St James Holdings Limited

Report and financial statements
Registered number 6254688
30 June 2008

Corporate Information

Director

M J W Ashley

Secretary

Eacotts Limited

Auditors

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

Bankers

Barclays Bank PLC
71 Grey Street
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Solicitors

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Registered Office

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Shirebrook
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Director's report

The Director of St James Holdings Limited presents its Annual Report for the period from incorporation to 30 June 2008, together with the financial statements of the Group and the Independent auditors' report for the period.

Principal activities and business review

The company was incorporated on 21 May 2007.

In June 2007, the company acquired the entire share capital of Newcastle United Limited (formerly known as Newcastle United PLC), control being gained on 15 June 2007.

The principal activities of the Group during the period were the operation of a professional football club together with related and ancillary activities.

Business Review and future developments

Group turnover for the period was £100.9 million largely as a result of the Premier League's new three year television deal which commenced in the period. The other main turnover drivers, namely Matchday and Commercial revenues declined slightly from the prior period as a result of non-participation in European competitions. Team performance in the 2007/08 season improved slightly with the club finishing in 12th place compared to 13th in the previous season.

Average attendances in the Premier League rose to 51,321 compared to 50,686 in 2006/07.

The main element of operating expenses is that of player and operational payroll. Although the total cost increased to £73 million, our turnover to wage ratio, which remains a key performance indicator for the Group, fell to 72%. Other expenses include the costs of operating the stadium, training ground and academy, costs of sales for catering and retail and administration costs.

After the charge for amortisation of players' registrations and amortisation of goodwill arising on the acquisition of the football club, the Group recorded an operating loss of £37.9 million. The Group made a profit on the trading of players in the period of £10.8 million. The Group has further invested in its playing squad in the period with the acquisition of players such as Alan Smith from Manchester United, Geremi from Chelsea, Habib Beye from Marseille and Jose Enrique from Villareal. Since the period end the club has signed Jonas Gutierrez, Danny Guthrie, Fabricio Collocini, Sebastien Bassong, Xisco and the loan signing of Nacho Gonzalez from Valencia.

Subsequent to the period end the following players were sold - James Milner to Aston Villa and Abdoulaye Faye to Stoke City.

The Group recorded a loss before taxation of £34.1 million in the period.

As well as fielding a first and reserve team, Newcastle United operates an academy in compliance with Premier League requirements. This remains an important element of the club and has seen significant investment in staff and facilities in the period with the aim to train and coach young players for eventual progress into the first team squad.

The club has also formed a charitable Foundation in the period with the aim to be active in the local community through a number of programmes, some purely football orientated and others geared towards the education and well-being of local school children.

Results and dividends

The loss for the period of £34,080,000 has been transferred from reserves.

The Director does not recommend the payment of a dividend for the period ended 30 June 2008.

Director

The Director who held office during the period and at 30 June 2008 was as follows:

M J W Ashley (appointed 21 May 2007)

Eacotts Limited was appointed as Company Secretary on 29 May 2007.

Payments to suppliers

The Group 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 Group 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 Group has calculated creditor days excluding transfer fees payable. The number of creditor days was 28.

Political and charitable donations

The Group's charitable donations for the period amounted to £3,880. There were no political contributions.

Events since the balance sheet date

There have been a number of significant events subsequent to 30 June 2008, details of which are given in note 24.

Disclosure of information to the auditors

So far as the 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 the group's auditor, 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 auditor is aware of that information.

Director's report

Independent auditors

A resolution to re-appoint Ernst & Young LLP as independent auditors of the Company and to authorise the Director to agree their remuneration will be proposed at the Annual General Meeting.

