

**Newcastle United Limited**

Report and Financial Statements  
Registered number 2529667  
30 June 2012

THURSDAY



'A253XLG9'

A09

28/03/2013

#212

COMPANIES HOUSE

# Newcastle United Limited

## Corporate Information

### Directors

D D Liambrias  
L Chamley

### 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

### Registered Office

St James' Park  
Newcastle upon Tyne  
NE1 4ST

# Newcastle United Limited

## Directors' report

The Directors of Newcastle United Limited present their Annual Report for the year ended 30 June 2012, together with the financial statements of the Group and the Independent Auditors' report for the year

### Principal activities and business review

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

#### Business review

The Directors are satisfied with both the playing and the financial performance of the Club during the year

Starting the 2011/2012 season with an unbeaten run of 11 Premier League games gave the Club the perfect platform to maintain a position at the top end of the Premier League throughout the season. After another run of 6 wins from 6 games in March and April we finished the season in 5<sup>th</sup> position, our highest league finish since 2003/04 season and we gained qualification for the Europa League

The financial results for 2011/12 reflect the continued application of the club's financial model by which the club aims to achieve a sustainable financial position, able to operate without reliance on external bank debt or additional long term financial support from our owner and meeting UEFA's Financial Fair Play requirements

The club invested heavily in its playing squad during the year, signing players such as Yohan Cabaye, Demba Ba, Papiss Cisse, Davide Santon and Sylvain Marveaux. These new players, together with performance bonuses, were the main reason for the increase in the club's wage bill, up by £10.5m (19.6%) to a total of £64.1m. Turnover increased by £4.8m (5.3%) to £93.3m and this movement is analysed below. As a result of wages increasing faster than turnover, the operating profit (before amortisation of players' registrations) in the year fell to £7.5m from £13.3m in the prior year.

The changing composition of the playing squad resulted in a reduction in the charge for amortisation of players' registrations in the year. The result of player trading was an overall profit of £6.5m which was a very significant reduction on the previous year, largely as a result of the sale of Andy Carroll to Liverpool in January 2011.

The overall profit for the year was £1.4m (2011: £32.6m profit)

#### Turnover Analysis

Turnover	2011/12 Results	2010/11 Results	Percentage Change
<b>Total Turnover</b>	<b>£93.3 million</b>	<b>£88.5 million</b>	<b>5.4%</b>
Made up as follows			
Season Ticket Revenue	£11.4 million	£11.8 million	(3.3%)
Gate Receipts	£6.2 million	£7.1 million	(12.6%)
Corporate Hospitality Boxes	£4.5 million	£4.2 million	7.8%
Other Matchday Receipts	£1.8 million	£1.1 million	63%
TV and Media Revenue	£55.6 million	£48.5 million	14.6%
Commercial, Catering & Sponsorship Revenue	£13.8 million	£15.8 million	(12.7%)

Our average attendance rose during the 2011/12 season to 49,936 (2011 – 47,746) which was again the 3<sup>rd</sup> highest in the country. This increase in attendance did not generate an increase in ticket revenue as the Club took a policy decision to make many tickets more affordable, including the groundbreaking 50% discount offer made to season ticket holders, which was taken up by over 5,000 fans.

TV and Media Revenue increased by 14.6% in the year mainly due to the club's improved final position in the league table and two additional live games broadcast on UK TV.

Commercial turnover fell significantly compared to the previous season and the Directors are focused on increasing this revenue stream over the next few years.

# Newcastle United Limited

## Directors' report

### Operating Expenses

Operating Expenses	2011/12 Results	2010/11 Results	Percentage Change
<b>Total Expenses</b>	<b>£85.7 million</b>	<b>£75.2 million</b>	<b>14%</b>
Made up as follows			
Wage costs	£64.1 million	£53.6 million	20%
Other Expenses	£21.6 million	£21.6 million	0%
Wages to Turnover %	68.7%	60.6%	

As already explained above, the wages bill increased as new players joined the Club and performance bonuses were earned

### Cashflow

Maintaining a healthy cashflow is key to financial sustainability over the longer term. The Directors are therefore pleased that the Club generated a net cash inflow (before financing) in the year of £1.1m. As a result, at the year end the Club's net debt fell to £129.3m from £130.4m.

