REGISTRAR

Registered No 31014

Newcastle United Football Company Limited

Report and Financial Statements

30 June 2011

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COMPANIES HOUSE

Directors
L Charnley
J A Irving
D D Llambias

Secretary
J A Irving

Auditors
Ernst & Young LLP
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Newcastle upon Tyne
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Directors' report

The Directors present their report and financial statements for the year ended 30 June 2011

Results and dividends

The profit for the year of £32 8million (2010 – loss of £19 7 million) has been transferred to reserves

The directors do not recommend payment of a dividend for the year ended 30 June 2011 (2010 – £nil)

Principal activities

The principal activities of the company are those of a professional football club together with related and ancillary activities

Business review

Our return to top flight football was an exciting and successful one Our target was to maintain Premier League status, which we achieved by finishing twelfth in the league, a significant achievement for a newly promoted club

The financial results for 2010/11 reflect the impact of promotion back to the Premier League and the continuing focus on the club to become self-financing, without the need to increase bank debt year-on-year, or rely on additional financial support from our owner The Directors are pleased with the progress the Club has made towards its aim of increased financial discipline, independence, responsibility and sustainability Turnover increased by 69% mainly as a result of the increased TV revenue from the Premier League, and although the total wage bill increased by 13% the overall costs of the club remained consistent with the previous year The Group's operating loss before player trading fell to £3 9 million (2010 £33 5 million) With the new UEFA Financial Fair Play rules coming into effect over the next few years, this is a significant step towards operating within the guidelines The overall profit for the year, after player trading, was £32 6 million (2010 £17 1 million loss)

Financing

The Group, over the last 2 financial years, has made significant steps to reducing its bank debt levels, to ensure that it remains financially stable during difficult economic times, where the cost of debt is increasing The overall level of net debt (including shareholder support loans and net of cash) has fallen from £150 million to £130 5 million The most significant improvement has been to our Bank position, at June 2009 we had an outstanding overdraft of £36 million, which at 30 June 2010 was £10 4 million, and as at June 2011 we had positive cash balances of £9 5 million Not only does this give the club a sound financial footing, it has reduced the amount of interest that it pays out each year The Group's remaining debt is now all provided by the ultimate shareholder, which totals £140 million at 30 June 2011 (2010 £139 8 million) which has been, and remains, interest free

Directors' report

Turnover

Following promotion back to the FA Premier League, the turnover of the club increased significantly as analysed below

Turnover	2010/11 Results	2009/10 Results	Percentage Change
Total Turnover	**£88 5 million**	**£52.4 million**	**69%**
Made up as follows			
Season Ticket Revenue	£11 8 million	£11 0 million	7%
Gate Receipts	£7 1 million	£6 5 million	9%
Corporate Hospitality Boxes	£4 2 million	£2 8 million	50%
Other Matchday Receipts	£1 1 million	£0 7 million	57%
TV and Media Revenue	£48 5 million	£16 0 million	203%
Commercial, Catering & Sponsorship Revenue	£15 8 million	£15 4 million	3%

TV Revenue increased by 203% as a direct result of promotion back to the Premier League, this source of revenue now accounts for 54% of the clubs turnover Yet again our supporters showed their great support for the team as Season Tickets, Gate Receipts and Hospitality revenues all increased Our average attendance during the 2010/11 season was 47,746 (2010 43,388) which was the 3rd highest in the country However our stadium utilisation was only at 91% for the season and the club have since offered several ground breaking season ticket deals to offer our supporters great value, and to ensure we have a full stadium supporting the team as often as possible over the coming years

Commercial turnover was relatively flat compared to the Championship season and it remains a potential growth area and the club will be working over the next few years to grow this revenue stream

Directors' report

Operating Expenses

Total expenses remained broadly consistent at £75 2 million in 2010/11. Total wage costs increased by £6 1 million through the year to £53 1 million (2010 £47 5 million) This increase gave the club a wages to turnover ratio of 60 6% (2010 90 6%), which we believe is a sustainable ratio for the club to maintain Other expenses fell by £5 3 million as a result of continued focus by the club to ensure we are as efficient in our operations as we can be