Risks and uncertainties

The Board acknowledge that there are risks which affect the Group 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 acquisition of players and their related payroll costs are one of the most significant and high profile risks facing the Group.
- 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 Group's operations, and the Board has continued to invest in the squad to ensure that the Club can compete at the highest levels in the FA Premier League and domestic and European competitions.
- Risks are also reported on by the FA Premier League, and the Group regularly attends these meetings which cover secretarial, financial, commercial, community and health and safety issues.
- The Group's capital requirements depend on many factors and these are kept under constant review. The Group may require further financing if its capital requirements vary materially from its current plans.
- The Group 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 Group actively hedges its foreign currency exposure, principally the Euro.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

Statement of Director's 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. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the director is 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 director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

Mi Ashley

M J W Ashley
Director
6/1/2009

ERNST & YOUNG

Independent auditors' report to the members of Newcastle United Limited

We have audited the group and parent company's financial statements (the 'financial statements') for the period ended 30 June 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 24. 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 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 the director and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 director's 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 judgments made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2008 and of the group's loss for the period 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 upon Tyne

8 January 2009

Group profit and loss account
for the period ended 30 June 2008

	Note	2008 £'000
Group turnover	2	**100,866**
Operating expenses - before exceptional items and player amortisation	3	**(105,806)**
- exceptional items	3	**(6,752)**
- amortisation of players' registrations	3	**(18,535)**
- amortisation of goodwill	3	**(7,638)**
		(138,731)
Group operating loss		**(37,865)**
Analysed as:		
Before exceptional items and amortisation of intangible assets		**(4,940)**
Exceptional items		**(6,752)**
Amortisation of players' registrations		**(18,535)**
Amortisation of goodwill		**(7,638)**
		(37,865)
Profit on disposal of players' registrations		**10,813**
Loss before interest and taxation		**(27,052)**
Interest receivable	5(a)	**227**
Interest payable and similar charges	5(b)	**(7,248)**
Loss on ordinary activities before taxation		**(34,073)**
Tax on loss on ordinary activities	6	**(7)**
Loss for the period attributable to members of the parent company		**(34,080)**

All results are derived from continuing operations

There are no other gains or losses other than the loss in the period ended 30 June 2008, and accordingly no statement of total recognised gains and losses has been presented.

Group balance sheet
at 30 June 2008

	Note	30 June 2008 £'000
Fixed assets		
Intangible assets - goodwill	7	**139,908**
Intangible assets – player registrations	7	**39,684**
Tangible assets	8	**87,558**
		267,150
Current assets		
Stocks	10	**1,266**
Debtors	11	**13,231**
		14,497
Creditors: amounts falling due within one year	12	**(36,292)**
Net current liabilities		**(21,795)**
Total assets less current liabilities		**245,355**
Creditors: amounts falling due after more than one year	13	**(250,089)**
Provisions for liabilities	14	**(1,233)**
Deferred income	15	**(28,113)**
Net liabilities		**(34,080)**
Capital and reserves		
Called up share capital	16	**-**
Profit and loss account	17	**(34,080)**
	17	**(34,080)**

The financial statements were approved by the Director on

Mike Ashley

M J W Ashley
Director
6/1/2009

Company balance sheet
at 30 June 2008

	Note	30 June 2008 £'000
Fixed assets		
Investments	9	**136,825**
		136,825
Current assets		
Debtors	11	**1,251**
Cash at bank and in hand		**2**
		1,253
Creditors: amounts falling due within one year	12	**(465)**
Net current assets		**788**
Total assets less current liabilities		**137,613**
Creditors: amounts falling due after more than one year	13	**(137,881)**
Net liabilities		**(268)**
Capital and reserves		
Called up share capital	16	**-**
Profit and loss account	17	**(268)**
	17	**(268)**