The Club's policy is to seek to minimise the use of external bank funding whilst reducing amounts owed to other football clubs. We continue to buy new players and aim to pay transfer fees upfront, rather than spreading payments over a number of years. However certain transfer fees receivable by the club for the sale of players 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. During 2009 and 2010 short term cash flow needs were met by cash advances from our owner totalling £29m. Repayment of these advances commenced during 2011/2012. At the year end our owner has £111m of long term funding in the club (on an unsecured, interest free basis) and £18m of cash advances (on a secured, interest free basis).

### Results and dividends

The profit for the year of £1.4m (2011 – profit of £32.6m) has been transferred to reserves.

The Board does not recommend the payment of a dividend for the year ended 30 June 2012 (2011 – £nil).

### Directors

The Directors who held office during the year, at 30 June 2012 and to the date of signing the financial statements were as follows:

D D Llambias

L Charnley

### 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, which are payable over various agreed timescales. Accordingly, the Group has calculated creditor days excluding transfer fees payable. The number of creditor days was 23 at the year-end (2011 – 37).

### Political and charitable donations

The Group's charitable donations for the year amounted to £22,600 (2011 – £8,970). There were no political contributions (2011 – £nil).

# Newcastle United Limited

## Directors' report

### Events since the balance sheet date

Details of significant events subsequent to 30 June 2012 are given in note 23

### 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 auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each 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.

### Independent auditors

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

### Risks and uncertainties

The Board acknowledges that there are risks which affect the Group and takes such action as it regards necessary to manage 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 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.
- Risks are also reported on by the FA Premier League and the Football 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.

### 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 Group remains a going concern and have accordingly prepared these financial statements on the going concern basis.

# Newcastle United Limited

## Directors' report

### Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

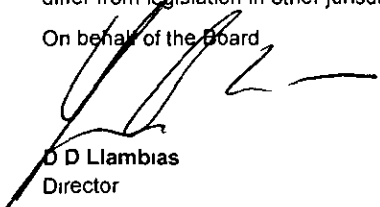
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are 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.

On behalf of the Board



D D Llambias  
Director

6 February 2013

## Independent auditors' report to the members of Newcastle United Limited

We have audited the financial statements of Newcastle United Limited for the year ended 30 June 2012 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 23. 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 5, 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 group's and the parent 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 misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2012 and of the Group's 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.

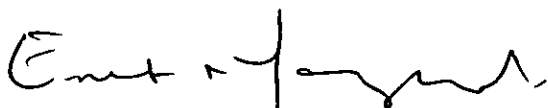
### Opinion on other matter prescribed by the Companies Act 2006

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

6 February 2013

Newcastle United Limited  
Group profit and loss account  
for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
<b>Group turnover</b>	2	<b>93,260</b>	88,464
Operating expenses – before amortisation & impairment of players' registrations	3	(85,726)	(75,177)
– amortisation of players' registrations		(12,598)	(17,227)
		<b>(98,324)</b>	(92,404)
<b>Group operating loss</b>		<b>(5,064)</b>	(3,940)
Analysed as			
Operating profit before amortisation of players' registrations		7,534	13,287
Amortisation of players' registrations		(12,598)	(17,227)
		<b>(5,064)</b>	(3,940)
Profit on disposal of players' registrations		6,478	36,731
Profit/(loss) on disposal of fixed assets		11	(7)
<b>Profit before interest and taxation</b>		<b>1,425</b>	32,784
Interest receivable	5(a)	6	47
Interest payable and similar charges	5(b)	(66)	(212)
<b>Profit on ordinary activities before taxation</b>		<b>1,365</b>	32,619
Tax on profit on ordinary activities	6	–	–
<b>Profit for the year attributable to members of the parent company</b>	16	<b>1,365</b>	32,619