Operating Expenses	2010/11 Results	2009/10 Results	Percentage Change
Total Expenses	**£75.2 million**	**£74.4 million**	**<1%**
Made up as follows			
Wage costs	£53 6 million	£47 5 million	12%
Other Expenses	£21 6 million	£26 9 million	(20%)
Wages to Turnover %	60 6%	90 5%	

Cashflow

Along with a large reduction in external bank debt over the last few years, the club has made significant steps in reducing debt owed to other football clubs We endeavour to pay transfer fees upfront, rather than spreading payments over a number of years However certain transfer fees receivable by the club however are not completely cash settled upfront and so there is often a difference between the headline sales price and the cash received at the date of sale

Risks and uncertainties

The Board acknowledges that there are risks which affect the Company and takes such action as it regards necessary to minimise those risks

Based on our risk management assessments the principal risks are as follows

- The identification and negotiation of the acquisition of players and their related payroll costs are one of the most significant and high profile risks facing the Company
- Injuries to key players The Club has invested substantial sums in sports medicine and science facilities to ensure that the players return to fitness more quickly and the Board also obtains insurance cover where it considers such cover to be appropriate
- Team performance affects all aspects of the Company's operations, and the Board has continued to invest in the squad to ensure that the Club can compete at the highest levels
- Risks are also reported on by the FA Premier League and the Football League, and the Company regularly attend these meetings which cover secretarial, financial, commercial, community and health and safety issues

Directors' report

Risks and uncertainties (continued)

- The Company's capital requirements depend on many factors and these are kept under constant review The Company may require further financing if its capital requirements vary materially from its current plans

- The Company buys from suppliers and sells to customers outside the United Kingdom and, consequently, dealings with these customers and suppliers may be in foreign currencies which will be subject to exchange rate fluctuations Where considered prudent, the Company actively hedges its foreign currency exposure, principally the Euro

Events since the balance sheet date

Details of significant events subsequent to 30 June 2011 are given in note 22

Payments to suppliers

The Company does not have a standard creditor payment policy but seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment, which will be agreed with suppliers when the details of each transaction are settled The Company will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders The number of creditor days calculation is distorted by transfer fees payable Accordingly, the Company has calculated creditor days excluding transfer fees payable The number of creditor days was 37 at the year-end (2010 – 23)

Going concern

The Directors have prepared financial forecasts and expect to maintain suitable financial facilities from their bankers and ultimate shareholder to provide adequate ongoing finance consistent with these forecast requirements The Directors have concluded that the company remains a going concern and have accordingly prepared these financial statements on the going concern basis

Directors

The Directors who served the company during the year and those appointed subsequently were as follows

L Charnley
J A Irving
D D Llambias

Political and charitable contributions

The company's charitable donations for the year amounted to £8,970 (2010 £1,533) There were no political contributions (2010 £nil)

Employment, health and safety and environmental policies

It is the Company's policy that there should be no discrimination against any person on the grounds of race, sex, religion or otherwise In accordance with the Company's equal opportunity policy, disabled people are given the same consideration as others when they apply for a job Depending on their skills and abilities, they enjoy the same career prospects and scope for realising their potential as other employees If an existing employee becomes disabled, reasonable steps are taken to retain him/her in employment

Within the bounds of commercial confidentiality, staff are kept reasonably informed of matters that affect the progress of the Company and are of interest to them as employees

The Company maintains its own health and safety and environmental policies covering its activities Adherence to these policies is monitored on a regular basis

Directors' report

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

D D Llambias
Director

17 January 2012

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 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, 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 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

ERNST & YOUNG

Independent auditors' report

to the members of Newcastle United Football Company Limited

We have audited the financial statements of Newcastle united Football Company Limited for the year ended 30 June 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 24 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 and express an opinion on 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 In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the 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 profit 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

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

Mark Hatton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Newcastle upon Tyne

