

Company Registration No. 00053703

**THE READING FOOTBALL
CLUB LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

30 JUNE 2012



THE READING FOOTBALL CLUB LIMITED

CONTENTS

	Page
Officers and professional advisers	1
Chairman's statement	2
Directors' report	3 and 5
Independent auditors' report	6 and 7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 to 26

THE READING FOOTBALL CLUB LIMITED

OFFICERS AND ADVISERS

Directors	Sir R J Madejski OBE, DL (Chairman)
	A B Zingarevich (appointed 24 May 2012)
	A Obolensky (appointed 24 May 2012)
	C R L Samuelson (appointed 24 May 2012)
	N Howe (appointed 24 May 2012)
	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

CHAIRMAN'S STATEMENT

Early in 2012, we received investment from Thames Sports Investment and this summer we were delighted to officially welcome in a new era and owner Anton Zingarevich. Anton's arrival has signalled a period of positive change at Reading, and his input has been integral in helping this club move forward.

And how we moved forward! A remarkable run of fifteen victories from seventeen games, taking 46 points from a possible 51, took us from a mid-table position at the end of January to the triumphant pinnacle, automatic promotion was clinched at Madejski Stadium against Nottingham Forest on Tuesday 17th April – a night few will ever forget! The title capped an incredible season and earned us a return to the promised land of the Barclays Premier League.

Investment, which by the very nature of modern day football is what every club needs to succeed, will now allow us to build as opposed to rebuild every season, offering us stability alongside progress and growth, helping us to strengthen in terms of our squad as well as the club's infrastructure and our burgeoning Academy system.

While the club has embraced these significant steps forward, both on and off the pitch, it has also remained on the same course it has so successfully set during my past 22 years. The club retains its ambition for progress, but also remains true to the principles and values which have seen it achieve so much since I arrived at Elm Park in 1990. As a club we will remain prudent in our approach, but strive for success as fervently as ever. And we will do it the Reading way.

Very best wishes,



Sir John Madejski
Chairman of Reading Football Club

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

The directors present herewith the audited financial statements of the company for the year ended 30 June 2012

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.

On 24th May 2012, Reading Football Club Limited was sold to Thames Sports Investments Limited ("TSI") where TSI acquired the share capital and outstanding loans owing to Reading Football Club (Holdings) Plc and Sir John Madejski in two stages, initially taking 51% with an agreement to complete the acquisition of the remaining 49% on or before September 2013.

At the same time, Madejski Stadium Hotel Limited ceased to be a subsidiary of The Reading Football Club Limited, and became a direct subsidiary of The Reading Football Club (Holdings) Plc.

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 it needs to continue to invest in players, whilst managing the costs associated with this within the financial constraints the company faces.

The Board has continued to manage a significant shortfall in working capital requirements 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 2012/13 squad and with the assistance of TSI the Club was able to secure promotion to the FA Premier League.

The company is dependent upon the continued financial support of its owners, in particular the company benefits from an extremely low rate of interest on their 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 8.

The directors do not recommend payment of a dividend for the year ended 30 June 2012.

Market value of land and buildings

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

Future developments

It is the Board's aim to consolidate on promotion to the Premier League, however the Board will not jeopardise the future of the Club in its attempts to retain its league status.

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012 (continued)

Directors

The directors of the company at 30 June 2012 and who have served throughout the year were as follows

Sir R J Madejski OBE, DL (Chairman)	
A B Zingarevich	(appointed 24 May 2012)
A Obolensky	(appointed 24 May 2012)
C R L Samuelson	(appointed 24 May 2012)
N Howe	(appointed 24 May 2012)
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 96 days (2011 75 days)

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. Employee participation practices are appropriate to the company's needs. Employees are regularly kept informed of and express their views on activities which are of concern to them or which are likely to affect their interests.

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

Auditors

In accordance with 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.

