

RED FOOTBALL SHAREHOLDER LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 30 JUNE 2007

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COMPANY NUMBER 5321162

Red Football Shareholder Limited

Directors' report for the financial year ended 30 June 2007

The directors present their report of the audited Group and Company financial statements for the year ended 30 June 2007

Principal activity

The principal activity of the Group continues to be the operation of a professional football club together with related and ancillary activities

Business review

Group turnover for the year was £210.1 million (14 months to 30 June 2006 - £173.2 million). Operating profit before depreciation and amortisation of intangible fixed assets and goodwill for the year was £75.4 million (14 months to 30 June 2006 - £36.2 million). Loss before tax for the year was £62.6 million (14 months to 30 June 2006 - loss of £137.7 million).

The Manchester United team maintained a high level of performance on the pitch, winning the Premiership for the 9th time since its formation 15 seasons ago, reaching the semi-finals of the UEFA Champions League and runners up in the FA Cup.

During the year Old Trafford staged 29 Manchester United home games (including 6 UEFA Champions League and 4 domestic cup matches), an FA Cup semi-final, 4 England internationals and a Super League Grand final.

The new quadrant seating at Old Trafford was opened fully for the first time in August 2006 taking the licensed capacity at Old Trafford to over 76,000.

Manchester United secured a number of significant new commercial partners during the year including a new financial services agreement with US insurance and financial services organisation AIG which commenced in January 2007, plus Kumho Tires, Betfred and Royal Resorts (trading as Hestun) joined as official partners.

In August 2006 Red Football Limited, a subsidiary company, entered into a new Senior Facilities Agreement arranged by JP Morgan PLC and used the proceeds to repay its existing borrowing facilities and make a loan to Red Football Joint Venture Limited, a fellow subsidiary company, to facilitate the redemption of its discount preferred securities. At the same time, Red Football Joint Venture Limited entered into a Payment in kind Loan Agreement and used the proceeds together with the aforementioned loan from its subsidiary, to redeem its discount preferred securities.

At 30 June 2007 the Group had net debt of £604.6 million (30 June 2006 £597.9 million) and had net cash inflows from operating activities in the year of £87.6 million (14 months to 30 June 2006 £104.4 million).

Strategy

The four key elements to the Group's strategy for growth are:

- Maintaining playing success
- Treating fans as customers
- Leveraging the global brand
- Developing club media rights

The Key Performance Indicators of the Group relate to the above four key elements and our performance in relation to these are evident from the attached financial statements.

Future developments and outlook for 2007/08

- A record 64,500 season tickets comprising both general admission seats and executive facilities were sold before the start of the 2007/08 season.
- The team qualified for the UEFA Champions League for the 12th consecutive season by finishing 1st in the Premier League in 2006/07 and will benefit from an increased share of the UEFA English TV pool in 2007/08.
- The 2007/08 season represents the first year of the Premier League's new three year television deal which will result in domestic media revenues increasing by over 50%.

Risks and uncertainties

Management has responsibility for the identification and evaluation of significant risks applicable to their area of business. The board continually assesses risks to the Group through regular management meetings and the monthly review of financial statements. The key business risks and uncertainties affecting the Group are considered to relate to maintaining playing success, recruitment and retention of key employees (including playing and coaching staff) and the safety and security of supporters at the Old Trafford stadium.

Red Football Shareholder Limited

Directors' report for the financial year ended 30 June 2007 (continued)

Financial risk management

The Group's operations are exposed to a variety of financial risks that include credit risk and currency risk. The Board reviews and agrees policies for managing these risks which are then implemented by the finance department. The policies have remained unchanged throughout the year and are summarised below.

- **Credit risk**
Where considered appropriate, the Group performs credit checks using an external credit rating agency to evaluate the credit risk of potential customers. In relation to significant one-off transactions such as transfer agreements or sponsorship contracts, the Group reviews the credit risk based on information available and obtains bank guarantees where necessary.
- **Currency risk**
The Group enters into forward contracts to purchase and sell foreign currency on sales and purchases transactions (including player transfers) where considered appropriate in order to minimise the impact of currency movements on the Group's financial performance.
- **Liquidity risk**
The Group maintains a mixture of long-term and short-term debt finance in order to ensure that it has sufficient funds available for short term working capital requirements and for investment in the playing squad and other capital projects. In addition, the Group's borrowings have a spread of maturity periods in order to minimise the risk of uncertain funding in its operations.
- **Interest rate cash flow risk**
The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, which earn interest at a variable rate. Interest bearing liabilities include bank term loans and a revolving credit facility. The Group has a policy of maintaining a large proportion of its debt at a fixed rate, by entering into interest rate swaps, in order to ensure certainty of future interest cash outflows. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Post balance sheet events

Details of post balance sheet events are disclosed in note 31 to the financial statements.

Dividends

An interim dividend was not paid during the year (2006 £nil). The directors do not recommend the payment of a final dividend (2006 £nil).

The loss after taxation of £58.2 million (14 months to 30 June 2006 – loss of £135.3 million) has been transferred to reserves.

Directors

The directors who held office throughout the year and at 30 June 2007 were as follows:

Avram Glazer
Bryan Glazer
Joel Glazer
Kevin Glazer
Darcie Glazer
Edward Glazer
Mitchell Nusbaum
William Sondericker

None of the directors had any beneficial interests in the ordinary shares of the Company.

Avram, Bryan, Joel, Kevin, Darcie and Edward Glazer have a financial interest in Red Football Limited Partnership, a limited liability partnership formed in the state of Nevada, United States of America. Red Football Limited Partnership indirectly wholly owns Red Football Shareholder Limited which is the largest parent undertaking for which group accounts will be prepared.