The financial statements were approved by the Director on

Mike Ashley

M J W Ashley
Director
6/1/2009

Group statement of cash flows
for the period ended 30 June 2008

	Note	2008 £'000
Net cash outflow from operating activities	22(a)	**(6,191)**
Returns on investments and servicing of finance		
Interest received		**234**
Interest paid		**(8,085)**
Interest element of finance lease rental payments		**(12)**
		(7,863)
Taxation		
Corporation tax paid		**(7)**
Capital expenditure and financial investment		
Payments to acquire intangible fixed assets		**(27,380)**
Payments to acquire tangible fixed assets		**(2,728)**
Receipts from sales of intangible fixed assets		**8,896**
Receipts from sales of tangible fixed assets		**65**
		(21,147)
Acquisitions and disposals		
Purchase of subsidiary undertaking		**(136,825)**
Net cash acquired with subsidiary undertaking		**(1,554)**
		(138,379)
Financing		
New loans (net of expenses)		**243,203**
Repayment of loans and other capital creditor		**(70,319)**
Capital element of finance lease rental payments		**(282)**
		172,602
Decrease in cash	22(b)	**(985)**

1 Accounting policies

St James Holdings Limited ('the Company') is a company incorporated in the United Kingdom. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements are prepared under the historical cost convention, and in accordance with accounting principles generally accepted in the United Kingdom.

On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 230 of the Companies Act 1985 not to present its individual profit and loss account and related notes that form a part of these approved financial statements. The Company's loss for the period was £268,000.

The Group 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 for both the Group and the Company to all periods presented in these consolidated and Company financial statements.

a) Fundamental accounting concept

At 30 June 2008 the Group had net liabilities of £34.1m, which includes loans from Mr M J W Ashley totalling £238m. Net current liabilities were £21.8m. Subsequent to the period-end the ultimate controlling party, Mr M J W Ashley, has provided additional funding of £10m. This funding, together with newly agreed bank facilities, has been incorporated into the Directors' cash flow forecast for the Group. These forecasts indicate that the Group 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 Director has also received a commitment from the ultimate controlling party, Mr M J W Ashley, that he will continue to provide the Group 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 Director has prepared the financial statements on a going concern basis.

b) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, using the acquisition method of accounting.

Intra group balances and any unrealised gains and losses or income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

c) 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 classified into three major streams, within which significant amounts are accounted for as follows:

(i) Matchday

Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played.

(ii) Media

Fixed elements of FA Premier League 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.

(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 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 is deemed to have been transferred to the buyer.

1 Accounting policies (continued)

d) 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. Lease incentives are recognised in the profit and loss account as an integral part of the total lease expense.

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.

Net financing costs

Net financing costs comprise interest payable on borrowings, calculated using the effective interest rate method net of interest receivable on funds invested.

Exceptional items

The Group 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 period, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

e) Taxation

The charge for taxation is based upon the result for the period and takes 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 income 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 periods.

Deferred tax 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 a 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, and 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 those assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date , it more than 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.
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- 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.

f) Intangible assets and goodwill

(i) 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 made clear that the player is no longer 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.

1 Accounting policies (continued)

(ii) Goodwill

On acquisition of a subsidiary or associated undertaking, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets and liabilities on a fair value basis, with any excess consideration representing goodwill. Goodwill in respect of subsidiaries is included within intangible fixed assets. Goodwill relating to associated undertakings is included in the carrying value of the associated undertaking.

Goodwill arising on acquisitions is capitalised as an asset on the balance sheet. Where goodwill is regarded as having a finite useful economic life it is amortised on a straight line basis over its estimated life, up to a maximum of 20 years. Impairment reviews are carried out at the end of the first full period of ownership and at other times if there are indications that the carrying value may not be supportable.

Where goodwill is regarded as having an indefinite life it is not amortised. As permitted by FRS10 this represents a departure, for the purposes of giving a true and fair view, from the requirements of paragraph 21, Schedule 4 to the Companies Act 1985, which requires goodwill to be amortised. The estimated useful economic life is regarded as indefinite where goodwill is capable of continued measurement and the durability of the acquired business can be demonstrated. Where goodwill is not amortised, an annual impairment review is performed and any impairment charge arising is taken to the profit and loss account.