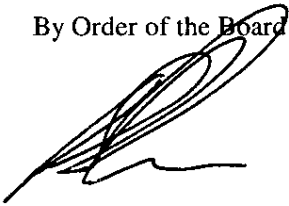
THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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

A handwritten signature in black ink, appearing to be 'B Stabler', written over the text 'By Order of the Board'.

**B Stabler
Secretary**

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

Date 29 January 2013

THE READING FOOTBALL CLUB LIMITED

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

We have audited the financial statements of The Reading Football Club Limited for the year ended 30 June 2012 set out on pages 8 to 26. 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 4, 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 2012 and of the company's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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**

Date 2 February 2013

**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 2012

	Notes	Operations excluding player trading £	Player trading £	2012 Total £	2011 Total £
Turnover	2	14,753,324	-	14,753,324	17,209,653
Operating expenses	3	(34,884,512)	(2,018,530)	(36,903,042)	(28,213,361)
Other operating income		322,619	-	322,619	327,619
Operating loss		(19,808,569)	(2,018,530)	(21,827,099)	(10,676,089)
Profit on disposal of players' registrations		-	7,971,571	7,971,571	5,777,876
Loss before interest and taxation	5	(19,808,569)	5,953,041	(13,855,528)	(4,898,213)
Interest receivable				48	539
Chairman's loan interest waived	13			2,262,826	-
Interest payable and similar charges	4			(126,258)	(128,482)
Loss on ordinary activities before taxation				(11,718,912)	(5,026,156)
Taxation	7			-	-
Loss for the financial year				(11,718,912)	(5,026,156)

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

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

The notes on pages 10 to 26 form part of these financial statements

THE READING FOOTBALL CLUB LIMITED

BALANCE SHEET AS AT 30 JUNE 2012

	Notes	2012 £	2011 £
Fixed assets			
Intangible assets	8	2,917,905	3,225,175
Tangible assets	9	30,188,409	30,392,058
Investments	10	-	2
		<u>33,106,314</u>	<u>33,617,235</u>
Current assets			
Stocks	11	123,042	227,119
Debtors	12	2,816,393	2,822,723
Cash at bank and in hand		6,312,972	898,847
		<u>9,252,407</u>	<u>3,948,689</u>
Creditors: amounts falling due within one year	13	(23,525,238)	(20,126,495)
Net current liabilities		<u>(14,272,831)</u>	<u>(16,177,806)</u>
Total assets less current liabilities		<u>18,833,483</u>	<u>17,439,429</u>
Creditors: amounts falling due after one year	14	(39,717,724)	(26,604,758)
		<u>(20,884,241)</u>	<u>(9,165,329)</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	(28,159,241)	(16,440,329)
Shareholders' funds	17	<u>(20,884,241)</u>	<u>(9,165,329)</u>

Approved by the Board and authorised for issue on 29 January 2013

Sir R J Madejski OBE, DL
Director

A Obolensky
Director

Company Registration No. 00053703

The notes on pages 10 to 26 form part of these financial statements

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 shareholders, Thames Sport Investment Limited and Reading Football Club (Holdings) Plc. The shareholders have confirmed that they will not seek repayment of their loans to the company unless the company's cash flow permits repayment to be made without jeopardising the company's ability to continue as a going concern. Thames Sport Investment Limited has also confirmed that they will provide additional support to the company if required.

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 Thames Sport Investment Limited.

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 Thames Sports Investments Limited, 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 2012 (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 2012 (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

	2012	2011
	£	£
Media and broadcasting	5,075,166	6,105,011
Matchday income	5,628,414	7,276,559
Commercial income	3,108,753	2,992,397
Commission from rugby matches	615,109	625,191
Other income	325,882	210,495
	<u>14,753,324</u>	<u>17,209,653</u>