17 January 2012

Profit and loss account

for the year ended 30 June 2011

		Notes	2011 £000	2010 £000
Turnover		2	88,424	52,208
Operating costs	– before player amortisation and impairment	3	(74,988)	(73,953)
	– amortisation and impairment of players' registrations	3	(17,227)	-
			(92,215)	(85,482)
Operating loss			(3,791)	(33,274)
Analysed as				
Profit before player amortisation and impairment			13,436	(21,745)
Amortisation and impairment of players' registrations			(17,227)	(11,529)
			(3,791)	(33,274)
Profit on disposal of players' registrations			36,731	15,392
Loss on disposal of fixed assets			(7)	(55)
Profit before interest and taxation			32,933	(17,937)
Interest receivable		6	47	23
Interest payable and similar charges		7	(212)	(1,835)
Profit on ordinary activities before taxation			32,768	(19,749)
Tax on profit on ordinary activities		8	–	–
Profit for the year attributable to members		19	32,768	(19,749)

All results are derived from continuing operations

Statement of total recognised gains and losses

for the year ended 30 June 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £32,768,000 in the year ended 30 June 2011 (2010 – loss of £19,749,000)

Balance sheet

at 30 June 2011

Registered No 31014

	Notes	2011 £000	2010 £000
Fixed assets			
Intangible assets	9	32,006	30,424
Tangible assets	10	75,740	77,980
Investments	11	2	2
		107,748	108,406
Current assets			
Stocks	12	659	770
Debtors	13	28,890	15,565
Cash at bank and in hand		–	–
		29,549	16,335
Creditors amounts falling due within one year	14	(162,534)	(164,950)
Net current liabilities		(132,985)	(148,615)
Total assets less current liabilities		(25,237)	(40,209)
Creditors amounts falling due after more than one year	15	(553)	(16,761)
Provisions for liabilities	16	-	(1,530)
Deferred income	17	(19,232)	(19,290)
		(45,022)	(77,790)
Capital and reserves			
Called up share capital	18	25,313	25,313
Profit and loss account	19	(70,335)	(103,103)
Shareholders' funds	19	(45,022)	(77,790)

The financial statements have been approved by the Board of Directors and signed on its behalf by

D D Lambias
Director

17 January 2012

Notes to the financial statements

at 30 June 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with United Kingdom Standards

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise stated

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

Newcastle United Football Company Limited is a company incorporated in the United Kingdom

Fundamental accounting concept

At 30 June 2011 the company had net liabilities of £45 0 million (2010 £77 8 million), which includes loans from Mr M J W Ashley totalling £140 0 million (30 June 2010 £139 8 million) Net current liabilities were £132 3 million (2010 £148 6 million) During the year the ultimate controlling party, Mr M J W Ashley, has advanced additional funding of £0 2 million This funding, together with the expected level of bank facilities, has been incorporated into the Directors' cash flow forecast for the company These forecasts indicate that, with the ongoing financial support of the ultimate controlling party, Mr M J W Ashley, the company can continue to meet its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements The Directors have also received a commitment from its parent undertaking, Newcastle United Limited and from the ultimate controlling party Mr M J W Ashley, that they will continue to provide the company with financial support so that it can meet its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements or up until the date of any change in control On this basis, the Directors have prepared the financial statements on a going concern basis

Statement of cash flows

The company has taken advantage of the exemption contained in the revised Financial Reporting Standard 1 ("Statement of Cash Flows") not to disclose a statement of cash flows and associated notes

Turnover

Turnover represents income arising from sales to third parties, and excludes transfer fees receivable, which are dealt with in the profit or loss on disposal of players' registrations, and value added tax Turnover can be analysed into three major streams, within which significant amounts are accounted for, as follows

i) *Management charges/Matchday*

Matchday receipts and management charges receivable are recognised over the period of the football season as home matches are played Any revenues received in respect of future games are held as deferred income

ii) *Media*

Fixed elements of central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played Appearance fees are accounted for as earned The merit based payment is recognised at the end of the league season, when the final league position is known

Notes to the financial statements

at 30 June 2011

1. Accounting policies (continued)

Turnover (continued)

iii) Commercial

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 Catering revenues are recognised on an earned basis Revenue from the sale of branded products is recognised at the point of despatch when significant risks and rewards of ownership are deemed to have been transferred to the buyer

Expenses

Operating lease payments
Payments made under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Exceptional items
The company presents as exceptional items, on the face of the profit and loss account, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance

Intangible assets

Acquired players' registrations

The costs associated with the acquisition of players' registrations are capitalised at cost at the date of acquisition as intangible fixed assets These costs are fully amortised, on a straight line basis, over the period of the respective players' contracts