All results are derived from continuing operations

Group statement of total recognised gains and losses  
for the year ended 30 June 2012

	2012 £'000	2011 £'000
Profit for the year attributable to members of the parent company	1,365	32,619
Total gains and losses recognised since last annual report	1,365	32,619

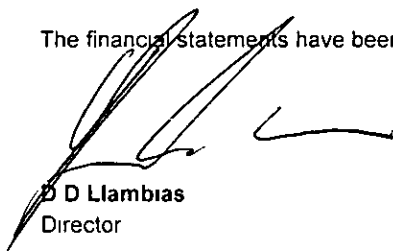


Newcastle United Limited  
Group balance sheet  
at 30 June 2012

Company registration no 2529667

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Intangible assets	7	37,034	32,006
Tangible assets	8	73,632	75,740
		<b>110,666</b>	<b>107,746</b>
<b>Current assets</b>			
Stocks	10	974	659
Debtors	11	30,119	26,812
Cash at bank and in hand		-	9,515
		<b>31,093</b>	<b>36,986</b>
<b>Creditors amounts falling due within one year</b>	12	<b>(38,874)</b>	<b>(160,899)</b>
<b>Net current liabilities</b>		<b>(7,781)</b>	<b>(123,913)</b>
<b>Total assets less current liabilities</b>		<b>102,885</b>	<b>(16,167)</b>
Creditors amounts falling due after more than one year	13	(112,409)	(553)
Deferred income	14	(25,033)	(19,202)
<b>Net liabilities</b>		<b>(34,557)</b>	<b>(35,922)</b>
<b>Capital and reserves</b>			
Called up share capital	15	6,655	6,655
Share premium account	16	68,944	68,944
Capital redemption reserve	16	831	831
Profit and loss account	16	(110,987)	(112,352)
<b>Shareholder's deficit</b>	16	<b>(34,557)</b>	<b>(35,922)</b>

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



**D D Lambias**  
Director

6 February 2013

Newcastle United Limited  
 Company balance sheet  
 at 30 June 2012

Company registration no 2529667

	Note	2012 £'000	2011 £ 000
<b>Fixed assets</b>			
Investments	9	69,946	69,946
<b>Current assets</b>			
Debtors	11	6,230	6,230
Cash at bank and in hand		11,516	11,516
		17,746	17,746
Creditors amounts falling due within one year	12	(9,090)	(9,088)
<b>Net current assets</b>		<b>8,656</b>	<b>8,658</b>
<b>Total assets less current liabilities</b>		<b>78,602</b>	<b>78,604</b>
Creditors amounts falling due after more than one year	13	-	-
<b>Net assets</b>		<b>78,602</b>	<b>78,604</b>
<b>Capital and reserves</b>			
Called up share capital	15	6,655	6,655
Share premium account	16	68,944	68,944
Capital redemption reserve	16	831	831
Profit and loss account	16	2,172	2,174
<b>Shareholder's funds</b>	16	<b>78,602</b>	<b>78,604</b>

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



D.D. Lambias  
 Director

6 February 2013

Newcastle United Limited  
Group cash flow statement  
for the year ended 30 June 2012

	Note	2012 £'000	2011 £ 000
<b>Net cash inflow from operating activities</b>	21(a)	<b>11,910</b>	15,256
<b>Returns on investments and servicing of finance</b>			
Interest received		6	26
Interest paid		(65)	(359)
		<b>(59)</b>	<b>(333)</b>
<b>Taxation</b>			
Corporation tax paid		–	–
<b>Capital expenditure and financial investment</b>			
Payments to acquire intangible fixed assets		(19,702)	(25,566)
Payments to acquire tangible fixed assets		(737)	(472)
Receipts from sales of intangible fixed assets		9,714	31,014
Receipts from sales of tangible fixed assets		16	6
		<b>(10,709)</b>	<b>4,982</b>
<b>Net cash inflow before financing</b>		<b>1,142</b>	<b>19,905</b>
<b>Financing</b>			
New loans		–	200
Repayment of short-term advances		(11,000)	(200)
		<b>(11,000)</b>	<b>–</b>
<b>(Decrease)/increase in cash</b>	21(c)	<b>(9,858)</b>	<b>19,905</b>

