	
At 30 June 2011	3,225,175
At 30 June 2010	3,307,861

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

9.	Tangible fixed assets	Freehold land and buildings	Fixtures, fittings and equipment	Total
		£	£	£
	Cost			
	At 1 July 2010	41,574,629	3,209,150	44,783,779
	Additions	27,944	124,512	152,456
	Disposals	(35,743)	(138,248)	(173,991)
	At 30 June 2011	41,566,830	3,195,414	44,762,244
	Depreciation			
	At 1 July 2010	9,947,932	2,782,070	12,730,002
	Provided in year	1,546,857	231,575	1,778,432
	Disposals	-	(138,248)	(138,248)
	At 30 June 2011	11,494,789	2,875,397	14,370,186
	Net book value			
	At 30 June 2011	30,072,041	320,017	30,392,058
	At 30 June 2010	31,626,697	427,080	32,053,777

Assets held under finance lease and hire purchase contracts at 30 June 2011 originally cost £71,209 (2010 £136,632) and have a net book value of £67,649 (2010 £32,257). Depreciation charged for the year on assets held under finance lease and hire purchase contracts was £35,817 (2010 £52,188). Included in freehold land and buildings are the total costs capitalised to date of £1,337,561 (2010 £1,335,293) for the stadium extension project. These have not been depreciated as the project is still active but not yet completed.

10. Fixed asset investments

	2011	2010
	£	£
Shares in group undertakings	2	2

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

	Country of Incorporation	Nature of Business	Capital & Reserves	Profit/(loss) For the year
			£	£
Madejski Stadium Hotel Limited	United Kingdom	Hotel and leisure	854,738	(305,139)
Reading FC Community Trust	United Kingdom	Community Trust	147,356	28,542

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

10. Fixed asset investments (continued)

Reading FC Community Trust is a company limited by guarantee. The Reading Football Club Limited is its sole member and able to exercise control through its power to appoint and remove Trustees of the Trust.

11. Stocks

	2011	2010
	£	£
Goods for resale	227,119	289,363

12. Debtors

	2011	2010
	£	£
Trade debtors	1,914,149	4,961,919
Amounts owed by group undertakings	84,074	14,496
Other debtors	29,006	125,377
Prepayments and accrued income	795,494	697,012
	2,822,723	5,798,804

Of which the following amounts fall due after one year

Trade debtors	-	1,142,259
Prepayments	5,688	27,300
	5,688	1,169,559

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

13. Creditors: amounts falling due within one year

	2011	2010
	£	£
Bank loan and overdraft	95,349	95,349
Chairman's loan	9,218,987	8,744,490
Obligations under finance lease and hire purchase contracts	23,736	27,121
Trade creditors	1,848,084	1,488,794
Other creditors	107,194	163,668
Other taxes and social security costs	893,993	1,241,595
Other loans (see note 14)	1,232,192	2,247,674
Accruals	2,832,666	2,617,162
Deferred income	3,874,294	3,437,117
	<u>20,126,495</u>	<u>20,062,970</u>
Debt due within one year or less	<u>1,351,277</u>	<u>2,370,144</u>

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

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

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

14. Creditors: amounts falling due after one year

	2011	2010
	£	£
Bank loan (see note below)	26,934	122,283
Amounts owed to group undertakings	14,617,949	14,617,949
Other loans (see note below)	196,517	1,421,209
Obligations under finance leases and hire purchase contracts	41,539	-
Deferred contributions (see note below)	11,721,819	12,044,438
	<u>26,604,758</u>	<u>28,205,879</u>

Deferred contributions

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

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

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

Bank loan

	2011	2010
	£	£
Wholly repayable within five years by instalments	122,283	217,632
	<u>122,283</u>	<u>217,632</u>
Included in current liabilities	(95,349)	(95,349)
	<u>26,934</u>	<u>122,283</u>

Loan maturity analysis

In more than one year but not more than two years	26,934	95,349
In more than two year but not more than five years	-	26,934
	<u>26,934</u>	<u>122,283</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

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

Other loans

Other loans are a loan from Scottish and Newcastle Plc and a loan from Close Leasing Ltd

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

The Close Leasing Ltd loan is repayable in monthly instalments until August 2011. Interest is charged on the loan at a fixed rate of 12%. The loan is secured by a legal charge over certain debtor balances relating to income due from player trading and a legal charge over the company's bank account.