Charitable and political donations

Charitable donations during the year amounted to £1,043,000 (14 months to 30 June 2006 - £53,209). In line with Group policy, no donations were made for political purposes (2006 - £nil).

Red Football Shareholder Limited

Directors' report for the financial year ended 30 June 2007 (continued)

The beneficiary of the donations of £1 043,000 made during the year was the Manchester United Foundation ("the Foundation") which was launched in 2006/07 and has received charitable status. The Foundation is supported by Manchester United Limited, in that it has a license to use Manchester United Football Club's brand, and also certain rights to use the Club's ground at Old Trafford. Manchester United Limited is also a significant donor to the Foundation. The purpose of the Foundation, through its trading subsidiary, is to operate commercial activities using the Manchester United name, the profits from which will be used to support local and national official charity partners.

Creditor payment policy

It is the Group's policy to

- agree the terms of payment in advance with the supplier, and
- pay in accordance with the agreed terms and other legal obligations

The number of days' purchases outstanding as at 30 June 2007 was 32 (14 months to 30 June 2006 - 61). This figure excludes creditors in respect of player acquisitions which are paid on the date payment is contractually due.

Employment policies

The Group is committed to its 'people philosophy' and, as a result, to promoting policies to ensure that employees and applicants for employment are treated fairly and consistently. The Group has an equal opportunities policy, the aim of which is not to discriminate against employees or applicants for employment on the grounds of age, disability, ethnic origin, nationality or national origin, religion, race, gender, sexual orientation, marital status or family circumstances. Entry into and progression within the Group is determined solely by the job criteria and personal ability/competence.

The Group also seeks to apply best practice in the employment, training, development and promotion of disabled persons. The Group takes seriously its statutory obligations relating to disabled persons and seeks not to discriminate against current or prospective employees because of a reason relating to their disability. If an existing employee becomes disabled, such steps that are practical and reasonable are taken, in respect of adjustments to premises or employment arrangements, to retain him/her in employment. Where appropriate, rehabilitation and suitable training are given.

Employees are regularly updated on the performance of the Group. This is achieved through a broad base of communications including staff briefings, announcements and the staff newsletter 'RedLines'. Employees' views are sought through staff surveys and action plans are then developed to target priority for improvement areas. The Group is continuing with its focus on reward and recognition of performance as one of these priorities for improvement and its focus on a total reward strategy which has three principal components: compensation (pay package), benefits and the work experience. Schemes are continually introduced focusing on rewarding individual performance.

The Group has established its Vision and Values and these are communicated to all employees. Our Vision and Values are directly linked to performance and development review procedures, training and organisational change programmes and reward and recognition initiatives, which apply to all our employees.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent
- state whether applicable 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that the above requirements have been complied with in the financial statements.

Red Football Shareholder Limited

Directors' report for the financial year ended 30 June 2007 (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each director in office at the date of approval confirms

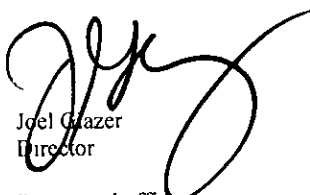
- a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) each director has taken all the steps necessary as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

The directors' report has been approved by the board and signed on its behalf by



Joel Glazer
Director

Registered office
Sir Matt Busby Way
Old Trafford
Manchester
M16 0RA

Company registered in England and Wales No. 5321162

8 February 2008

RED FOOTBALL SHAREHOLDER LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Turnover: Group and share of joint venture		212,189	175,836
Less: Share of joint venture		(2,108)	(2,665)
Group turnover	2	210,081	173,171
Operating expenses - other	3	(201,526)	(206,907)
Operating expenses - exceptional items	4	(1,436)	(3,443)
Total operating expenses		(202,962)	(210,350)
Group operating profit/(loss)		7,119	(37,179)
Analysed as			
Group operating profit before depreciation and amortisation of intangible fixed assets and goodwill		75,390	36,233
Depreciation		(9,086)	(7,387)
Amortisation of intangible fixed assets		(24,252)	(26,847)
Amortisation of goodwill		(34,933)	(39,178)
		7,119	(37,179)
Share of operating (loss)/profit in: - Joint venture		(292)	(82)
Associate		19	43
Total operating profit/(loss) Group and share of joint venture and associate		6,846	(37,218)
Profit on disposal of players		11,760	12,462
Profit/(loss) before interest and taxation		18,606	(24,756)
Net interest payable	5	(81,181)	(112,987)
Loss on ordinary activities before taxation		(62,575)	(137,743)
Taxation	7	4,419	2,460
Loss for the financial period	23	(58,156)	(135,283)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	12 months ended 30 June 2007 £ 000	14 months ended 30 June 2006 £ 000
Loss for the financial period		(58,156)	(135,283)
Share of reserves invested by joint venture partners	19c	349	217
Total recognised gains and losses in the period		(57,807)	(135,066)

The results for both the current year and prior period derive from continuing activities

The accompanying notes on pages 9 to 19 are an integral part of these financial statements

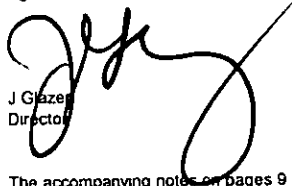
There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