3. Operating expenses

	2012	2011
	£	£
Staff costs (note 6)	26,551,113	18,265,995
Depreciation	1,728,007	1,778,432
Loss / (profit) on sale of fixed assets	-	35,743
Amortisation of players registrations	1,914,615	2,429,391
Depreciation and other amounts written off tangible and intangible fixed assets	<u>3,642,622</u>	<u>4,243,566</u>
Other operating charges	<u>6,709,307</u>	<u>5,703,800</u>
Operating expenses	<u>36,903,042</u>	<u>28,213,361</u>

4. Interest payable and similar charges

	2012	2011
	£	£
Bank loans and overdrafts	903	2,576
Other loans	(3,000)	123,779
Flat fee for arranging finance	112,500	-
Charges on finance leases and hire purchase contracts	15,855	2,127
	<u>126,258</u>	<u>128,482</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

5. Operating loss after disposal of players' registrations

	2012	2011
	£	£
Operating loss after disposal of players' registrations is stated after charging /(crediting)		
Directors' emoluments (note 6)	217,167	-
Operating lease rentals	79,831	71,840
Depreciation	1,728,007	1,778,432
Amortisation of intangible fixed assets	1,914,615	2,429,391
Loss on disposal of tangible fixed assets	-	35,743
Profit on disposal of intangible fixed assets	(7,971,571)	(5,777,876)

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	11,500	9,025
	<u>32,000</u>	<u>29,525</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. Staff numbers and costs

	2012 Number	2011 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>
	2012	2011
The aggregate payroll costs of these persons were as follows	£	£
Gross wages and salaries	23,444,617	16,173,379
Social security costs	2,966,555	2,013,929
Pension costs	139,941	78,687
	<u>26,551,113</u>	<u>18,265,995</u>
Directors' remuneration (including pension contributions) was	<u>133,834</u>	<u>-</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2011 nil)

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

7. Taxation

	2012	2011
	£	£
Current tax charge	-	-
Factors affecting the tax charge for the year		
(Loss) / profit on ordinary activities before taxation	(11,718,912)	(5,026,156)
(Loss) / profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26% (2011 26%)	(3,046,917)	(1,306,800)
Effects of		
Non deductible expenses	-	4,252
Non taxable income	(672,216)	(83,881)
Depreciation	449,282	463,299
Losses arising in period	3,269,851	923,130
Tax losses utilised	-	-
Group loss relief claimed	-	-
	3,046,917	1,306,800
Current tax charge	-	-
	2012	2011
	£	£
Losses carried forward	28,422,375	15,846,025

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 £7,621,402 (2011 £4,252,153). 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 2012 (continued)

8. Intangible fixed assets

	Players' transfer fees £
Cost	
At 1 July 2011	7,661,246
Additions	2,400,653
Disposals	(2,443,321)
Impairment	(253,024)
At 30 June 2012	7,365,554
Amortisation	
At 1 July 2011	4,436,071
Charge for the year	1,914,615
Disposals	(1,753,928)
Impairment	(149,109)
At 30 June 2012	4,447,649
Net book value	
At 30 June 2012	2,917,905
At 30 June 2011	3,225,175

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9.	Tangible fixed assets	Freehold land and buildings	Fixtures, fittings and equipment	Total
		£	£	£
	Cost			
	At 1 July 2011	41,566,830	3,195,413	44,762,243
	Additions	1,219,811	304,546	1,524,357
	At 30 June 2012	42,786,641	3,499,959	46,286,600
	Depreciation			
	At 1 July 2011	11,494,789	2,875,396	14,370,185
	Provided in year	1,549,335	178,671	1,728,006
	At 30 June 2012	13,044,124	3,054,067	16,098,191
	Net book value			
	At 30 June 2012	29,742,517	445,892	30,188,409
	At 30 June 2011	30,072,041	320,017	30,392,058

Assets held under finance lease and hire purchase contracts during the year have an original cost of £203,709 (2011 £71,209) and have a net book value of £166,032 (2011 £67,649) Depreciation charged for the year was £34,117 (2011 £35,817)

Included in freehold land and buildings are the total costs capitalised to date of £1,337,561 (2011 £1,337,561) for the stadium extension project These have not been depreciated as the project is still active but not yet completed

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

10. Fixed asset investments

	2012	2011
	£	£
Shares in group undertakings	-	2
	<u> </u>	<u> </u>

During the year the company disposed of its holding in its wholly owned subsidiary, Madejski Stadium Hotel Limited, a company incorporated in England and Wales. The shares were sold to Reading Football Club (Holdings) Plc at their par value of £2.