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

**1 Accounting policies**

Newcastle United 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 408 of the Companies Act 2006 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 year was £2,000 (2011 – profit of £813,000).

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 2012 the Group had net liabilities of £34.6 million (2011 – £35.9 million), which includes loans from Mr M J W Ashley totalling £129.0 million (30 June 2011 – £140.0 million). Net current liabilities were £7.8 million (2011 – £123.9 million). Ongoing funding provided by Mr M J W Ashley, together with the expected level of bank facilities, has been incorporated into the Directors' cash flow forecast for the Group. These forecasts indicate that, with the ongoing financial support of the ultimate controlling party, Mr M J W Ashley, 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 Directors have also received a commitment from its parent undertaking, St James Holdings Limited and from the ultimate controlling party Mr M J W Ashley, that they 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 Directors have 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. Any revenues received in respect of future matches is 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.

**(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 are deemed to have been transferred to the buyer.

# Newcastle United Limited

## Notes to the financial statements

at 30 June 2012

### 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

##### *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 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 year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Amortisation and impairment of intangibles is also presented separately on the face of the profit and loss account 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 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 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 years

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 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
- 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 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

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

**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 year of ownership and at other times if there are indications that the carrying value may not be supportable.

*(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. The balance of potential costs is disclosed as a contingent liability.

*(iv) 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.

**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.

**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.

# Newcastle United Limited

## Notes to the financial statements

at 30 June 2012

### 1 Accounting policies (continued)

#### i) *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.

#### j) *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.

#### k) *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.

#### l) *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 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. 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. See note 4.

#### m) *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.

#### n) *Investments*

Investments in subsidiary undertakings are valued at cost less impairment.

### 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 broadcasting agreements, cup competitions and local radio

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

	2012 £'000	2011 £'000
Matchday	23,942	24,251
Media	55,565	48,461
Commercial	13,753	15,752
	<b>93,260</b>	<b>88,464</b>

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

**3 Group operating expenses**

	2012 £'000	2011 £'000
<b>Operating costs excluding amortisation &amp; impairment of players' registrations</b>		
Change in stocks of goods for resale	(315)	111
Other operating income – release of capital grants	(89)	(89)
Staff costs (note 4)	64,097	53,585
Depreciation and other amounts written off tangible fixed assets		
Owned and long leasehold	2,759	2,873
Held under finance leases and hire purchase contracts	–	–
Operating lease payments	963	1,068
Other operating charges	18,311	17,629
	<b>85,726</b>	<b>75,177</b>
Amortisation of players' registrations	12,598	13,498
Impairment of players' registrations	–	3,729
<b>Total operating expenses</b>	<b>98,324</b>	<b>92,404</b>

**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

	2012 £'000	2011 £'000
<b>Group</b>		
Audit	65	70
Fees receivable by the auditors and their associates in respect of other services	44	73

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

	2012 £'000	2011 £'000
Audit related regulatory reporting	8	8
Tax and other advisory services	36	65
	<b>44</b>	<b>73</b>



Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

**4 Staff numbers and costs**

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

	2012	2011
	Number of employees	
Playing squad, Academy, team management and support	128	124
Commercial	94	78
Administration	42	32
Ground, facilities and maintenance	36	48
<b>Average monthly number of employees</b>	<b>300</b>	<b>282</b>

In addition, with effect from January 2011, the club engaged an average of 471 (2011 – 418) matchday stewards

Aggregate payroll costs, including directors, are as shown below

	2012	2011
	£'000	£ 000
Wages and salaries	56,600	49,436
Social security costs	7,246	3,822
Other pension costs	251	327
<b>Total payroll costs</b>	<b>64,097</b>	<b>53,585</b>

The only employees of the Company during the current and prior years were the Directors

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 £10,456,000 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 Group's share at £60,000. The Group'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.