(iii) 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.

g) Tangible fixed assets

(i) Owned assets

Tangible fixed assets are stated at cost or valuation, net of accumulated depreciation and impairment losses.

(ii) 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 income statement 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 income statement on a straight-line basis over the lease term.

(iii) Depreciation

Depreciation is charged to the profit and loss account to write off the cost or valuation, less the estimated residual value, of tangible fixed assets 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
Fixtures 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. Once construction has been completed, interest is charged to the profit and loss account.

h) 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 stocks 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.

i) 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/(loss) on disposal of players' registrations in the period in which the disposal is recognised.

1 Accounting policies (continued)

j) Deferred income

Deferred income comprises amounts received from capital grants, sponsorship, bond, corporate hospitality 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.

k) 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.

l) Debt

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

m) 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. Contributions are also paid to individuals' private pension schemes. Pension contributions are charged to the Profit and Loss Account as they become payable. The Group 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 (the '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 Group 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. Therefore, no disclosures are made under the provisions of FRS17 Retirement Benefits.

n) Provisions

A provision is recognised in the balance sheet when the Group 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.

o) Investments

Interest in subsidiary undertakings is valued at cost less impairment.

p) Dividends

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

2 Segmental analysis

The Group 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 revenue streams is given below to assist with an understanding of the business:

Revenue streams comprise:

Matchday – season and matchday tickets and corporate hospitality income.

Media – television and broadcasting income, including distributions from the FA Premier League broadcasting agreements, cup competitions and local radio.

Commercial – sponsorship income, merchandising, conference and banqueting and other sundry revenue.

	2008 £'000
Matchday	**32,352**
Media	**41,116**
Commercial	**27,398**
	100,866

3 Group operating expenses

	2008 £'000
Operating costs excluding exceptional items, player amortisation and impairment:	
Change in stocks of goods for resale	211
Other operating income – release of capital grants	(90)
Staff costs (note 4)	72,577
Depreciation and other amounts written off tangible fixed assets:	
Owned	3,261
Leased	173
Operating lease payments	1,136
Profit on disposal of tangible fixed assets	(40)
Other operating charges	28,578
	105,806
Exceptional items:	
Changes in team management	4,597
Directors and senior management compensation for loss of office	2,155
	6,752
Amortisation of players' registrations	18,535
Amortisation of goodwill	7,638
Total operating expenses	138,731

Changes in team management

In January 2008 changes to the team management and backroom staff were announced. Costs relating to this reorganisation, totalling £4,597,000, have been recognised in the current period.

Directors and senior management compensation for loss of office

Following the change in control of the Group in the period, D S Hall, A Antonopoulos, T Revill and B S Shepherd resigned from the Board of Directors on 26 June 2007. On 25 June 2007 R Cushing and K Slater resigned as Group Chief Operating Officer and Group Financial Controller respectively. S Walton's contract as Chief Executive was terminated on 31 July 2007. All amounts relating to compensation for loss of office in respect of the individuals named above were charged in full in the period.

Auditors' remuneration

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

	2008 £'000
Auditors' remuneration:	
Group	
Audit	96
Fees receivable by the auditors and their associates in respect of other services:	81

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

	2008 £'000
Audit related regulatory reporting	**18**
Further assurance services	**5**
Tax compliance services	**20**
Tax and other advisory services	**38**
	81

4 Staff numbers and costs

The average number of persons employed by the Group (including Directors), analysed by category, during the period was:

	2008 Number of employees
Playing squad and team management	**118**
Commercial	**168**
Administration	**139**
Average monthly number of employees	**425**

The Group also employed approximately 1,301 temporary staff on matchdays.

Aggregate payroll costs, including directors, are as shown below:

	2008 £'000
Wages and salaries	65,190
Social security costs	6,863
Other pension costs	524
	72,577
Exceptional items (see note 3)	6,752
Total payroll costs	79,329

The only employee of the Company during the current period was the Director.

The Group 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 Group.