RED FOOTBALL SHAREHOLDER LIMITED

CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2007	At 30 June 2006
		£'000	£'000
Fixed assets			
Intangible assets - goodwill	9	451,489	483,205
Intangible assets - player registrations	10	123,091	73,865
Tangible assets	11	251,958	252,249
Investments	12	281	262
		<u>826,819</u>	<u>809,581</u>
Current assets			
Stock	14	179	174
Debtors - amounts falling due within one year	15	23,417	29,026
Debtors - amounts falling due after more than one year	15	2,250	1,135
Cash at bank and in hand		62,129	6,029
		<u>87,975</u>	<u>36,364</u>
Creditors - amounts falling due within one year	16	<u>(82,009)</u>	<u>(41,322)</u>
Net current assets/(liabilities)		<u>5,966</u>	<u>(4,958)</u>
Total assets less current liabilities		832,785	804,623
Creditors - amounts falling due after more than one year	17	(682,551)	(600,382)
Provision for liabilities and charges			
Deferred taxation	19a	(2,180)	(6,073)
Other provisions	19b	(1,411)	(1,795)
Investment in joint venture	19c		
Share of gross assets		860	486
- Share of gross liabilities		(5,482)	(4,897)
		<u>(4,622)</u>	<u>(4,411)</u>
Accruals and deferred income			
Deferred grant income	20	(528)	(623)
Other deferred income	21	(61,791)	(53,830)
		<u>79,702</u>	<u>137,509</u>
Net assets			
Capital and reserves			
Share capital	22	-	-
Share premium account	23	272,575	272,575
Other reserves	23	566	217
Profit and loss account	23	(193,439)	(135,283)
		<u>79,702</u>	<u>137,509</u>
Total shareholders funds	24		

The financial statements on pages 5 to 19 were approved by the board of directors on 8 February 2008 and signed on its behalf by


J Glazer
Director

The accompanying notes on pages 9 to 19 are an integral part of these financial statements

RED FOOTBALL SHAREHOLDER LIMITED

COMPANY BALANCE SHEET

	Note	At 30 June 2007	At 30 June 2006
Fixed assets		£'000	£'000
Investments	12	269,336	269,336
Current assets			
Debtors	15	3,839	3,239
Creditors - amounts falling due within one year	16	(600)	-
Net current assets		<u>3,239</u>	<u>3,239</u>
Total assets less current liabilities		<u>272,575</u>	<u>272,575</u>
Net assets		<u>272,575</u>	<u>272,575</u>
Capital and reserves			
Share capital	22	-	-
Share premium account	23	272,575	272,575
Profit and loss account	23	-	-
Total shareholders' funds	24	<u>272,575</u>	<u>272,575</u>

The financial statements on pages 5 to 19 were approved by the board of directors on 8 February 2008 and signed on its behalf by


 J Glazer
 Director

The accompanying notes on pages 9 to 19 are an integral part of these financial statements

RED FOOTBALL SHAREHOLDER LIMITED

CONSOLIDATED CASH FLOW STATEMENT

	Note	12 months ended 30 June 2007		14 months ended 30 June 2006	
		£ 000	£'000	£ 000	£ 000
Net cash inflow from operating activities			87,594		104 448
Returns on investments and servicing of finance					
Interest received		668		1 917	
Interest paid		(41,589)		(52,556)	
Net cash outflow from returns on investments and servicing of finance			(40,921)		(50 639)
Taxation			2,329		(3 180)
Capital expenditure and financial investment					
Proceeds from sale of players' registrations		18,755		5 172	
Purchase of players' registrations		(29,342)		(37,554)	
Proceeds from sale of tangible fixed assets		801		1 436	
Purchase of tangible fixed assets		(11,209)		(37 395)	
Net cash outflow from capital expenditure and financial investment			(20,995)		(68 341)
Acquisitions					
Purchase of shares in subsidiary undertaking		(4,717)		(586 695)	
Net cash outflow from acquisitions and disposals			(4,717)		(586 695)
Equity dividends paid to shareholders			-		(3 475)
Net cash inflow/(outflow) before management of liquid resources and financing			23,290		(607 882)
Financing					
Increase in borrowings		652,702		550,067	
Repayment of borrowings		(619,892)		(18 900)	
Issue of ordinary share capital		-		50 128	
Net cash inflow from financing			32 810		581 295
Increase/(decrease) in net cash in the period	25		56,100		(26 587)

NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	12 months ended 30 June 2007 £ 000	14 months ended 30 June 2006 £ 000
Net cash generated from operating activities	7,119	(37,179)
Group operating profit/(loss)	9,086	7,387
Depreciation charges	24,252	26 847
Amortisation of players' registrations	34,933	39 178
Amortisation of goodwill	152	(580)
(Loss)/profit on disposal of tangible fixed assets	(95)	(129)
Grants released	(5)	(52)
Increase in stocks	1,348	14 892
Decrease in debtors	10,804	54 064
Increase in creditors and deferred income		
Net cash inflow from operating activities	87,594	104 448

The accompanying notes on pages 9 to 19 are an integral part of these financial statements

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1 Accounting policies

The financial statements have been prepared using the accounting policies described below which have been applied consistently throughout the year

Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and have been drawn up to comply with applicable accounting standards in the United Kingdom and the Companies Act 1985

Basis of consolidation

The accounts combine the results of Red Football Shareholder Limited and all its subsidiary undertakings using acquisition accounting. Undertakings, other than subsidiary undertakings in which the Group has an investment of at least 20% of the shares and over which it exerts significant influence, are treated as associates. Entities in which the Group holds an interest on a long-term basis, and which are jointly controlled by the Group and other parties, are treated as joint ventures. The results for the joint venture and associates are based upon management accounts for the year ended 30 June 2007.

Joint Venture

The Group profit and loss account includes the Group's share of turnover, operating loss and interest charges of the joint venture. The investment in the joint venture is shown in the Group balance sheet using the gross equity method. The gross equity method records the Group's share of the gross assets and gross liabilities in its joint venture.

