

**Newcastle United Enterprises Limited**

**Director's report and financial  
statements**

Registered number 3305223

30 June 2006

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## **Director's report**

The director presents his director's report and financial statements for the eleven month period ended 30 June 2006.

### **International Financial Reporting Standards ("IFRSs")**

This report represents the first annual results for the company prepared under IFRSs. The comparative figures for the year ended 31 July 2005 are required to be restated under IFRSs. The changes are presentational only.

### **Results and dividends**

The company is a wholly owned subsidiary of Newcastle United PLC. On 26 June 2006 the board of Newcastle United PLC announced a change in the Group's accounting reference date from July to June.

This change was effective for all subsidiary undertakings, as a result of which this report covers the eleven month period ended 30 June 2006 compared to the year ended 31 July 2005. The comparative figures in the Income statement, Statement of changes in equity, Cash flow statement and related notes are not always directly comparable.

The profit for the eleven month period of £62,628 (2005: £64,992) has been transferred to reserves.

The director does not recommend payment of a dividend for the period ended 30 June 2006.

### **Principal activities and business review**

The principal activity of the company is that of a general commercial trading company.

### **Director and director's interests**

The director who held office during the year was as follows:

WF Shepherd

The director has no disclosable interest in the shares of the company.

The interests of the director in the shares of the parent company, Newcastle United PLC, are disclosed in the financial statements of that company.

According to the register of director's interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to the director or his immediate family, or exercised by them, during the financial year.

### **Political and charitable contributions**

The Company made no disclosable political or charitable donations or incurred any political expenditure during the period.

## **Director's report** *(continued)*

### **Disclosure of information to auditors**

The director who held office at the date of approval of this director's report confirm that, so far as he is aware, there is no relevant audit information of which the company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the board



**R Cushing**  
*Secretary*

St James' Park  
Newcastle upon Tyne  
NE1 4ST

27 October 2006

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

### **Report of the independent auditors to the members of Newcastle United Enterprises Limited**

We have audited the financial statements of Newcastle United Enterprises Limited for the 11 month period ended 30 June 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with 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.

## **Report of the independent auditors to the members of Newcastle United Enterprises Limited (*continued*)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 30 June 2006 and of its profit for the 11 month period 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.

**KPMG Audit Plc**

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

27 October 2006

# **Income statement**

*for the eleven month period ended 30 June 2006*

	<i>Note</i>	<b>11 months ended 30 June 2006 £</b>	<b>Year ended 31 July 2005 £</b>
Revenue	2	3,712,628	2,914,992
Operating expenses	3	(3,650,000)	(2,850,000)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>62,628</b>	<b>64,992</b>
Taxation expense	6	-	-
		<hr/>	<hr/>
<b>Profit for the period/year</b>	11	<b>62,628</b>	<b>64,992</b>
		<hr/>	<hr/>



**Statement of changes in equity**  
*for the eleven months ended 30 June 2006*

	Share capital £	Retained earnings £	Total £
Balance at 1 August 2004	2	120,978	120,980
Profit for the year	-	64,992	64,992
<b>Balance at 31 July 2005</b>	<b>2</b>	<b>185,970</b>	<b>185,972</b>
	Share capital £	Retained earnings £	Total £
Balance at 1 August 2005	2	185,970	185,972
Profit for the period	-	62,628	62,628
<b>Balance at 30 June 2006</b>	<b>2</b>	<b>248,598</b>	<b>248,600</b>

