

3305223

Newcastle United Enterprises Limited

Report and Financial Statements

30 June 2007



Newcastle United Enterprises Limited

Registered No 3305223

Director

C A Mort

Secretary

J A Irving

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Barclays Bank PLC
71 Grey Street
Newcastle upon Tyne
NE99 1LG

Solicitors

Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Registered Office

St James' Park
Newcastle upon Tyne
NE1 4ST

Director's report

The Director presents the annual report and financial statements for the year ended 30 June 2007

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 year ended 30 June 2007 compared to the eleven month period ended 30 July 2006. 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 year of £175,321 (period ended 30 June 2006 - £62,628) has been transferred to reserves. The Director does not recommend payment of a dividend

Principal activity and review of the business

The principal activity of the company is that of a general commercial trading company. The contract and the subsequent income generated from the clubs principal kit sponsor, Adidas, is held within this entity

Directors and their interests

The Directors who held office during the year, at 30 June 2007 and to the date of signing the financial statements were as follows

W F Shepherd (resigned 24 July 2007)

C A Mort (appointed 26 June 2007)

S J Walton (appointed 2 July 2007, resigned 30 August 2007)

The Directors had no disclosable interest in the shares of the 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 political or charitable donations or incurred any political expenditure during the period

Disclosure of information to the auditors

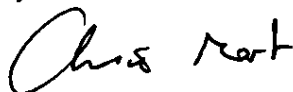
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of the Company's auditors, the Director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

Director's report

Auditors

The company's previous auditors, KPMG Audit plc, resigned on 30 July 2007 and Ernst & Young LLP were appointed to fill the vacancy arising. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



C A Mort
Director
22nd April 2008

Statement of Directors' responsibilities

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Director to prepare financial statements for each financial year and he has elected to prepare the financial statements in accordance with IFRSs as adopted by the EU

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company and the performance for that period, 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 each of the financial statements, the Director is required to

- select suitable accounting policies in accordance with "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance, and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

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

Under applicable law and regulations, the Director is also responsible for preparing a Director's report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations

The Director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the members of Newcastle United Enterprises Limited

We have audited the company's financial statements for the year ended 30 June 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 13. These financial statements have been prepared on the basis of 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 auditors' 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 Director and auditors

The Director's responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Director's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's 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 Director's 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 judgements made by the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report

to the members of 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 European Union, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Newcastle

25 April 2008

Income statement

for the year ended 30 June 2007

		<i>Year ended 30 June 2007</i>	<i>Period ended 30 June 2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Revenue	2	3,975,321	3,712,628
Operating expenses	3	(3,800,000)	(3,650,000)
Profit on ordinary activities before taxation		175,321	62,628
Tax on profit on ordinary activities	6	-	-
Profit for the year/period	11	175,321	62,628

Statement of changes in equity

for the year ended 30 June 2007

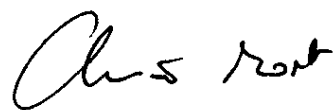
	<i>Share capital £</i>	<i>Retained earnings £</i>	<i>Total £</i>
Balance at 1 August 2005	2	185,970	185,972
Profit for the period	-	62,628	62,628
Balance at 30 June 2006	2	248,598	248,600
Profit for the year	-	175,321	175,321
Balance at 30 June 2007	2	423,919	423,921

Balance sheet

at 30 June 2007

	Notes	30 June 2007 £	30 June 2006 £
Current assets			
Trade and other receivables	7	621,365	2,124,886
Amounts owed by group undertakings	12	1,430,240	1,409,752
		<u>2,051,605</u>	<u>3,534,638</u>
Current liabilities			
Other payables	8	(349,000)	(293,887)
Amounts owed to group undertakings	12	-	(1,626,444)
Deferred income	9	(1,278,684)	(1,365,707)
		<u>(1,627,684)</u>	<u>(3,286,038)</u>
Total liabilities			
		<u>423,921</u>	<u>248,600</u>
Net assets			
		<u>423,921</u>	<u>248,600</u>
Equity			
Issued capital	11	2	2
Retained earnings	11	423,919	248,598
		<u>423,921</u>	<u>248,600</u>
Total equity			
		<u>423,921</u>	<u>248,600</u>

These financial statements were approved by the Director on 22nd April 2008



C A Mort
Director

Cash flow statement

for the year ended 30 June 2007

	<i>Year ended 30 June 2007 £</i>	<i>Period ended 30 June 2006 £</i>
<i>Cash flows from operating activities</i>		
Profit for the year/period	175,321	62,628
Decrease/(increase) in trade and other receivables	1,503,521	(1,595,778)
Increase in trade and other payables	55,113	24,376
(Decrease)/increase in amounts due to group undertakings	(1,646,932)	1,476,046
(Decrease)/increase in deferred income	(87,023)	32,278
<i>Cash flows from operations</i>	-	-
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at start of year/period	-	-
<i>Cash and cash equivalents at end of year/period</i>	-	-