Associates

The Group profit and loss account includes the Group's share of the operating result and interest charges of the associate. The investments in the associate are shown in the Group balance sheet using the equity method. The equity method records the Group's share of the underlying net assets of the associate.

Goodwill

On the acquisition of a subsidiary undertaking, fair values are attributed to the net assets acquired. Goodwill, which represents the difference between the purchase consideration and the fair value of net assets acquired, is capitalised and amortised through the profit and loss account on a straight-line basis over its estimated useful economic life of 15 years. Estimated useful economic life is determined after taking into account such factors as the nature and age of the business, the strength of the underlying brands and the stability of the industry in which the acquired business operates, as well as the typical life span of the acquired products to which the goodwill attaches. Goodwill acquired is subject to an impairment review at the end of the first year following an acquisition, and at any other time if events or changes of circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents income receivable from the Group's principal activities excluding transfer fees and value added tax. Turnover is analysed between Match Day, Media and Commercial revenue streams.

Match Day

Match Day turnover comprises income receivable from all match day activities from Manchester United games at Old Trafford together with our share of gate receipts from cup matches not played at Old Trafford and fees receivable for the team undertaking pre-season tours and for arranging other events at the Old Trafford stadium. The share of gate receipts payable to the other participating club and competition organiser for domestic cup matches played at Old Trafford is treated as an operating expense.

Media

Media turnover represents income receivable from all UK and overseas media contracts, including contracts negotiated centrally by the FA Premier League and UEFA. In addition, media turnover includes income received by the exploitation of Manchester United media rights through the internet or wireless applications.

Commercial

Commercial turnover comprises income receivable from the exploitation of the Manchester United brand through sponsorship and other commercial agreements, including minimum guarantees from Nike, together with amounts receivable for the use of the conference and catering facilities at the Old Trafford stadium on non-match days. Any additional income receivable from Nike in accordance with the profit sharing arrangements contained in the sponsorship and licensing contract which commenced on 1 August 2002, in excess of cumulative minimum guaranteed amounts, is taken to profit when it is probable that it will not be recouped in the future.

Deferred income

Income from match day activities, media and commercial contracts, which has been received prior to the period end in respect of future football seasons, is treated as deferred income.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on tangible fixed assets at annual rates appropriate to the estimated useful economic lives of the assets, as follows:

	Reducing balance	Straight line
Freehold land	nil	nil
Freehold buildings	1-33%	75 years
Assets in the course of construction	nil	nil
Computer equipment and software	33%	3 years
Plant and machinery	20% - 25%	4-5 years
General fixtures and fittings	15%	7 years

Tangible fixed assets acquired prior to and including 31 July 1999 are depreciated on a reducing balance basis at the rates stated above. Tangible fixed assets acquired on or after 1 August 1999 are depreciated on a straight line basis at the rates stated above.

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Stocks

Stocks comprising raw materials, consumables and goods held for resale are valued at the lower of cost and net realisable value.

Intangible fixed assets

The costs associated with the acquisition of players' registrations are capitalised at cost as intangible fixed assets. These costs are fully amortised over the period covered by the player's initial contract.

Where a playing contract is extended, any costs associated with securing the extension are added to the unamortised balance at the date of the amendment and that book value is amortised over the remaining revised contract life.

Where a part of the consideration payable on acquiring a player's registration is contingent on a future event, this amount is recognised once it is probable, rather than possible, that the event will occur and is amortised commencing from the start of the year in which the contingent payment becomes probable. The total amount which is currently considered possible but not probable is disclosed in note 28b.

Where a player's registration is secured on a temporary basis, all associated costs are expensed through the profit and loss account during the period in which they are incurred.

Signing-on fees

Staff costs include signing-on fees payable to players representing part of their remuneration which are charged to the profit and loss account evenly over the period covered by the player's contract.

Grants

Grants receivable from the Football Trust and the former Football Grounds Improvement Trust in respect of capital expenditure are treated as deferred income and released to the profit and loss account so as to match the depreciation charged on the fixed assets purchased with the grant. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profit at the current tax rate.

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 that result in an obligation to pay more tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities held at the year end are translated at year-end exchange rates, or the exchange rate of a related forward exchange contract where appropriate. The resulting exchange gain or loss is dealt with through the profit and loss account.

Provisions

Provision is made for the anticipated net costs of onerous leases on non-trading properties. The provision will be represented by the payment of costs, shortfalls on sub-tenanted property and expenses of early termination.

Investments

Investments in subsidiary undertakings in the Company balance sheet are included at cost less any provision for impairment in value.

Financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. Derivative instruments utilised by the Group include forward currency contracts and interest rate swaps. Such contracts are accounted for as hedges, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

Contributions to money purchase pension schemes are charged to the profit and loss account as they fall due.

Bank loans, payment in kind loan and redeemable discount preferred securities

Bank loans, the payment in kind loan and the redeemable preferred securities are stated at the amount repayable at the balance sheet date, net of directly attributable issue costs which are amortised over the estimated useful life of the relevant loans. The amount repayable on the payment in kind loan and redeemable discount preferred securities represents the accreted amount at the balance sheet date, being the initial loan or issue proceeds plus accrued discount.

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Group turnover

Turnover all of which arises from the Group's principal activity can be analysed into its main components as follows

	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Match day	92,562	72,098
Media	61,484	46,112
Commercial	56,035	54,961
	<u>210,081</u>	<u>173,171</u>

Turnover all of which originates in the United Kingdom can be analysed by destination as follows

	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
United Kingdom	208,285	170,580
Rest of world	1,796	2,591
	<u>210,081</u>	<u>173,171</u>

Media income from European cup competitions is distributed by the Football Association and is therefore classified as being of United Kingdom origin and destination

The Group's activities are managed as one business and as such the operating expenses above are not separately identifiable to any particular segment. As a result, no segmental analysis of operating performance or net assets is provided.