For the purposes of impairment reviews, acquired players' registrations are classified as a single cash-generating unit until the point at which it is clear that the player is no longer expected to remain an active member of the playing squad In these circumstances the carrying value of the players' registration is reviewed against a measurable net realisable value

Contingent payments
Under the conditions of certain transfer agreements, further fees may become payable to the selling club in the event of the player concerned making a certain number of first team appearances, or on the occurrence of certain other specified future events Liabilities in respect of these additional payments are accounted for when, in the opinion of the directors, it becomes probable that the number of required appearances will be achieved or the specified future event will occur The balance of potential costs is included as a contingent liability

Notes to the financial statements

at 30 June 2011

1. Accounting policies (continued)

Tangible fixed assets

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Leased assets

Finance leases are those which transfer substantially all of the risks and rewards of ownership to the lessee Assets held under finance leases are capitalised as property, plant and equipment and are depreciated over the shorter of the lease term or their useful economic life The capital elements of future lease obligations are included within borrowings, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding

All other leases are operating leases, the rentals on which are charged to the profit and loss account on a straight-line basis over the lease term

Depreciation

Depreciation is charged to the profit and loss account, to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis, over their estimated useful lives as follows

Long leasehold property	–	over the shorter of the unexpired term of the lease and 50 years
Plant and equipment	–	3 - 15 years
Motor vehicles	–	4 years

No depreciation is provided on freehold land or assets in the course of construction The residual value is reassessed annually

Interest incurred on borrowings to finance assets in the course of construction is capitalised

Stocks

Stocks are stated at the lower of cost and net realisable value Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition Net realisable value is based on the estimated selling price in the ordinary course of business Provision is made for obsolete, slow-moving or defective items where appropriate

Taxation

The charge for taxation is based upon the result for the year and comprises current taxation and taxation deferred through timing differences between the treatment of certain items for taxation and accounting purposes

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Notes to the financial statements

at 30 June 2011

1. Accounting policies (continued)

Taxation (continued)

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date, or if appropriate, at the forward rate Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Signing on fees

Signing on fees are charged, on a straight-line basis, to the profit and loss account over the period of the player's contract Prepayments/accruals arising at each period end are included within prepayments and accrued income or accruals within current assets or current liabilities, as appropriate Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against the profit or loss on disposal of players' registrations in the period in which the disposal is recognised

Deferred income

Deferred income comprises amounts received from capital grants, sponsorship, bond and season ticket income Capital grants are released to the profit and loss account on a straight-line basis over the estimated useful lives of the assets to which they relate Other deferred income is released to the profit and loss account on a straight-line basis over the period to which it relates

Loans

Loans are initially stated at the amount of the net proceeds after deducting any issue costs which are amortised over the life of the loan The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period

Notes to the financial statements

at 30 June 2011

1. Accounting policies (continued)

Retirement benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred

Football League Limited Pension and Life Assurance Scheme

Certain employees are members of The Football League Limited Pension and Life Assurance Scheme (the 'Scheme') Contributions are also paid to individuals' private pension schemes Pension contributions are charged to the Profit and Loss Account as they become payable The company continues to make contributions in respect of its share of the deficit of the defined benefit section of The Football League Limited Pension and Life Assurance Scheme Accrual of benefits on a final salary basis was suspended with effect from 31 August 1999, when an actuarial review showed a substantial deficit As one of a number of participating employers the company is advised only of its share of the Scheme's deficit Its share of the underlying assets and liabilities of the Scheme cannot be identified on a reasonable and consistent basis See note 4

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

Investments

Interest in subsidiary undertakings is valued at cost less impairment

2. Segmental analysis

The company has one main business segment, that of professional football operations As a result, no additional business segment information is required to be provided It operates in one geographical segment, the United Kingdom, and accordingly no additional geographical segment information is required to be provided

Notwithstanding this, a voluntary analysis of the turnover streams is given below to assist with an understanding of the business

Turnover streams comprise

Management charges – amounts charged to group undertakings

Media - television and broadcasting income, including distributions from broadcasting agreements, cup competitions and local radio

Commercial – sponsorship income, merchandising, conference and banqueting, catering and other sundry income

