

**LONDON IRISH HOLDINGS LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS**

Financial Statements

For the year ended 30 June 2008

Company Registration Number: 3342451

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Financial statements for the year ended 30 June 2008

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LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Directors, officers and advisors

Directors

A M Coppel CBE (Chairman)
K T Clancy (Vice-Chairman)
A Carragher
J Conlan
S Holland
M O'Connell
D Ryan
S Palmer
J E Stacpoole
N Traynor

Secretary and registered office

P Gumm
The Avenue
Sunbury-on-Thames
Middlesex
TW16 5EQ

Registered number

3342451

Principal place of business

The Avenue
Sunbury-on-Thames
Middlesex
TW16 5EQ

Auditors

Day, Smith & Hunter
Batchworth House
Batchworth Place
Church Street
Rickmansworth
Hertfordshire
WD3 1JE

Bankers

Allied Irish Bank (GB)
Mayfair Branch
10 Berkeley Square
London
W1J 6AA

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Chairman's Review for the year ended 30 June 2008

London Irish has remained at the highest level of rugby since the inception of professional rugby, and this is a testament to the commitment shown by all those who have contributed to the creation at the Club of a solid foundation for its ongoing success, including, in particular, our valued supporters.

The Board remains committed to further investment in the squad and facilities to ensure that London Irish maintains its position as a serious competitor to the best sides in the Premiership and in Europe.

In order to sustain this investment, the Club's revenue streams must grow profitably to ensure that the fruits of success off the field can be re-invested to provide the resources necessary to deliver continued success on the field in an ever increasingly competitive league.

RUGBY REVIEW

The 2007/08 season provided a real insight into the true potential of the current squad and coaching teams. We continued to play some of the most attacking style of rugby in the Premiership that is so attractive to our supporters and this received media recognition in the second half of the season when the full squad was available.

The squad continued to develop their individual skills and collectively gained significant experience during the season, especially in Europe. As a result, four of the current squad were selected for England's summer tour of New Zealand, two of whom received their first caps, and a further two were selected for the Saxons squad for the Churchill Cup.

Three London Irish players will join the England Elite Playing Squad for the autumn internationals and Six Nations, and a further four have been selected to be part of the Saxons Squad.

In addition, I am pleased to report that our captain, Bob Casey, who has signed a new four-year contract with London Irish, was selected for Ireland against the Barbarians and captained the Ireland 'A' team in the Churchill Cup. He has since been selected in the Ireland squad for the forthcoming autumn internationals.

We congratulate all these players and wish them every success.

During the season, we began to establish the Madejski stadium as a fortress with a home record of nine wins, two losses, and a very strong second half of the season. In addition, we won all of our Heineken Cup matches at home and qualified for the group stages as one of the top seeds. A win against Perpignan resulted in a nail biting semi final tie against Toulouse at Twickenham when we suffered a narrow defeat, though performed with great pride. This experience will be crucial for the future.

After two seasons of playing Heineken Cup Rugby, the team narrowly missed out on qualification for next season. This is a big disappointment to all of those at the Club and the supporters, but we remain committed to confirming our status as favourites for the Challenge Cup and qualifying for the Heineken Cup for the 09/10 season.

We are delighted that Toby Booth has agreed to become our new head coach. Along with Mike Catt as backs coach, he will continue to build on the strong foundations created by Brian Smith. We thank Brian for all his hard work at London Irish and wish him every success in his new role with England.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Chairman's Review for the year ended 30 June 2008 (continued)

TRADING REVIEW

Overall, Premier Rugby attendances were down 10% in the first half of the season due to the impact of the Rugby World Cup, and London Irish was not immune to these pressures.

The Club's main sponsor, Llanara, encountered severe financial difficulties, and in October it was placed into receivership. A number of new sponsors were established during the season, including Cityjet who became the main sponsor for our European matches. We would like to thank all of our sponsors for their continued and valuable support of London Irish.

With the additional investment in rugby of £0.5 million, the result for the year was a pre tax loss of £1.8 million (2007: loss of £0.69 million). This equates to a loss per share for the year of 4.3p (2007: 1.62p loss per share). It should be noted that the pre-tax loss reflected fundraising costs of £200,000 and £150,000 for management reorganisation. No dividend for the year is proposed. The directors do not consider that further KPI indicators will aid users in the understanding of the accounts.

In April 2008, the Company raised £5.85 million of new loan notes from new and existing investors during the year, the proceeds from which were used to repay existing £1.5m of bank debt and £0.7m of loan notes, and to provide the capital to enable the Company to continue with its strategy of providing a centre of excellence, including expanded new training facilities. We have embarked on the process of identifying a new site, ideally in the borough of Spelthorne, but we are determined to ensure that we acquire the appropriate property for value in the current market. In tandem, we are seeking to obtain planning permission for a mixed housing development on all of our existing Sunbury freehold land and a further 1.434 hectares of adjacent land on which we have an exclusive development partnership agreement.

Our intention is to sell the land with the benefit of planning. The net proceeds from the sale, after providing a return to holders of the loan stock, will be used to fund the development of the new facility on an alternative site and to provide working capital for the Club. This is a very important project to secure the future of London Irish Rugby Club.