The company also has a controlling interest in Reading FC Community Trust. Individual accounts for Reading FC Community Trust can be found on the Charity Commission website.

The aggregate amount of capital and reserves and the results of the undertakings owned at 30 June 2012 are as follows:

	Country of Incorporation	Nature of Business	Capital & Reserves £	Profit/(loss) For the year £
Reading FC Community Trust	United Kingdom	Community Trust	104,804	(42,552)
			<u> </u>	<u> </u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. Stocks

	2012	2011
	£	£
Goods for resale	123,042	227,119

12. Debtors

	2012	2011
	£	£
Trade debtors	1,952,515	1,914,149
Amounts owed by group undertakings	20,861	84,074
Amounts owed by associated undertakings	14,973	-
Other debtors	8,111	29,006
Prepayments and accrued income	819,933	795,494
	2,816,393	2,822,723

Of which the following amounts fall due after one year

Prepayments	-	5,688
	-	5,688

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

13. Creditors: amounts falling due within one year

	2012	2011
	£	£
Bank loan and overdraft	26,934	95,349
Chairman's loan	-	9,218,987
Obligations under finance lease and hire purchase contracts	60,403	23,736
Trade creditors	1,671,744	1,848,084
Other creditors	138,455	107,194
Other taxes and social security costs	4,096,507	893,993
Other loans (see note 14)	9,089,933	1,232,192
Accruals	1,928,417	2,832,666
Deferred income	6,512,845	3,874,294
	<u>23,525,238</u>	<u>20,126,495</u>
Debt due within one year or less	<u>9,177,270</u>	<u>10,570,264</u>

The bank loan and overdraft is secured by a first legal charge on the company's assets

The Chairman's loan was repaid during the year. Interest had previously been accruing on this loan. This interest totalling £2,262,826 was waived and written back to the profit and loss account.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

14. Creditors: amounts falling due after one year

	2012	2011
	£	£
Bank loan (see note below)	-	26,934
Amounts owed to group undertakings	15,370,006	14,617,949
Amounts owed to associated undertakings	12,745,265	-
Other loans (see note below)	136,562	196,517
Obligations under finance leases and hire purchase contracts	66,691	41,539
Deferred contributions (see note below)	11,399,200	11,721,819
	<u>39,717,724</u>	<u>26,604,758</u>

Deferred contributions

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

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

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

Bank loan

	2012	2011
	£	£
Wholly repayable within five years by instalments	-	122,283
	<u>-</u>	<u>122,283</u>
Included in current liabilities	-	(95,349)
	<u>-</u>	<u>26,934</u>
	<u>-</u>	<u>-</u>
Loan maturity analysis		
In more than one year but not more than two years	-	26,934
In more than two year but not more than five years	-	-
	<u>-</u>	<u>-</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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

Other loans	2012	2011
	£	£
Wholly repayable within five years by instalments	9,226,495	1,428,709
	<u>9,226,495</u>	<u>1,428,709</u>
Included in current liabilities	(9,089,933)	(1,232,192)
	<u>136,562</u>	<u>196,517</u>
Loan maturity analysis		
In more than one year but not more than two years	136,562	196,517
In more than two year but not more than five years	-	-
	<u>136,562</u>	<u>196,517</u>
Obligations under finance lease and hire purchase contracts		
	2012	2011
	£	£
Amounts repayable within one year	60,403	23,736
Amounts repayable between one and two years	66,691	41,539
	<u>127,094</u>	<u>65,275</u>
Included in current liabilities	(60,403)	(23,736)
	<u>66,691</u>	<u>41,539</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