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 £10.456m 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 £8.89m and the Group's share at £0.06m. The Group's share of the deficit has been accrued in full in these accounts and is being paid off by additional contributions over 10 years.

Contributions are also made into individuals' private pension schemes.

Director's emoluments

The director did not receive any remuneration in respect of services to the Company for the period ended 30 June 2008.

5(a) Interest receivable

	2008 £'000
Bank interest receivable	**217**
Other interest receivable	**10**
	227

5(b) Interest payable and similar charges

	2008 £'000
Fixed interest senior loan notes	(5,547)
Bank loans and overdrafts	(1,560)
Other loans	(130)
Finance charges payable in respect of finance leases and hire purchase contracts	(11)
	(7,248)

The Group's fixed interest senior loan notes were repaid in full in September 2007. Included in the amounts disclosed above is an early repayment charge of £4,273,000, payable in accordance with the terms of the agreement.

6 Taxation

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2008 £'000
Current tax	
UK corporation tax at 30%	
Adjustment in respect of prior periods	7
	7
Deferred tax	
Origination and reversal of temporary differences	-
Total tax expense in profit and loss account (note 6(b))	7

(b) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 29.5%. The differences are reconciled below:

	2008 £'000
Loss on ordinary activities before tax	**(34,073)**
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.5%	(10,052)
Effect of:	
Expenses not deductible for tax purposes	3,173
Depreciation in excess of capital allowances	370
Other timing differences	452
Adjustments in respect of previous periods	7
Unrelieved tax losses carried forward	6,057
Total current tax (note 6(a))	7

(c) Factors that may affect future tax charges

The Group has unrelieved UK corporation tax losses of approximately £63m at the end of the period. Deferred tax assets have not been recognised in respect of these losses as these losses do not satisfy the recognition criteria for deferred tax assets in FRS19.

The Group has a net deferred tax asset of £19.2m at the end of the period which does not satisfy the recognition criteria for deferred tax assets in FRS19. This is comprised of £1.8m decelerated capital allowances plus tax losses of £17.7m less other timing differences of £0.3m.

7 Intangible assets

Group	Goodwill £'000	Players' registrations £'000	Total £'000
Cost			
On acquisition of subsidiary undertaking	642	87,159	87,801
Acquisitions	146,904	22,940	169,844
Disposals	-	(35,157)	(35,157)
Adjustment – league levy refund received	-	(1,134)	(1,134)
Balance at 30 June 2008	**147,546**	**73,808**	**221,354**
Amortisation and impairment			
On acquisition of subsidiary undertaking	-	45,142	45,142
Amortisation charge for period	7,638	18,535	26,173
Disposals	-	(29,553)	(29,553)
Balance at 30 June 2008	**7,638**	**34,124**	**41,762**
Net book value			
At 30 June 2008	**139,908**	**39,684**	**179,592**

Goodwill

(i) Control of Newcastle United Limited (formerly Newcastle United PLC) was gained on 15 June 2007, being the date the offer was declared unconditional, and has been accounted for under the acquisition method. The value of net assets of the group was as set out below. The Director concluded that the fair value of the group's net assets was not materially different from the book value, and, accordingly no fair value adjustments were required.

	Book value £'000	Fair value adjustment	Fair value acquisition £'000
Fixed assets			
Intangible assets	**42,659**	-	**42,659**
Tangible assets	**88,042**	-	**88,042**
Current assets			
Stocks	**1,477**	-	**1,477**
Debtors	**6,006**	-	**6,006**
Cash at bank and in hand	**9,309**	-	**9,309**
Creditors – amounts falling due within one year	**(105,532)**	-	**(105,532)**
Creditors – amounts falling due after more than one year	**(22,518)**	-	**(22,518)**
Provision for liabilities	**(960)**	-	**(960)**
Deferred income	**(28,562)**	-	**(28,562)**
Net liabilities at fair value	**(10,079)**	-	**(10,079)**

Fair value of considerations	
Cash paid during the period including directly attributable professional fees	**136,825**
Goodwill arising	**146,904**

The goodwill arising is being amortised, on a straight line basis, over a period of 20 years.