3 Operating expenses - other

	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Operations excluding player amortisation and trading	92,310	96,096
Staff costs (note 6)	9,086	7,387
Depreciation - owned assets	34,933	39,178
Amortisation of goodwill	-	-
Operating lease costs - land and buildings	40,143	37,230
Other operating charges	79	116
Auditors' remuneration - audit services	666	742
Auditors' remuneration - non-audit services	(95)	(129)
Grants released (note 20)	152	(560)
(Loss)/profit on disposal of tangible fixed assets	177,274	180,060
	<u>24,252</u>	<u>26,847</u>
Player amortisation		
Amortisation of players' registrations	201,526	206,907
Auditors' remuneration for non-audit services comprised -	666	742
Taxation advice	-	197
Professional fees in relation to the issue of Redeemable discount preferred securities	666	939

	Company 12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Auditors' remuneration - audit services	5	5
Auditors' remuneration - non-audit services	-	197
	<u>5</u>	<u>202</u>

4 Operating expenses - exceptional items

	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Termination of employee contracts	1,436	3,043
Football League pension scheme deficit	1,436	400
	<u>1,436</u>	<u>3,443</u>

5 Net interest payable

	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Interest payable on bank loans and overdrafts	(42,463)	(28,878)
Interest payable on redeemable discount preferred securities	(37,941)	(57,907)
Amortisation of debt issue costs	(1,224)	(27,831)
Share of joint venture interest payable	(268)	(209)
Interest receivable	715	1,838
	<u>(81,181)</u>	<u>(112,987)</u>

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Staff costs

The average monthly number of employees during the period, including directors was as follows

By activity	Group		Company	
	12 months ended 30 June 2007 Number	14 months ended 30 June 2006 Number	12 months ended 30 June 2007 Number	14 months ended 30 June 2006 Number
Players	63	68	-	-
Ground staff	94	86	-	-
Ticket office and membership	48	40	-	-
Catering	74	82	-	-
Administration and other	170	195	8	4
Average monthly number of employees	449	471	8	4

The Group also employs approximately 1 383 temporary staff on match days (2006 1 299)

Particulars of employee costs, including directors are as shown below

	Group		Company	
	12 months ended 30 June 2007 £ 000	14 months ended 30 June 2006 £ 000	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Wages and salaries	73,641	79 609	-	-
Bonuses	8,633	4 885	-	-
Social security costs	9,101	9 399	-	-
Other pension costs (note 29)	935	2 203	-	-
	92,310	96 096	-	-

No directors received any emoluments in respect of services for the Company during the year (2006 £nil)

7 Taxation

	12 months ended 30 June 2007 £ 000	14 months ended 30 June 2006 £ 000
Corporation tax at 30% on the loss for the period	-	(2 482)
Adjustment in respect of previous years	(526)	(576)
Total current tax	(526)	(3 058)
Deferred taxation origination and reversal of timing differences (note 19a)	(2,286)	598
Adjustment in respect of previous years	(1,607)	-
Total deferred tax	(3,893)	598
	(4,419)	(2 460)

Tax on loss on ordinary activities

The tax rate for the period is higher than that resulting from applying the standard rate of corporation tax in the UK of 30%
A reconciliation of current tax is shown below

	12 months ended 30 June 2007 £'000	14 months ended 30 June 2006 £'000
Loss on ordinary activities before tax	(62,575)	(137 743)
Loss on ordinary activities multiplied by the standard rate of 30%	(18,772)	(41,323)
Effects of	(526)	(576)
Adjustment to tax in respect of previous years	480	1 267
Expenses not deductible for tax purposes	10,480	11,754
Goodwill amortisation	2,287	(598)
Capital allowances and other timing differences	5,525	26,418
Deferred tax asset not recognised	(526)	(3 058)

The effect of the changes to be enacted in the Finance Act 2007 are to reduce the deferred tax liability provided at 30 June 2007 by £155 684
This decrease in deferred tax liability results in an increase in profit for the year by £155,684 and is due to the reduction in the corporation rate from 30 per cent to 28 per cent with effect from 1 April 2008

8 Profit for the period

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The Company's profit for the period was £nil (2006 - £nil)

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Intangible assets - goodwill

Group	Total £'000
Cost	
At 1 July 2006	522,383
Additions (note 13)	3,217
At 30 June 2007	<u>525,600</u>
Accumulated amortisation	
At 1 July 2006	39,178
Charge for the period	34,933
At 30 June 2007	<u>74,111</u>
Net book amount	
At 30 June 2007	<u>451,489</u>
At 30 June 2006	<u>483,205</u>

10 Intangible assets - player registrations

Group	Total £'000
Cost	
At 1 July 2006	151,566
Additions	78,998
Disposals	(22,668)
At 30 June 2007	<u>207,896</u>
Accumulated amortisation	
At 1 July 2006	77,701
Charge for the year	24,252
Disposals	(17,148)
At 30 June 2007	<u>84,805</u>
Net book amount	
At 30 June 2007	<u>123,091</u>
At 30 June 2006	<u>73,865</u>

The Company had no intangible fixed assets relating to player registrations (2006 nil)