15. Share capital

	2012	2011
	£	£
Allotted, called up and fully paid:		
1,500,000 ordinary shares of 50p each	750,000	750,000

16. Reserves

	Profit and loss account	Share premium
	£	£
At 1 July 2011	(16,440,329)	6,525,000
Loss for the year	(11,718,912)	-
At 30 June 2012	(28,159,241)	6,525,000

17. Reconciliation of movements in shareholders' funds

	2012	2011
Loss for the financial year	(11,718,912)	(5,026,156)
Opening shareholders' funds	(9,165,329)	(4,139,173)
Closing shareholders' funds	(20,884,241)	(9,165,329)

18. Financial commitments

At 30 June 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 June 2013

	2012	2011
	£	£
Land and buildings		
Operating leases expiring after five years	18,000	18,000
Other		
Operating leases expiring within one year	23,236	7,285
Operating leases expiring in two to five years	62,373	87,749
Operating leases expiring after five years	66,229	-
	151,838	95,034

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (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 un-provided liability which may arise in respect of this at 30 June 2012 is £1,235,812 (2011 £1,353,000). 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.

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.

	2012	2011
	£	£
Defined benefit scheme	3,912	3,912
Defined contribution scheme	136,029	74,775
	<u>139,941</u>	<u>78,687</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 2012 (continued)

22. Related party transactions

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 accounts are prepared by the ultimate parent company

Loans from directors

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

Description	Opening Balance	Amounts Advanced	Amounts Repaid	Closing Balance
Sir R J Madejski OBE, DL	9,218,987	2,589,324	(11,808,311)	-

During the year Thames Sport Investment Limited acquired 51% of The Reading Football Club Limited with the loan from Sir R J Madejski being repaid as part of the purchase agreement. In addition, as part of the purchase agreement, Thames Sport Investment Limited acquired the freehold interest in the club's training ground from Sir R J Madejski for the sum of £734,000

Other related party transactions

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

On 24 May 2012 the company transferred its shareholding in The Madejski Stadium Hotel Limited to Reading Football Club (Holdings) Plc. At that time, Reading Football Club (Holdings) Plc was the ultimate parent company of both The Reading Football Club Limited and The Madejski Stadium Hotel Limited. Since the shares were sold The Reading Football Club Limited has made sales to and purchases from The Madejski Stadium Hotel Limited of £5,971 and £7,941 respectively. Included in trade debtors is an amount owed from The Madejski Stadium Hotel Limited of £14,973. Included in trade creditors is an amount of £18,297 owed from The Madejski Stadium Hotel Limited.

The company was invoiced £30,815 (2011 £41,080) for legal advice by Field Seymour Parkes, a firm of Solicitors in which Mr I Wood-Smith is a partner. Included in trade creditors at 30 June 2012 is an amount payable of £9,574 (2011 £6,900) to Field Seymour Parkes. In addition, the company made sales of £20,385 (2011 £2,008) to Field Seymour Parkes. All transactions were on normal commercial terms.

Sir R J Madejski is a director of Reading Broadcasting Company Limited. During the year, the company made sales on normal commercial terms of £21,344 (2011 £17,013) to Reading Broadcasting Company Limited, and purchases of £nil (2011 £20,016). Included in trade debtors at 30 June 2012 is an amount owing of £10,435 (2011 £14,066).

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

23. Post balance sheet events

Since the year end, the company has acquired players' registrations at a cost of £5,286,452 (2011 £1,189,000) The company has also sold players' registrations for proceeds of £650,000 (2011 £9,075,000)

24. Control

The ultimate parent company is now Thames Sport Investment Limited, a company registered in Gibraltar, following its acquisition of a 51% holding in The Reading Football Club Limited

The majority shareholder of Thames Sport Investment Limited and therefore the ultimate controlling party is Mr A B Zingarevich