(ii) Goodwill of £642,000 arose on the acquisition, in February 2005, of the remaining 50% of the shares of nufc.co.uk Limited by Newcastle United Limited (formerly Newcastle United Plc). nufc.co.uk is expected to increase its level of operations and profitability over the long term, and the goodwill arising on acquisition is not considered to have a finite life. The application by the Directors of an annual impairment test supports the value of the goodwill and, as a result, no charge for impairment is required at the balance sheet date. Due to the indefinite useful economic life attributed to this goodwill, there is no amortisation charge in the profit and loss account for the period. This represents a departure from the Companies Act 1985 for the purposes of showing a true and fair view.

8 Tangible assets

Group	Land and buildings £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
On acquisition of subsidiary undertaking	100,899	13,206	277	114,382
Additions	832	2,103	40	2,975
Disposals	(17)	(284)	(127)	(428)
Balance at 30 June 2008	**101,714**	**15,025**	**190**	**116,929**
Depreciation				
On acquisition of subsidiary undertaking	16,433	9,748	159	26,340
Charge for period	2,136	1,258	40	3,434
On disposals	(15)	(265)	(123)	(403)
Balance at 30 June 2008	**18,554**	**10,741**	**76**	**29,371**
Net book value				
At 30 June 2008	**83,160**	**4,284**	**114**	**87,558**

Included within fixed assets are assets held under finance leases with the following net book values: Fixtures and equipment: £126,000 and Motor vehicles: £10,000.

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

The net book value of land and buildings comprises:

Group	2008 £'000
Freehold	203
Long leasehold	82,957
	83,160

9 Investments in subsidiaries

Company	Shares in subsidiary undertakings £'000
Additions in period	136,825
At 30 June 2008	**136,825**

Subsidiary undertakings	Principal activity
Newcastle United Limited *	Holding company
Newcastle United Football Company Limited	Professional football club
Newcastle United Enterprises Limited	General commercial
St. James' Park Newcastle Limited	General commercial
Newcastle United Football Club (International) Limited **	General commercial
nufc.co.uk Limited	Exploitation of internet and media rights
MGM Grand Newcastle (Holdings) Limited	Investment company
MGM Grand Newcastle Limited	Property development
Newcastle United 1892 Limited	Dormant
Newcastle United Catering Limited	Dormant
Newcastle United Employment Limited	Dormant
Newcastle United Entertainment Limited	Dormant
Newcastle United Group Limited	Dormant
Newcastle United Licensing Limited	Dormant
Newcastle United Promotions Limited	Dormant
Newcastle United Publications Limited	Dormant
Newcastle United Sports Limited	Dormant
Newcastle United Sportswear Limited	Dormant
Newcastle United Telecoms Limited	Dormant
Newcastle United Television Limited	Dormant
Newcastle United Ventures Limited	Dormant
NUFC Limited	Dormant
Newcastle United FC Limited	Dormant
Newcastle United Football Club Limited	Dormant
Newcastle United Foundation	Charitable Foundation - community activities
Newcastle (NUFC Holdings) Limited	Dormant
Newcastle United Management Company Limited	Dormant
The Football Channel Limited	Dormant

* Direct investment of St James Holdings Limited, others are held by subsidiary undertakings.

** This company is a subsidiary undertaking of Newcastle United Football Company Limited. It is registered in Gibraltar.

The Company or Newcastle United Limited owns 100% of the ordinary share capital in each of the subsidiary undertakings.

All subsidiary undertakings except as noted above are registered in, and operate in, England and Wales and have their registered offices at St. James' Park, Newcastle upon Tyne NE1 4ST.