Matchday – season and matchday tickets and corporate hospitality income

Notes to the financial statements

at 30 June 2011

2. Segmental analysis (continued)

	2011	*2010*
	£000	*£000*
Management charges	-	3,000
Media	48,461	16,083
Commercial	15,712	12,177
Matchday	24,251	20,948
	88,424	52,208

3. Operating costs

	2011	*2010*
	£000	*£000*
Operating costs excluding exceptional items and player amortisation		
Change in stocks of goods for resale	111	402
Other operating income – release of capital grants	(89)	(89)
Staff costs (note 4)	53,585	47,393
Depreciation and other amounts written off tangible fixed assets		
– owned and long leasehold	2,873	3,197
–held under finance leases and hire purchase contracts	-	13
Operating lease payments	1,068	1,157
Other operating charges	17,440	21,880
	74,988	73,953
Amortisation of players' registrations	13,498	11,529
Impairment of players' registrations	3,729	-
Total operating costs	92,215	85,482

Notes to the financial statements

at 30 June 2011

3. Operating costs (continued)

Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company

	2011	*2010*
	£000	*£000*
Audit	70	85
Fees receivable by the auditors and their associates in respect of other services	73	63

Fees receivable in respect of other services can be further analysed as follows

Amounts payable to auditors

	2011	*2010*
	£000	*£000*
Audit related regulatory reporting	8	10
Tax and other advisory services	65	53
	73	63

4. Staff costs

	2011	*2010*
	£000	*£000*
Wages and salaries	49,436	42,257
Social security costs	3,822	4,789
Other pension costs	327	347
	53,585	47,393

The total average monthly number of persons employed by the company (including Directors and part-time members of staff), analysed by category, during the year was

	No	*No*
Playing squad and team management	197	177
Commercial	148	145
Administration	133	109
	478	431

The staff employed in the business is equivalent to 282 full-time positions (2010 256)

In addition, with effect from January 2011, the club employed an average of 547 (2010 nil) matchday stewards

Notes to the financial statements

at 30 June 2011

4. Staff costs (continued)

The company makes contributions on behalf of certain employees to a number of independently controlled defined contribution pension schemes and to the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS'), a scheme with a defined benefit section The assets of all schemes are held in funds independent of the Company

The trustees of the FLLPLAS suspended the defined benefit element of the scheme as of 31 August 1999 The latest independent actuarial review of the funding position as at 31 August 2005 identified a deficit of £10,456,000 on the Minimum Funding Requirements basis which, under the Pension Act 1995, has to be made good by participating employers A more recent non-actuarial valuation, as at 1 April 2006, valued the total deficit at £8,890,000 and the company's share at £60,000 The company's share of the deficit has been accrued in full in these financial statements and is being paid off by additional contributions over 10 years Contributions are also made into individuals' private pension schemes

5. Directors' remuneration

	2011	*2010*
	£000	*£000*
Aggregate remuneration in respect of qualifying services	338	299

	2011	*2010*
	£000	*£000*
In respect of the highest paid director		
Aggregate remuneration	195	158
Contributions into money purchase pension scheme	16	16
	211	174

6. Interest receivable

	2011	*2010*
	£000	*£000*
Bank interest receivable	21	2
Other interest receivable	26	21
	47	23

Notes to the financial statements

at 30 June 2011

7. Interest payable and similar charges

	2011	*2010*
	£000	*£000*
Bank loans and overdrafts	363	1,400
Other loans	-	5
Other interest payable *	(151)	430
	212	1,835

* In 2011, this relates to the release of an interest accrual made in 2010, following final agreement in the year

8. Tax on profit/(loss) on ordinary activities

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows

	2011	*2010*
	£000	*£000*
Current tax		
UK corporation tax at 27 5% (2010 28%)	–	–
Deferred tax		
Origination and reversal of temporary differences	–	–
Total tax charge on profit/(loss) on ordinary activities	–	–

(b) Factors affecting the current tax charge

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 27 5% (2010 – 28%) The differences are explained below