**Directors' remuneration**

	2012	2011
	£	£
Aggregate remuneration in respect of qualifying services	368,819	281,518
Contributions to money purchase pension schemes	20,288	20,288

	2012	2011
	£	£
In respect of the highest paid director		
Aggregate remuneration	250,028	195,135
Contributions to money purchase pension scheme	15,525	15,525

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

5(a) Interest receivable

	2012 £'000	2011 £'000
Bank interest receivable	6	21
Other interest receivable	–	26
	<b>6</b>	<b>47</b>

5(b) Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loans and overdrafts	(66)	(363)
Other interest payable *	–	151
	<b>(66)</b>	<b>(212)</b>

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

6 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2012 £'000	2011 £'000
<b>Current tax</b>		
UK corporation tax at 25.5% (2011 – 27.5%)	–	–
	–	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	–	–
Total tax expense in profit and loss account	–	–

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 25.5% (2011 – 27.5%). The differences are reconciled below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	1,365	32,619
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.5% (2011 – 27.5%)	348	8,970
<i>Effects of</i>		
Expenses not deductible for tax purposes	714	743
Depreciation in excess of capital allowances	(562)	(395)
Utilisation of brought forward tax losses	(501)	(9,327)
Unrelieved tax losses carried forward	1	9
Total current tax	–	–

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

6 Taxation (continued)

(c) Factors that may affect future tax charges

The Group has unrelieved UK corporation tax losses of approximately £52 million (2011 – £55 million) at the end of the year. 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 company has no unrelieved UK corporation tax losses (2011 – £nil) at the end of the year.

The Group has an unrecognised net deferred tax asset of approximately £15.1 million (2011 – £16.8 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 million decelerated capital allowances (2011 – £2.2 million decelerated capital allowances) plus tax losses of £12.5 million (2011 – £14.3 million) and other timing differences of £0.6 million (2011 – timing differences of £0.3 million).

7 Intangible assets

Group

	Goodwill £ 000	Players' registrations £ 000	Total £ 000
<b>Cost</b>			
At 1 July 2011	642	72,088	72,730
Acquisitions	–	20,175	20,175
Disposals	–	(27,142)	(27,142)
Adjustment - league levy refund received	–	(202)	(202)
<b>At 30 June 2012</b>	<b>642</b>	<b>64,919</b>	<b>65,561</b>
<b>Amortisation and impairment</b>			
At 1 July 2011	642	40,082	40,724
Amortisation charge for year	–	12,598	12,598
Disposals	–	(24,795)	(24,795)
<b>At 30 June 2012</b>	<b>642</b>	<b>27,885</b>	<b>28,527</b>
<b>Net book value</b>			
At 30 June 2012	–	37,034	37,034
At 1 July 2011	–	32,006	32,006

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

8 Tangible fixed assets

Group	Land and buildings £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 July 2011	98,386	15,233	62	113,681
Additions	95	564	–	659
Disposals	–	(128)	(15)	(143)
At 30 June 2012	<b>98,481</b>	<b>15,669</b>	<b>47</b>	<b>114,197</b>
<b>Depreciation</b>				
At 1 July 2011	24,546	13,353	42	37,941
Charge for year	2,048	706	5	2,759
On disposals	–	(121)	(14)	(135)
At 30 June 2012	<b>26,594</b>	<b>13,938</b>	<b>33</b>	<b>40,565</b>
<b>Net book value</b>				
At 30 June 2012	<b>71,887</b>	<b>1,731</b>	<b>14</b>	<b>73,632</b>
At 1 July 2011	73,840	1,880	20	75,740