Other loan analysis	2011	2010
	£	£
Wholly repayable within five years by instalments	1,428,709	3,668,883
	<u>1,428,709</u>	<u>3,668,883</u>
Included in current liabilities	(1,232,192)	(2,247,674)
	<u>196,517</u>	<u>1,421,209</u>
Loan maturity analysis		
In more than one year but not more than two years	196,517	1,232,193
In more than two years but not more than five years	-	189,016
	<u>-</u>	<u>189,016</u>

Obligations under finance lease and hire purchase contracts

	2011	2010
	£	£
Amounts repayable within one year	23,736	27,121
Amounts repayable between one and two years	41,539	-
	<u>65,275</u>	<u>27,121</u>
Included in current liabilities	(23,736)	(27,121)
	<u>41,539</u>	<u>-</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

15. Share capital

	2011	2010
	£	£
Allotted, called up and fully paid:		
1,500,000 ordinary shares of 50p each	750,000	750,000
	<u> </u>	<u> </u>

16. Reserves

	Profit and loss account	Share premium
	£	£
At 1 July 2010	(11,414,173)	6,525,000
(Loss) for the year	(5,026,156)	-
	<u> </u>	<u> </u>
At 30 June 2011	(16,440,329)	6,525,000
	<u> </u>	<u> </u>

17. Reconciliation of movements in shareholders funds

	2011	2010
(Loss) / profit for the financial year	(5,026,156)	1,866,077
Opening shareholders' funds	(4,139,173)	(6,005,250)
	<u> </u>	<u> </u>
Closing shareholders' funds	(9,165,329)	(4,139,173)
	<u> </u>	<u> </u>

18. Financial commitments

At 30 June 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 June 2012

	2011	2010
	£	£
Land and Buildings		
Operating leases expiring after five years	18,000	18,000
	<u> </u>	<u> </u>
Other		
Operating leases expiring within one year	7,285	9,806
Operating leases expiring in two to five years	87,749	57,448
	<u> </u>	<u> </u>
	95,034	67,254
	<u> </u>	<u> </u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

19. Contingent liabilities

Under the terms of certain contracts for the purchase of players' registrations future payments may be due, dependent on the future success of the team and/or future team selection of individual players. The maximum unprovided liability, which may arise in respect of this at 30 June 2011, is £1,353,000 (2010 £1,855,700). 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.

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

The company is party to a cross-guarantee for the bank borrowings of Madejski Stadium Hotel Limited. At 30 June 2011, these amounted to £8,023,492 (2010 £8,970,252).

20. 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 21). 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.

	2011	2010
	£	£
Defined benefit scheme	3,912	3,668
Defined contribution scheme	74,775	67,472
	<u>78,687</u>	<u>71,140</u>

21. Pension Commitments

The latest actuarial valuation of the Football League Limited Pension and Life Assurance Scheme (Defined Benefit section) revealed that there was a deficit in the Scheme as at 31 August 2008. The Reading Football Club Limited's share of the deficit at 1 September 2009 was £25,314. This is being repaid by increased contributions in the years to 2019. On the basis that pension costs are spread over the working lives of the employees and the pension contributions vary in accordance with the actuarial valuation, no provision has been made for this in these financial statements.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

22. Related party transactions

Loans from directors

Transactions in relation to loans from the directors, included in creditors, during the year are outlined in the table below

	Opening Balance	Amounts Advanced	Amounts Repaid	Closing Balance
Sir R J Madejski OBE, DL	<u>8,744,490</u>	<u>600,000</u>	<u>(125,503)</u>	<u>9,218,987</u>

Included in accruals is £2,262,826 (2010 £2,262,826) in respect of accrued interest on the loan from Sir R J Madejski OBE, DL. The company also paid rent for the training ground of £18,000 (2010 £18,000) to Sir R J Madejski OBE, DL

Other Related Party Transactions

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

The company was invoiced by Field Seymour Parkes, a firm of Solicitors in which I Wood-Smith is a partner, the amount of £41,080 (2010 £65,751) for legal and professional advice given during the year

Sir R J Madejski is a director of Reading Broadcasting Company Limited. During the year, the company made sales on normal commercial terms of £17,013 (2010 £16,972) to Reading Broadcasting Company Limited, and purchases of £20,016 (2010 £21,798). Included in trade debtors at 30 June 2011 is an amount owing of £14,066 (2010 £74,844)

Sir R J Madejski is a director of Ark Hotels Limited. During the year, the company charged Ark Hotels Limited a management fee of £33,333 (2010 £50,000). There is no debtor at the year end

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

23. Post balance sheet events

Since the year end, the company has acquired players' registrations at a cost of £1,189,000 (2010 £101,325). The company has also sold players registrations for proceeds of £9,075,000 (2010 £5,287,500)

24. Control

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