Notes to the financial statements

at year ended 30 June 2007

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

The financial statements are presented in sterling and all values are presented to the nearest pound sterling

Measurement convention

The financial statements are prepared on the historical cost basis

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

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 comprise 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

Notes to the financial statements

at year ended 30 June 2007

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

Dividends

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

IFRSs available for early adoption not yet applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements

<i>International Accounting Standards (IAS / IFRS)</i>	<i>Effective date</i>
IFRS7 Financial Instruments Disclosures 2007	1 January
Amendment to IAS1 Presentation of Financial Statements Capital Disclosures 2007	1 January
IFRS8 Operating Segments 2009	1 January
Amendment to IAS23 Borrowing costs 2009	1 January

International Financial Reporting Interpretation Committee (IFRIC)

IFRIC10 Interim Financial Reporting and Impairment 2006	1 November
IFRIC11 IFRS2 – Group and Treasury Share Transactions	1 March 2007
IFRIC12 Service Concession Arrangements 2008	1 January
IFRIC13 Customer Loyalty Programmes	1 July 2008
IFRS14 IAS19 The Limit of Defined Benefit Assets, Minimum Funding Requirements 2008	1 January

The Director is currently reviewing the requirements of IFRIC12 and the amendment to IAS23 to determine whether there will be a material impact on the Company's financial statements. Upon adoption of IFRS7 the Company needs to disclose the fair value of its financial instruments and its risk exposures in greater detail. Apart from this, the Director does not anticipate the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application.

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.

Notes to the financial statements

at year ended 30 June 2007

3. Operating expenses

Included in profit from operations are the following

	<i>Year ended</i> <i>30 June</i> <i>2007</i> <i>£</i>	<i>Period ended</i> <i>30 June</i> <i>2006</i> <i>£</i>
Management charge from Newcastle United Football Company Limited	3,800,000	3,650,000

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

4. Staff numbers and costs

The Directors were the only employees of the company during the current year and prior period

5. Directors' emoluments

The Directors did not receive any remuneration in respect of their services to the company during the current year and prior period

6. Taxation

Recognised in the income statement

	<i>Year ended</i> <i>30 June</i> <i>2007</i> <i>£</i>	<i>Period ended</i> <i>30 June</i> <i>2006</i> <i>£</i>
Current tax expense		
Current period	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total tax expense in income statement	-	-
Reconciliation of effective tax rate		
Profit before tax	175,321	62,628
Tax using the UK corporation tax rate of 30% (2006 – 30%)	52,596	18,788
Utilisation of tax losses from group undertakings	(52,596)	(18,788)
Total tax expense in income statement	-	-

Notes to the financial statements

at year ended 30 June 2007

7. Trade and other receivables

	30 June 2007	30 June 2006
	£	£
Trade receivables	583,562	1,915,660
Prepayments and accrued income	37,803	209,226
	<u>621,365</u>	<u>2,124,886</u>

8. Other payables

	30 June 2007	30 June 2006
	£	£
Other taxes and social security	349,000	293,887
	<u>349,000</u>	<u>293,887</u>

9. Deferred income

	30 June 2007	30 June 2006
	£	£
Other deferred income	1,278,684	1,365,707
	<u>1,278,684</u>	<u>1,365,707</u>

10. Called up share capital

	30 June 2007	30 June 2006
	£	£
Authorised		
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
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 to the financial statements

at year ended 30 June 2007

11. Capital and reserves

	<i>Share capital £</i>	<i>Retained earnings £</i>	<i>Total £</i>
Balance at 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
Profit for the year	-	175,321	175,321
Balance at 30 June 2007	2	423,919	423,921

12. Related parties

	<i>Management fees payable Year ended Period ended</i>		<i>Amounts owed by group undertakings</i>		<i>Amounts owed to group undertakings</i>	
	<i>30 June 2007</i>	<i>30 June 2006</i>	<i>30 June 2007</i>	<i>30 June 2006</i>	<i>30 June 2007</i>	<i>30 June 2006</i>
	£	£	£	£	£	£
Newcastle United Football Company Limited	3,800,000	3,650,000	20,488	-	-	1,626,444
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. The interests of the Directors who served during the year (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.

13. Ultimate parent company

The Company is a subsidiary undertaking of Newcastle United PLC, which for the period 1 July 2006 to 15 June 2007 was the ultimate parent company. With effect from 15 June 2007 the ultimate parent company is St James Holdings Limited. The largest group in which the results will be consolidated is that headed by St James Holdings Limited. St James Holdings Limited will be required to prepare group accounts for its accounting period ending 30 June 2008.

The ultimate controlling party is Mr M Ashley.