11 Tangible assets

Group	Freehold property £'000	Assets under construction £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 July 2006	214,112	40,876	19,695	11,173	285,856
Additions	6,844	-	2,293	611	9,748
Disposals	(990)	-	(33)	-	(1,023)
Transfers	31,242	(40,876)	5,919	3,715	-
At 30 June 2007	<u>251,208</u>	<u>-</u>	<u>27,874</u>	<u>15,499</u>	<u>294,581</u>
Accumulated depreciation					
At 1 July 2006	11,311	-	13,717	8,579	33,607
Charge for the year	3,190	-	4,387	1,509	9,086
Disposals	(54)	-	(16)	-	(70)
At 30 June 2007	<u>14,447</u>	<u>-</u>	<u>18,088</u>	<u>10,088</u>	<u>42,623</u>
Net book amount					
At 30 June 2007	<u>236,761</u>	<u>-</u>	<u>9,786</u>	<u>5,411</u>	<u>251,958</u>
At 30 June 2006	<u>202,801</u>	<u>40,876</u>	<u>5,978</u>	<u>2,594</u>	<u>252,249</u>

The Company had no tangible fixed assets (2006 nil)

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Investments

Group	Associated Undertakings £'000	Joint Venture £'000	Total £'000
Cost			
At 1 July 2008	262	-	262
Share of profit / (loss) retained	19	(560) ⁽¹⁾	(541)
Transfer to provision for liabilities and charges (note 19c)	-	560	560
At 30 June 2007	<u>281</u>	<u>-</u>	<u>281</u>
Net book amount			
At 30 June 2007	<u>281</u>	<u>-</u>	<u>281</u>
At 30 June 2006	<u>262</u>	<u>-</u>	<u>262</u>
Company		Subsidiary Undertakings £'000	Total £'000
Cost and net book amount			
At 1 July 2006 and 30 June 2007		<u>269,336</u>	<u>269,336</u>

(1) In accordance with FRS 9 'Joint Ventures and Associates', the Group's share of losses from its investment in the joint venture of £560,000 has been calculated by reference to the proportion of ordinary shares it owns. The Group's cash investment is limited to £1 million and is provided by way of a loan to the joint venture company made by 31 July 2000 which has now been fully provided for.

The following companies are the principal subsidiary undertakings, joint venture and associated undertaking of the Group at 30 June 2007 -

	Country of incorporation and operation	Principal activity	Description of share classes owned
Subsidiaries			
Red Football Joint Venture Limited	England and Wales	Holding company	100% Ordinary
Red Football Limited	England and Wales	Holding company	100% Ordinary
Red Football Junior Limited	England and Wales	Holding company	100% Ordinary
Manchester United Limited	England and Wales	Holding company	100% Ordinary
Manchester United Football Club Limited	England and Wales	Professional football club	100% Ordinary
Manchester United Interactive Limited	England and Wales	Media company	100% Ordinary
Manchester United Commercial Enterprises (Ireland) Ltd	Ireland	Property investment	100% Ordinary
Alderley Urban Investments Limited	England and Wales	Property investment	100% Ordinary
Joint venture			
MUTV Limited	England and Wales	Subscription TV channel	33.3% Ordinary
Associate			
Timecreate Limited	England and Wales	Hotel	31.4% Ordinary

* Direct investment of Red Football Shareholder Limited, others are held by subsidiary undertakings

The directors believe that the net book value of investments are supported by their underlying net assets

13 Acquisition of subsidiary undertaking

On 5 January 2007, Manchester United Limited increased its stake in its subsidiary undertaking, Manchester United Interactive Limited, to 100% by acquiring the remaining 5% of the ordinary share capital which it did not already own. Details of the acquisition balance sheet are as follows:

	Book value and fair value at acquisition £'000
Tangible fixed assets	427
Current assets	1,961
Creditors - amounts falling due within one year	(2,210)
Deferred income	(187)
Total net liabilities at fair value	<u>(9)</u>
5% net liabilities acquired at fair value	<u>-</u>
Fair value of consideration	<u>3,217</u>
Total consideration - cash paid during the period including directly attributable professional fees	<u>3,217</u>
Goodwill arising	<u>-</u>

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Stock

	Group	
	30 June 2007 £'000	30 June 2006 £'000
Raw materials and consumables	34	32
Goods held for resale	145	142
	<u>179</u>	<u>174</u>

The Company had no stock (2006 £nil)

15 Debtors

	Group		Company	
	30 June 2007 £'000	30 June 2006 £'000	30 June 2007 £'000	30 June 2006 £'000
Amounts falling due within one year				
Trade debtors	13,344	19,902	-	-
Amounts due from subsidiary undertakings			3,839	3,239
Other debtors	868	643	-	-
Prepayments and accrued income	9,205	8,481	-	-
	<u>23,417</u>	<u>29,026</u>	<u>3,839</u>	<u>3,239</u>
Amounts falling due after more than one year				
Trade debtors	2,100	835	-	-
Other debtors	150	300	-	-
	<u>2,250</u>	<u>1,135</u>	<u>-</u>	<u>-</u>
	<u>25,667</u>	<u>30,161</u>	<u>3,839</u>	<u>3,239</u>

Group trade debtors include transfer fees receivable from other football clubs of £11 515,000 (2006 - £15 281 000) excluding value added tax of which £2 100 000 (2006 - £835 000) is receivable after more than one year

The amount due from subsidiary undertakings is repayable on demand and does not bear interest

16 Creditors - amounts falling due within one year

	Group		Company	
	30 June 2007 £ 000	30 June 2006 £'000	30 June 2007 £ 000	30 June 2006 £'000
Bank loans (note 18)	3,845	9,190	-	-
Trade creditors	41,811	9,435	-	-
Corporation tax	1,939	136	-	-
Amounts due to parent undertaking	-	-	600	-
Social security and other taxes	8,551	5,558	-	-
Other creditors - pensions	182	310	-	-
Accruals	25,681	16,693	-	-
	<u>82,009</u>	<u>41,322</u>	<u>600</u>	<u>-</u>