Cumulative finance costs capitalised, excluding tax relief, included in the value of tangible fixed assets amount to £3,964,000 (2011 – £3,964,000)

The net book value of land and buildings comprises

	2012 £'000	2011 £'000
Freehold	–	–
Long leasehold	<b>71,887</b>	73,840
	<b>71,887</b>	73,840

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

9 Investments in subsidiaries  
Company

Shares in  
Subsidiary  
Undertakings  
£ 000

At 1 July 2011 and 30 June 2012 **69,946**

Subsidiary undertakings	Principal activity
Newcastle United Football Company Limited	Professional football club
Newcastle United Enterprises Limited	Dormant
St James' Park Newcastle Limited	Dormant
Newcastle United Football Club (International) Limited*	General commercial
nufc co uk Limited	Exploitation of internet and media rights
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 (NUFC Holdings) Limited	Dormant
Newcastle United Management Company Limited	Dormant
The Football Channel Limited	Dormant

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

The Company owns 100% of the ordinary share capital in each of its 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.

Newcastle United Limited  
Notes to the financial statements

at 30 June 2012

10 Stocks

Group	2012 £'000	2011 £ 000
Goods for resale	974	659

11 Debtors

	Group		Company	
	2012 £'000	2011 £ 000	2012 £'000	2011 £ 000
Trade debtors	13,946	10,172	-	-
Amounts owed by parent undertakings	4,905	4,900	5,321	5,321
Amounts owed by fellow subsidiary undertakings	1,000	1,000	500	500
Amounts owed by subsidiary undertakings	-	-	409	409
Amounts owed by Newcastle United Foundation	2	11	-	-
Other debtors	6,494	5,308	-	-
Prepayments and accrued income	3,772	5,421	-	-
	<b>30,119</b>	<b>26,812</b>	<b>6,230</b>	<b>6,230</b>

Included within Group trade debtors are amounts totalling £7,125,000 (2011 – £8,000,000) relating to the consideration receivable for player registrations, including £1,800,000 (2011 – £2,250,000) expected to be recovered in more than twelve months

12 Creditors amounts falling due within one year

	Group		Company	
	2012 £'000	2011 £ 000	2012 £'000	2011 £ 000
Bank overdraft	343	-	-	-
Term and other loans (note 13)	18,000	140,000	-	-
Trade creditors	4,197	5,918	-	-
Amounts owed to subsidiary undertakings	-	-	7,680	7,680
Other creditors	6,943	5,260	91	91
Accruals	9,391	9,721	1,319	1,317
	<b>38,874</b>	<b>160,899</b>	<b>9,090</b>	<b>9,088</b>

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 £129 0 million (2011 – £140 0 million) This amount is non-interest bearing £18 million (2011 – £29 0 million) is secured on future broadcasting income and due for repayment within one year The balance of £111 0 million is not now due within one year (see note 13)

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

**13 Creditors amounts falling due after more than one year**

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade creditors	1,409	553	-	-
Term and other loans	111,000	-	-	-
	<b>112,409</b>	<b>553</b>	<b>-</b>	<b>-</b>

The Group's total outstanding loan balance from Mr M J W Ashley was £129.0 million (2011 - £140.0 million). This amount is non-interest bearing. £18 million (2011 - £29.0 million) is secured on future broadcasting income and due for repayment within one year. The balance of £111.0 million is not now due within one year.

**14 Deferred income**

Group	2012 £'000	2011 £'000
Capital grants	2,567	2,656
Other deferred income	22,466	16,546
	<b>25,033</b>	<b>19,202</b>

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

Group	2012 £'000	2011 £'000
Less than one year	19,080	12,185
One to two years	963	1,078
Two to five years	363	1,192
More than five years	4,627	4,747
	<b>25,033</b>	<b>19,202</b>

**15 Share capital**

Group and Company	2012		2011	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 5p each	186,442,232	9,322	186,442,232	9,322
Allotted, called-up and fully paid				
Ordinary shares of 5p each	133,107,121	6,655	133,107,121	6,655

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.