## Balance sheet

at 30 June 2006

	<i>Note</i>	<b>30 June 2006 £</b>	<b>31 July 2005 £</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	7	2,124,886	529,108
Amounts owed by group undertakings	12	1,409,752	1,409,752
<b>Total assets</b>		<b>3,534,638</b>	<b>1,938,860</b>
<b>LIABILITIES</b>			
<b>Non current liabilities</b>			
Deferred income	9	-	(95,958)
<b>Current liabilities</b>			
Other payables	8	(293,887)	(269,511)
Amounts owed to group undertakings	12	(1,626,444)	(150,398)
Deferred income	9	(1,365,707)	(1,237,021)
		<b>(3,286,038)</b>	<b>(1,656,930)</b>
<b>Total liabilities</b>		<b>(3,286,038)</b>	<b>(1,752,888)</b>
<b>Net assets</b>		<b>248,600</b>	<b>185,972</b>
<b>EQUITY</b>			
Issued capital	11	2	2
Retained earnings	11	248,598	185,970
<b>Total equity</b>		<b>248,600</b>	<b>185,972</b>

These financial statements were approved by the director on 27 October 2006.



**WF Shepherd**  
Director

**Statement of cash flows**  
*for the eleven months ended 30 June 2006*

	<i>Note</i>	<b>11 months ended 30 June 2006 £</b>	<b>Year ended 31 July 2005 £</b>
<b>Cash flows from operating activities</b>			
Profit for the period/year		62,628	64,992
Increase in trade and other receivables		(1,595,778)	(289,351)
Increase in trade and other payables		24,376	96,721
Increase/(decrease) in amounts due to group undertakings		1,476,046	(35,341)
Increase in deferred income		32,728	162,979
		<hr/>	<hr/>
<b>Cash flow from operations</b>		-	-
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at start of period		-	-
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of period/year</b>		-	-
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Newcastle United Enterprises Limited ('the Company') is a company incorporated in the United Kingdom.

The company financial statements have been prepared and approved by the director in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 August 2004 for the purposes of the transition to Adopted IFRSs.

#### *Transition to Adopted IFRSs*

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 14.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis.

#### *Classification of financial instruments issued by the Company*

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

#### *Revenue*

Revenue represents income arising from sales to third parties, excluding value added tax.

Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate based on the terms of the contract. Royalties are recognised as revenue on an earned basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

Tax on the result for each period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### *Cash and cash equivalents*

Cash and cash equivalents comprises cash balances and call deposits.

#### *Deferred Income*

Deferred income comprises amounts received from sponsorship contracts, and is released to the income statement on a straight line basis over the period of the contract.

#### *Impairment*

The carrying value of the company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an identifiable useful life and intangible assets that are not yet available for use were tested at 1 August 2004, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

#### *Calculation of recoverable amount*

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## Notes (continued)

### 1 Accounting policies (continued)

#### Trade and other payables and receivables

Trade and other payables and receivables on normal terms are stated at their nominal value, less, in the case of receivables, any impairment losses that may be required.

#### Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of the other segments.

#### Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### Dividends

Dividends are recognised as a liability in the period in which they are declared.

#### IFRSs available for early adoption not yet applied

The following Adopted IFRSs were available for early application but have not been applied by the company in these financial statements.

- Amendments to IAS 1 "Presentation of Financial Statements" applicable for years commencing on or after 1 January 2007; and
- IFRS 7 "Financial Instruments: Disclosure" applicable for years commencing on or after 1 January 2007

The application of Amendments to IAS 1 and IFRS 7 in the current period would not have affected the balance sheet or income statement as the standards are concerned only with disclosure.

### 2 Revenue

Revenue, all of which arises from the company's principal activity, arises entirely within the United Kingdom. Accordingly no additional business or geographical segmental information is required to be provided.

### 3 Expenses and auditor's remuneration

Included in profit are the following:

	11 months ended 30 June 2006 £	Year ended 31 July 2005 £
Management charge from Newcastle United Football Company Limited	3,650,000	2,850,000

The company's audit fee was borne by the parent company.

## Notes (continued)

### 4 Staff numbers and costs

The director was the only employee of the company during the current period and preceding year.

### 5 Directors' emoluments

The director did not receive any remuneration in respect of his services to the company during the period (2005: £nil).