Group trade creditors include transfer fees and other associated costs in relation to the acquisition of player registrations of £37 133 000 (2006 - £2 473 000)

17 Creditors - amounts falling due after more than one year

	Group	
	30 June 2007 £'000	30 June 2006 £ 000
Bank loans (note 18)	510,700	261,810
Payment in kind loan (note 18)	152,186	-
Redeemable discount preferred securities (note 18)	-	332,895
Trade creditors	19,047	4,946
Other creditors - pensions	618	731
	<u>682,551</u>	<u>600,382</u>

Group trade creditors include transfer fees and other associated costs in relation to the acquisition of players registrations of £19 047 000 (2006 - £4,946 000)

The Company had no creditors falling due after more than one year (2006 £nil)

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Borrowings

	Group	
	30 June 2007 £'000	30 June 2006 £'000
Bank loans	514,545	271,000
Payment in kind loan	152,186	-
Redeemable discount preferred securities	-	332,895
	666,731	603,895
Maturity of financial liabilities		
Debt issue costs	(10,574)	-
Within one year	4,950	9,190
Between one and two years	7,950	5,775
Between two and five years	40,950	31,295
In more than five years	623,455	557,635
	666,731	603,895
	2007	2006
	£ 000	£ 000
Analysis of changes in borrowings		
At 1 July	603,895	-
New borrowings	682,728	622,795
Repayment of borrowings	(619,892)	(18,900)
	666,731	603,895
At 30 June		

Bank loans of £514,545,000 represent senior facilities available to Red Football Limited a subsidiary Company by way of four term loans plus a revolving credit facility that attract interest based on LIBOR plus a margin which ranges between 2.125% and 5.00%. Two subsidiary undertakings of Red Football Limited, Manchester United Limited and Manchester United Football Club Limited, were also parties to the Senior Facilities Agreement dated 16 August 2006 as borrowers under the Revolving Credit Facility and guarantors for the facilities borrowed by the Red Football Limited.

Manchester United Limited and Manchester United Football Club Limited have provided security for £425 million of the senior facilities by way of first fixed and floating charges over their assets and undertakings.

The senior facilities have terms between 7 and 10 years from the date of the agreement and the term loans have an average life of 8.1 years.

The Payment in kind loan represents a principal facility of £138 million entered into by the Company on 16 August 2006 and has a term of 11 years from that date. Interest accrues at a fixed rate of 14.25% per annum and may be added to the principal. At 30 June 2007 interest accrued amounted to £14,186,000. The Payment in kind loan is secured against the shares of Red Football Limited.

There are no borrowings in the Company (2006: £nil).

19 Provision for liabilities and charges

a Deferred taxation

The provision for deferred taxation comprises

	Group	
	30 June 2007 £ 000	30 June 2006 £ 000
Accelerated capital allowances	2,798	6,772
Short term timing differences	(618)	(699)
	2,180	6,073

The movements in deferred tax balances during the period were as follows

	Group £ 000
At 1 July 2006	6,073
Amount charged to profit and loss account (note 7)	(3,893)
	2,180
At 30 June 2007	

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

The Group has an unrecognised deferred tax asset of £27.7 million (2006: £26.4 million) arising from trading losses which has not been recognised as it is not considered likely that the asset could be realised in the foreseeable future.

There is no deferred tax balance in the Company (2006: £nil).

b Other provisions

The other provisions relate to an onerous lease and the movement during the year was as follows

	Group	
	2007 £ 000	2006 £ 000
At 1 July 2006	1,795	2,094
Utilised in the year	(384)	(299)
At 30 June	1,411	1,795

The provision relates to a lease that may be terminated in 2015.

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

c Investment in joint venture

The movements in the share of gross assets less the share of gross liabilities in the joint venture were as follows

	Group £'000
At 1 July 2006	4 411
Share of reserves invested by joint venture partners	(349)
Loss for the financial year transferred from fixed asset investments (note 12)	560
At 30 June 2007	<u>4,622</u>

20 Deferred grant income

The movement in deferred grant income during the period was as follows

	Group	
	2007 £'000	2006 £'000
At 1 July (1 May)	623	752
Grants released to the profit and loss account	(95)	(129)
At 30 June	<u>528</u>	<u>623</u>

21 Other deferred income

Other deferred income comprises the following amounts received in respect of future football seasons

	Group	
	30 June 2007 £'000	30 June 2006 £'000
Match day activities	50,027	46 057
Commercial contracts	11,764	7 773
	<u>61,791</u>	<u>53 830</u>

There are no deferred income balances in the Company (2006 nil)

22 Share capital

Group and Company

	30 June 2007 £	30 June 2006 £
Authorised 1,000 000 ordinary shares of £0 0001 each	<u>100</u>	<u>100</u>
Allotted called up and fully paid 990 002 ordinary shares of £0 0001 each	<u>99</u>	<u>99</u>

23 Reserves

Group

	Share premium account £'000	Other reserve £'000	Profit and loss account £'000
At 1 July 2006	272 575	217	(135 283)
Loss for the financial year	-	-	(58 156)
Share of reserves invested by joint venture partners	-	349	-
At 30 June 2007	<u>272,575</u>	<u>566</u>	<u>(193,439)</u>

Company

	Share premium account £'000	Profit and loss account £'000
At 1 July 2006	272 575	-
Profit/(loss) for the financial year	-	-
At 30 June 2007	<u>272,575</u>	<u>-</u>

Under the terms of certain lotteries past donations of £946 704 (2006 £762 295) received by one of the Company's subsidiaries and included within the profit and loss account balance are not available for distribution (and bank balances are restricted accordingly) until such monies have been expended within the terms of those lotteries on capital programmes relating to the provision of facilities for youth development or spectators at the Old Trafford football stadium. All past donations having been so applied are distributable. It is intended that the balance will be applied to such programmes and will thereby become distributable.