Newcastle United Limited  
Notes to the financial statements  
at 30 June 2012

**16 Capital and reserves**

Group	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2010	6,655	68,944	831	(144,971)	(68,541)
Profit for the year	–	–	–	32,619	32,619
At 1 July 2011	6,655	68,944	831	(112,352)	(35,922)
Profit for the year	–	–	–	1,365	1,365
At 30 June 2012	<b>6,655</b>	<b>68,944</b>	<b>831</b>	<b>(110,987)</b>	<b>(34,577)</b>

Company

Company	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £'000
At 1 July 2010	6,655	68,944	831	1,361	77,791
Profit for the year	–	–	–	813	813
At 1 July 2011	6,655	68,944	831	2,174	78,604
Loss for the year	–	–	–	(2)	(2)
At 30 June 2012	<b>6,655</b>	<b>68,944</b>	<b>831</b>	<b>2,172</b>	<b>78,602</b>

**17 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 2012 is £1,833,000 (2011 – £2,231,000). 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 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 £nil (2011 – £3,366,000).

**18 Dividends**

No dividends were paid in the year (2011 – £nil)

**19 Commitments**

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

Group	2012 £'000	2011 £ 000
Contracted but not provided for	–	–

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

Group	Land and buildings	
	2012 £'000	2011 £'000
Expiry date		
Within one year	<b>158</b>	–
Between one and five years	<b>101</b>	259
After five years	<b>663</b>	663
	<b>922</b>	922

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

During the year £963,000 was recognised as an expense in the profit and loss account in respect of operating leases (2011 – £1,068,000).



**Newcastle United Limited**  
**Notes to the financial statements**  
at 30 June 2012

**20 Ultimate parent undertaking**

The immediate parent undertaking is St James Holdings 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

**21a) Reconciliation of Group operating loss to net cash inflow from operating activities**

	2012 £'000	2011 £'000
Group operating loss	(5,064)	(3,940)
Depreciation	2,759	2,873
Amortisation and impairment of intangible fixed assets	12,598	17,227
Capital grant release	(89)	(89)
(Increase)/decrease in stocks	(315)	111
Increase in debtors	(4,227)	(4,873)
Increase in creditors	328	3,811
Increase in deferred income	5,920	136
<b>Net cash inflow from operating activities</b>	<b>11,910</b>	<b>15,256</b>

**21b) Reconciliation of net cash flow to movement in net debt**

	2012 £'000	2011 £'000
(Decrease)/increase in cash in the year	(9,858)	19,904
Cash outflow from decrease in debt and lease financing	11,000	–
Change in net debt resulting from cash flows	1,142	19,904
Non-cash changes	–	(4)
Net debt at beginning of year	(130,485)	(150,385)
Net debt at end of year	(129,343)	(130,485)

**21c) Analysis of net debt**

	At 1 July 2011 £'000	Cash flow £'000	Other non cash changes £'000	At 30 June 2012 £'000
Bank cash/(overdraft)	9,515	(9,858)	–	(343)
Debt due within one year	(140,000)	11,000	–	(129,000)
<b>Total</b>	<b>(130,485)</b>	<b>1,142</b>	<b>–</b>	<b>(129,343)</b>

**22 Related party transactions**

Transactions between the Company and its subsidiaries 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 Group during the year. The total balance outstanding at 30 June 2012 was £129.0 million (2011 – £140.0 million). The maximum amount outstanding in the year was £140.0 million (2011 – £140.0 million). No interest was payable on the loan for either the current or prior year.

**23 Post balance sheet events**

Subsequent to the balance sheet date, the playing registrations of certain players have been acquired for total consideration, including associated costs, of £27.3 million. Playing registrations of certain players have been disposed of for total consideration of £11.9 million.