	2011	*2010*
	£000	*£000*
Profit/(loss) on ordinary activities before tax	32,768	(19,749)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 27 5% (2010 – 28%)	9,011	(5,530)
Effects of		
Expenses not deductible for tax purposes	715	68
(Decelerated)/accelerated capital allowances	(395)	899
Other timing differences	–	(25)
Group relief for nil payment	(13)	24
Unrelieved tax losses carried forward	–	4,564
Utilisation of brought forward tax losses	(9,318)	–
Total current tax	–	–

Notes to the financial statements

at 30 June 2011

8. Tax on profit/(loss) on ordinary activities (continued)

(c) Factors that may affect future tax charges

The company has unrelieved UK corporation tax losses of approximately £55 million (2010 – £87 million) at the end of the year

The company has an unrecognised net deferred tax asset of approximately £16 8 million (2010 – £25 1 million) at the end of the year which does not satisfy the recognition criteria for deferred tax assets in FRS19 This is comprised of £2 2 million decelerated capital allowances plus tax losses of £14 3 million (2010 – £23 7 million) less other timing differences of £0 3 million

9. Intangible fixed assets

	Players' registrations £000
Cost	
At 1 July 2010	55,819
Acquisitions	21,064
Disposals	(4,605)
Adjustment-league levy refund received	(190)
At 30 June 2011	72,088
Amortisation and impairment	
At 1 July 2010	25,395
Amortisation charge for the year	13,498
Impairment charge for the year	3,729
Disposals	(2,540)
At 30 June 2011	40,082
Net book value	
At 30 June 2011	32,006
At 1 July 2010	30,424

Notes to the financial statements

at 30 June 2011

10. Tangible fixed assets

	Land and buildings £000	*Fixtures and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost or valuation				
At 1 July 2010	98,270	15,444	105	113,819
Additions	259	388	-	647
Disposals	(143)	(609)	(43)	(795)
At 30 June 2011	98,386	15,223	62	113,671
Depreciation				
At 1 July 2010	22,644	13,115	80	35,839
Charge for the year	2,033	835	5	2,873
On disposals	(131)	(607)	(43)	(781)
At 30 June 2011	24,546	13,343	42	37,931
Net book value				
At 30 June 2011	73,840	1,880	20	75,740
At 1 July 2010	75,626	2,329	25	77,980

Cumulative finance costs capitalised, excluding tax relief, included in the value of tangible fixed assets amount to £3,964,000 (2010 – £3,964,000)

The net book value of land and buildings comprises

	2011 £000	*2010 £000*
Freehold	–	–
Long leasehold	73,840	75,626
	73,840	75,626

11. Investments in subsidiaries

	£000
Cost and net book value	
At 1 July 2010 and 30 June 2011	2

The company has the following investment in a subsidiary

	Country of incorporation	*Class of shares held*	*Ownership 2011*	*Ownership 2010*
Newcastle United Football Club (International) Limited	Gibraltar	Ordinary	100%	100%

Notes to the financial statements

at 30 June 2011

12. Stocks

	2011 £000	2010 £000
Goods for resale	659	770

13. Debtors

	2011 £000	2010 £000
Trade debtors	9,986	2,237
Amounts owed by parent undertaking	7,680	7,144
Amounts owed by fellow subsidiary undertakings	500	500
Amounts owed by Newcastle United Foundation	11	–
Other debtors	5,307	2,477
Prepayments and accrued income	5,406	3,207
	28,890	15,565

Included within trade debtors are amounts totalling £8,000,000 (2010 £17,000) relating to the consideration receivable for player registrations, including £2,250,000 (2010 – £nil) expected to be recovered in more than twelve months

14 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank overdraft	2,070	21,981
Term and other loans	140,000	123,496
Trade creditors	5,689	9,848
Amounts owed to parent undertaking	421	176
Amounts owed to subsidiary undertakings	1,866	1,334
Amounts owed to Newcastle United Foundation	-	5
Other creditors	5,063	2,555
Accruals	7,425	5,555
	162,534	164,950

The bank overdraft is secured on certain of the Group's fixed assets

The Group's total outstanding loan balance from Mr M J W Ashley was £140 0 million (2010 £139 8 million) This amount is non-interest bearing £29 0 million (2010 £28 8 million) is secured on future broadcasting income