10 Stocks

Group	2008 £'000
Goods for resale	1,266

11 Debtors

	Group	Company
	2008	2008
	£'000	£'000
Trade debtors	8,079	1,063
Other debtors	376	-
Prepayments and accrued income	4,776	188
	13,231	1,251

Included within Group trade debtors are £1,509,000 expected to be recovered in more than twelve months.

12 Creditors: amounts falling due within one year

	Group	Company
	2008	2008
	£'000	£'000
Bank overdraft	985	-
Term and other loans (note 13)	2,831	-
Obligation under finance leases and hire purchase contracts (note 13)	108	-
Trade creditors	17,987	-
Amounts owed to subsidiary undertakings	-	321
Other creditors	6,958	144
Accruals	7,423	-
	36,292	465

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

13 Creditors: amounts falling due after more than one year

	Group	Company
	2008	2008
	£'000	£'000
Term and other loans	241,117	137,881
Obligation under finance leases and hire purchase contracts	12	-
Trade creditors	8,797	-
Accruals	163	-
	250,089	137,881

There is a change of control clause in the £237,881,000 loan agreements with Mr M J W Ashley, meaning the full amount becomes repayable on demand should a change of control occur. At 30 June 2008 there was no commitment to a change of control and accordingly the balance has been classified as more than one year.

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

	Group	Company
	2008	2008
	£'000	£'000
Debt can be analysed as falling due:		
In one year or less, or on demand	2,939	-
Between one and two years	240,933	137,881
Between two and five years	196	-
In five years or more	-	-

The obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

13 Creditors: amounts falling due after more than one year (continued)

Borrowings are analysed as follows

(i) Term loans

Group	2008 £'000
Repayable within one year	2,831
Repayable in the first to second years	240,921
Repayable in the second to fifth years	196
Repayable after five years	-

The group loans totalling £238m (Company: £138m) from Mr M J W Ashley are unsecured. The loan agreement is that interest can be charged at a rate of LIBOR + 0.5%, however no interest has been charged in the period to 30 June 2008. Other loans comprise bank loans totalling £6,067,000 (net of unamortised loan issue costs and interest of £433,000), which are secured on future sponsorship monies of the group.

(ii) Obligations under finance leases and hire purchase contracts are as follows:

Group	2008 £'000
Repayable within one year	108
Repayable in the first to second years	12
Repayable in the second to fifth years	-
Repayable after five years	-

14 Provisions

Group	£'000
On acquisition of subsidiary undertaking	960
Provision made during the period	273
Balance at 30 June 2008	**1,233**

In common with other football clubs the Group has historically reclaimed VAT on agents' fees. H M Revenue and Customs ('HMRC') have determined that such VAT is not recoverable and raised assessments on the Group's main trading subsidiary, Newcastle United Football Company Limited. The issue was heard at a VAT Tribunal during June and July 2006 and the decision, announced in August 2006, was in favour of HMRC. Newcastle United Football Company Limited appealed to the Chancery Division of the High Court. At the hearing, in February 2007, the appeal was allowed and the issue remitted back to the Tribunal for further consideration on a case by case basis. The Group is currently awaiting the decision relating to another Premier League club and will assess its position after this case has been finalised.

Full provision has been made for the maximum potential liability at the balance sheet date. Potentially irrecoverable VAT on agents' fees arising on the acquisition of players is included in intangible assets as part of the cost of acquired players' registrations and amortised over the period of the contract. On disposal, any unamortized amounts are written off as part of the profit/loss on disposal.

15 Deferred income

Group	2008 £'000
Capital grants	2,922
Other deferred income	25,191
	28,113

Other deferred income comprises sponsorship, bond, executive scheme and season ticket income.
The maturity profile of deferred income is as follows:

Group	2008 £'000
Less than one year	17,809
One to two years	2,778
Two to five years	2,414
More than five years	5,112
	28,113

16 Share capital

Group and Company	2008 Number	2008 £'000
Authorised		
Ordinary shares of £1 each	1000	1
Allotted, called-up and fully paid		
Ordinary shares of £1 each	2	-

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.