### 6 Taxation

#### Recognised in the income statement

	11 months ended 30 June 2006 £	Year ended 31 July 2005 £
<i>Current tax expense</i>		
Current period	-	-
Adjustment for prior years	-	-
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	-	-
Adjustment for prior years	-	-
	<hr/>	<hr/>
Total tax expense in income statement	-	-
	<hr/>	<hr/>

#### Reconciliation of effective tax rate

	11 months ended 30 June 2006 £	Year ended 31 July 2005 £
Profit before tax	62,628	64,992
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 30% (2005: 30%)	18,788	19,498
Utilisation of tax losses from group undertakings	(18,788)	(19,498)
	<hr/>	<hr/>
Total tax expense in income statement	-	-
	<hr/>	<hr/>

## Notes (continued)

### 7 Trade and other receivables

	30 June 2006 £	31 July 2005 £
Trade receivables	1,915,660	47,072
Prepayments and accrued income	209,226	482,036
	<u>2,124,886</u>	<u>529,108</u>

### 8 Other payables

	30 June 2006 £	31 July 2005 £
Other taxes and social security	293,887	269,511

### 9 Deferred income

	30 June 2006 £	31 July 2005 £
<b>Non current liabilities</b>		
Other deferred income	-	95,958
<b>Current liabilities</b>		
Other deferred income	1,365,707	1,237,021
	<u>1,365,707</u>	<u>1,332,979</u>

### 10 Called up share capital

	30 June 2006 £	31 July 2005 £
<b>Authorised</b>		
Ordinary shares of £1 each	1,000	1,000
<b>Allotted, called-up and fully paid</b>		
Ordinary shares of £1 each	2	2
Shares classified in shareholders' funds	<u>2</u>	<u>2</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.



## Notes (continued)

### 11 Capital and reserves

	Share capital £	Retained earnings £	Total £
Balance at 1 August 2004	2	120,978	120,980
Profit for the year	-	64,992	64,992
Balance at 31 July 2005 and 1 August 2005	2	185,970	185,972
Profit for the period	-	62,628	62,628
Balance at 30 June 2006	2	248,598	248,600

### 12 Related parties

The company has a related party relationship with its parent company and fellow subsidiary undertakings.

#### Trading transactions with other group companies

	Management fees payable to		Amounts owed by group undertakings		Amounts owed to group undertakings	
	2006	2005	2006	2005	2006	2005
	£	£	£	£	£	£
Newcastle United Football Company Limited	3,650,000	2,850,000	-	-	1,626,444	150,398
Newcastle United PLC	-	-	1,409,752	1,409,752	-	-

#### Key management personnel

The key management personnel is the Director of the Company and fellow directors and senior management of Newcastle United PLC. None of the directors (including their immediate families) have interests in the share capital of the Company. The interests of those who served during the period (including those of their immediate families) in the share capital of the Company are detailed in the Director's Report, and their interests in Newcastle United PLC are detailed in the financial statements of Newcastle United PLC.

#### Remuneration of key management personnel

None of the key management personnel received any remuneration from the Company during the current period or prior year, either in the form of short-term employee benefits or post employment benefits.

#### Transactions with key management personnel

There were no transactions between the Company and its key management personnel during the current period or prior year.

## **Notes** *(continued)*

### **13 Ultimate parent company**

The company is a subsidiary undertaking of Newcastle United PLC.

The only group in which the results of the company are consolidated is that headed by Newcastle United PLC. The consolidated financial statements of this group are available to the public and may be obtained from St James' Park, Newcastle upon Tyne, NE1 4ST.

### **14 Explanation of transition to Adopted IFRSs**

As stated in note 1, these are the Company's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 30 June 2006, the comparative information presented in these financial statements for the year ended 31 July 2005 and in the preparation of an opening IFRS balance sheet at 1 August 2004 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). There are no transitional differences from UK GAAP to Adopted IFRS other than presentational issues.