The bank overdraft is secured on certain of the company's fixed assets

Notes to the financial statements

at 30 June 2011

15. Creditors: amounts falling due after more than one year

	2011	*2010*
	£000	*£000*
Term and other loans	–	16,500
Trade creditors	553	257
Accruals	–	4
	553	16,761

Analysis of debt, including obligations under finance leases and hire purchase contracts

	2011	*2010*
	£000	*£000*
Debt can be analysed as falling due		
In one year or less, or on demand	140,000	123,496
Between one and two years	–	16,500
Between two and five years	–	–
In five years or more	–	–
	140,000	139,996

16. Provisions

	£000
At 1 July 2010	1,530
Released during the year	(1,530)
At 30 June 2011	-

During the year the company settled its outstanding matters with H M Revenue and Customs ('HMRC') and all brought forward balances have been utilised

Notes to the financial statements

at 30 June 2011

17. Deferred income

	2011 *£000*	*2010* *£000*
Capital grants	2,656	2,745
Other deferred income	16,576	16,545
	19,232	19,290

Other deferred income comprises sponsorship, bond, executive scheme and season ticket income received in advance The maturity profile of deferred income is as follows

	2011 *£000*	*2010* *£000*
Less than one year	12,221	13,899
One to two years	1,072	158
Two to five years	1,192	365
More than five years	4,747	4,868
	19,232	19,290

18. Issued share capital

Allotted, called up and fully paid	*No*	*2011* *£000*	*No*	*2010* *£000*
Ordinary shares of 50p each	7,990	3,995	7,990	3,995
Redeemable shares of £1 each	21,318	21,318	21,318	21,318
	29,308	25,313	29,308	25,313

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

19. Reconciliation of shareholders' funds and movement on reserves

	Share capital *£000*	*Retained earnings* *£000*	*Total share-holders' funds* *£000*
At 1 July 2009	25,313	(83,354)	(58,041)
Loss for the year	–	(19,749)	(19,749)
At 1 July 2010	25,313	(103,103)	(77,790)
Profit for the year	–	32,768	32,768
At 30 June 2011	25,313	(70,335)	(45,022)

Notes to the financial statements

at 30 June 2011

20. Contingencies

Under the terms of certain contracts for the signing of players, additional amounts may become payable to other football clubs The maximum unprovided liability which may arise in respect of these players at 30 June 2011 is £2,231,000 (2010 £3,553,000) The directors do not think that it is probable that such sums will be payable on the basis that the qualifying criteria are not expected to be met

The company and certain of its fellow subsidiary undertakings have debenture and composite arrangements in connection with banking facilities The company acts as guarantor, or provides surety, for various subsidiary undertakings in leasing, banking and other agreements entered into by them in the normal course of business The company's maximum unprovided liability in respect of these is £3,366,000 (2010 £3,366,000)

21. Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2011	*2010*
	£000	*£000*
Contracted but not provided for	–	–

(b) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2011	*Land and buildings 2010*
	£000	*£000*
Operating leases which expire		
Within one year	–	146
In the second to fifth years inclusive	259	438
Over five years	663	526
	922	1,110

During the year £1,068,000 was recognised as an expense in the profit and loss account in respect of operating leases (2010 – £1,157,000)

22. Subsequent events

Subsequent to the balance sheet date, the playing registrations of certain players have been acquired for total consideration, including associated costs, of £8 5 million Playing registrations of certain players have been disposed of for total consideration of £7 25 million

Notes to the financial statements

at 30 June 2011

23. Related party transactions

Transactions between the company and its group undertakings are not disclosed in accordance with FRS8

During the current and prior year, advertising and promotional services were provided to companies associated with Mr M J W Ashley, the ultimate shareholder of the company's ultimate parent undertaking, MASH Holdings Limited No consideration was paid or payable for these services

Mr M J W Ashley also continued to provide loan facilities to the company during the year The total balance outstanding at 30 June 2011 was £140 0 million (2010 £139 8 million) The maximum amount outstanding in the year was £140 0 million (2010 £139 8 million) No interest was payable on the loan for either the current or prior year

24. Ultimate parent undertaking

The company is a subsidiary undertaking of Newcastle United Limited The largest Group in which the results will be consolidated is that headed by MASH Holdings Limited The ultimate controlling party is Mr M J W Ashley