17 Capital and reserves

Group	Share capital £'000	Profit and loss account £'000	Total £'000
Loss for the period	-	(34,080)	(34,080)
Balance at 30 June 2008	-	**(34,080)**	**(34,080)**

Company	Share capital £'000	Profit and loss account £'000	Total £'000
Loss for the period	-	(268)	(268)
At 30 June 2008	-	**(268)**	**(268)**

18 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 2008 is £3,645,000 .

At the balance sheet date there are a number of areas of potential debate with H M Revenue and Customs ("HMRC") over the tax treatment of certain contractual arrangements concerning players and agents. The Group has accounted for taxes in the manner they feel is appropriate, however, should HMRC successfully challenge these it is possible that significant additional tax liabilities may arise. Given the inherent uncertainties over the timing and quantum of any financial consequence of these matters, the Directors are of the opinion that that no reliable estimate of a provision can be made at this stage and, accordingly, this matter is disclosed as a contingent liability only in these accounts.

19 Dividends

No dividends were paid in the period.

20 Commitments

(i) Capital commitments at the end of the financial period for which no provision has been made:

Group	2008 £'000
Contracted but not provided for	-

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

Group	Land and buildings 2008 £'000
Expiry date:	
Within one year	-
Between one and five years	-
After five years	1,089
	1,089

The Company had no commitments at the beginning or end of the period.

During the period £1,136,000 was recognised as an expense in the group profit and loss account in respect of operating leases.

21 Ultimate controlling party

The ultimate controlling party is Mr M J W Ashley.

22(a) Reconciliation of Group operating loss to net cash outflow from operating activities

	2008 £'000
Group operating loss	(37,865)
Depreciation	3,434
Amortisation of intangible fixed assets	26,173
Profit on disposal of tangible fixed assets	(40)
Capital grant release	(90)
Decrease in stocks	211
Increase in debtors	(1,271)
Increase in creditors	3,488
Decrease in deferred income	(231)
Net cash outflow from operating activities	**(6,191)**

22(b) Reconciliation of net cash flow to movement in net debt

	2008 £'000
Decrease in cash in the period	(985)
Cash inflow from increase in debt and lease financing	(177,584)
Change in net debt resulting from cash flows	(178,569)
Non-cash changes	(722)
Net debt on acquisition of subsidiary undertaking	(65,762)
Net debt at end of the period	(245,053)

22(c) Analysis of net debt

	On incorporation £'000	Acquisitions £'000	Cash flow £'000	Other non cash changes £'000	At 30 June 2008 £'000
Cash at bank and in hand	-	-	(985)	-	(985)
Debt due after one year	-	(6,345)	(237,604)	2,832	(241,117)
Debt due within one year	-	(59,028)	59,732	(3,535)	(2,831)
Finance leases and hire purchase contracts	-	(389)	288	(19)	(120)
Total	**-**	**(65,762)**	**(178,569)**	**(722)**	**(245,053)**

23 Related party transactions

Transactions between the Company and its subsidiaries are not disclosed in accordance with FRS8.

Advertising and promotional services were provided in the period to companies associated with Mr M J W Ashley, the sole shareholder of, St James Holdings Limited. No consideration was paid or payable for these services and the cost associated with the services was £42,250. Mr M J W Ashley also provided loans to the Group in the period. The balance outstanding at 30 June 2008 was £237,881,000. The maximum amount outstanding in the period was £243,203,275. No interest has been charged on these loans.

24 Post balance sheet events

The playing registrations of certain players have been disposed of subsequent to the balance sheet date for a total consideration, net of associated costs, of £13,610,000.

Subsequent to the balance sheet date, the playing registrations of certain players have been acquired for total consideration, including associated costs, of £13,615,000.

On 4 September 2008, the Club announced that Kevin Keegan had resigned as team manager.