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	30 June 2007 £'000	30 June 2006 £'000	30 June 2007 £'000	30 June 2006 £'000
Loss for the financial year	(58,156)	(135,283)	-	-
Proceeds of issue of ordinary shares for cash	-	272,575	-	272,575
Share of reserves invested by joint venture partners	349	217	-	-
Net (reduction)/addition to equity shareholders' funds	(57,807)	137,509	-	272,575
Opening shareholders funds	137,509	-	272,575	-
Closing shareholders funds	79,702	137,509	272,575	272,575

25 Reconciliation of net cash inflow/(outflow) to movement in net debt

	Group	
	30 June 2007 £'000	30 June 2006 £'000
Increase/(decrease) in cash in the period	56,100	(26,587)
On acquisition of subsidiary undertaking	-	32,616
Cash inflow from increase in borrowings	(62,836)	(603,895)
Movement in net debt	(6,736)	(597,866)
Opening net debt	(597,866)	-
Closing net debt	(604,602)	(597,866)

26 Analysis of changes in net debt

Group	At 30 June 2006 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2007 £'000
Cash at bank and in hand	6,029	56,100	-	62,129
Debt due within one year	(9,190)	9,190	(3,845)	(3,845)
Debt due after more than one year	(594,705)	(45,500)	(22,681)	(662,886)
	(597,866)	19,790	(26,526)	(604,602)

27 Lease commitments

At 30 June 2007 the Group had annual commitments under non-cancellable operating leases expiring as follows

	30 June 2007 Land and buildings £'000	30 June 2006 Land and buildings £'000
Leases expiring	356	340
After five years	-	-

28 Commitments and contingent liabilities

a Capital commitments

At 30 June 2007 capital commitments were

	Group		Company	
	30 June 2007 £'000	30 June 2006 £'000	30 June 2007 £'000	30 June 2006 £'000
Contracted but not provided for	-	4,486	-	-

b Transfer fees payable

Under the terms of certain contracts with other football clubs in respect of player transfers additional amounts would be payable by the Group if certain conditions are met. The maximum that could be payable is £20,897,000 (2006: £11,104,000).

At 30 June 2007 the potential amount payable by type of condition and category of player was

Type of condition	First team squad £'000	Other £'000	Total £'000
MUFC appearances / new contract	9,200	8,377	17,577
International appearances	1,000	2,120	3,120
	10,200	10,497	20,697

RED FOOTBALL SHAREHOLDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 Pensions

a Defined benefit scheme

Certain employees of the Group are members of The Football League Limited Pension and Life Assurance Scheme ("the Scheme"). Accrual of benefits under a final salary basis was suspended with effect from 31 August 1999 following an actuarial review which revealed a substantial deficit

As one of a number of participating employers, the Group is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme. The Group is advised only of its share of the deficit in the Scheme and the contributions required to make good the deficit. A cumulative amount of £2,424,000 has been charged to the profit and loss account in full in prior periods as it is principally attributable to employees who have left the Group or retired.

The current deficit, based on the last actuarial valuation at 31 August 2005, is being paid off over a period of ten years from April 2006. The creditor at 30 June 2007 amounts to £182,000 (2006: £310,000) due within one year and £618,000 (2006: £731,000) due after more than one year. The next actuarial valuation is due to be carried out as at 31 August 2008.

b Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the profit and loss account in the period in which they become payable and amounted to £935,000 (2006: £2,203,000).

The assets of all pension schemes to which the Group contributes are held separately from the Group in independently administered funds.

30 Related party transactions

E M Watkins was a director of a subsidiary undertaking, Manchester United Football Club Limited, throughout the period. Legal fees of £279,255 were paid in the period (2006: £592,753) in the ordinary course of business to Brabners Chaffe Street (James Chapman & Co) prior to its merger with Brabners Chaffe Street on 1 May 2006, a firm in which E M Watkins is the senior partner.

There were no other material transactions or balances with related parties as defined by FRS8 'Related party transactions'.

31 Post balance sheet events

The playing registrations of certain footballers have been disposed of, subsequent to the balance sheet date, for a total consideration net of associated costs, of £23,600,000. The associated net book value was £5,177,000.

Subsequent to the balance sheet date, the playing registration of certain players was acquired for a total consideration, including associated costs, of £9,910,000.

On 16 November 2007, Manchester United Limited, a subsidiary undertaking, increased its stake in its joint venture undertaking, MUTV Limited, to 67% by acquiring a further 33% of the ordinary share capital and £5 million of loan stock, for a total consideration of £3,360,000.

32 Ultimate parent undertaking and controlling party

The Company's ultimate parent undertaking is Red Football Limited Partnership, a limited partnership formed in the State of Nevada, United States of America, whose general partner is Red Football General Partner Inc, a corporation formed in the State of Nevada, United States of America.

RED FOOTBALL SHAREHOLDER LIMITED

AUDITORS' REPORT

Independent auditors' report to the members of Red Football Shareholder Limited

We have audited the group and parent financial statements (the "financial statements") of Red Football Shareholder Limited for the year ended 30 June 2007 which comprise the Consolidated Profit and Loss Account the Consolidated Statement of Total Recognised Gains and Losses the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

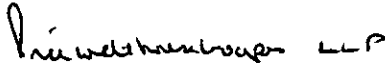
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

8 February 2008