OUTLOOK

Rugby

Our main ambition is to qualify for the Heineken Cup for the 2009/10 season. This would require either a top four finish in the Premiership or a win in the European Challenge Cup, although a top six finish in the Premiership is likely to be sufficient.

We have a great squad composed of youth and experience, with skills in abundance, including our Academy players. We shall continue to seek to add to our playing resources in a small number of positions, particularly as we shall lose several players to international duty during the season.

With the talented coaching of Toby Booth and Mike Catt, combined with the inspirational captaincy of Bob Casey, I am confident that a successful season lies ahead.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Chairman's Review for the year ended 30 June 2008 continued

Financial

Notwithstanding the increased loss last season, the Board remains confident that the Club can continue to grow commercial incomes significantly over the coming years. We can and must grow the supporter numbers at the Madejski Stadium and the commercial team will be working on a number of initiatives to achieve this objective, particularly through a more effective database. Awareness levels of London Irish remain low in the Thames Valley in general, and Reading, in particular. This remains a real opportunity, which we must capture. London Irish still holds the record for the highest gate for a regular season Premiership match, and the challenge is to achieve a higher gate on a more consistent basis.

The new long term agreement between the RFU, Premier Rugby (PRL) and the Clubs will generate new revenues from which all Clubs will benefit. The ability of the PRL to negotiate media rights contract, together with the significant growth in awareness of Premiership Rugby, means that the Clubs can confidently expect to achieve a substantial revenue uplift from exploitation of these rights, including all other commercial and intellectual property rights, from 2010 onwards. These additional commercial revenues will serve to further establish professional rugby as a long term viable business proposition.

Finally, on the sponsorship front, we are delighted that Cityjet has agreed to become our main sponsor for the forthcoming season. Having established a positive relationship with them in 2007/08, this new agreement is a logical development for both parties for our mutual benefit.

People

During the year, our senior management team was reorganised. Ian Taylor and Peter Adams resigned in April and we wish them well. Paul Gumm joined as Finance Director in April, and we are currently recruiting a new Chief Executive.

On behalf of the Board, I would like to thank all our staff across the Company for their unstinting efforts last year.

I was delighted to accept the role of Chairman in April in succession to John Conlan who, with his Board colleagues, has contributed enormously to the transformation of the Club in recent years. Together with the rest of the Board, I am looking forward to the challenges which lie ahead for London Irish. We are determined to achieve success on a number of fronts so that we can reward all stakeholders in the Club, including our loyal supporters.

.....
Andrew M Coppel CBE
CHAIRMAN

8 September 2008

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Directors' Report for the year ended 30 June 2008

The directors submit their report and the consolidated financial statements for the year ended 30 June 2008 for the company and its subsidiary undertakings.

Principal activity

The principal activity of the Group is that of a professional rugby club.

Review of the business

The consolidated profit and loss account and balance sheet for the year ended 30 June 2008 are set out on pages 10 and 11 respectively. The Group loss for the year before and after taxation amounted to £1,828,375 (2007: £691,633). The directors do not recommend the payment of a dividend (2007: £nil). The shares of the Group's holding company, London Irish Holdings Limited, are traded on ShareMark.

Directors

The directors who held office during the year were as follows:

A Coppel (appointed 24 April 2008)
K T Clancy
A Carragher (appointed 9 May 2008)
J Conlan
S Holland
M O'Connell
D Ryan
S Palmer
J E Stacpoole
N Traynor
I Taylor (resigned 3 April 2008)

The directors who held office at the end of the financial year had the following interests in the 10p ordinary shares of the company according to the register of directors' interests:

	Ordinary shares of 10p each <u>30 June 2008</u>	Ordinary shares of 10p each <u>30 June 2007</u>
A Coppel (appointed 24 April 2008)	-	-
K T Clancy	-	-
A Carragher (appointed 9 May 2008)	58,824	-
J Conlan	447,058	447,058
S Holland	115,000	-
M O'Connell	1,000,000	1,000,000
D Ryan	-	-
S Palmer	-	-
J E Stacpoole	-	-
N Traynor	12,000	12,000

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Directors' Report for the year ended 30 June 2008 (continued)

In addition to the above, the directors had the following indirect interests in the shares of the company:

- i. M. J. Clancy & Sons Limited, a related company of K. T. Clancy, owns 600,000 ordinary shares. Its 1987 Retirement Benefit Scheme owns a further 2,540,000 shares. The Clancy Group Plc also has convertible loan notes of £615,000.
- ii. In addition to J. Conlan's personal holding of 447,058 shares, other family interests own 12,000 shares. Littleship Investments, a company related to J. Conlan, has £250,000 of convertible loan stock.
- iii. In addition to M. O'Connell's personal holding of 1,000,000 ordinary shares, other family interests own a further 40,000 ordinary shares and 1,000,000 ordinary shares are owned by the M & A Retirement Fund of which M. O'Connell is a trustee. The M & A retirement fund also has £500,000 of convertible loan stock. After the year end M. O'Connell transferred his personal holdings of 1,000,000 to Rowanmoor Trustees Ltd who are the Scheme Administrator and Trustees of The M & A retirement fund.
- iv. Labyrinth Investments Limited, to which J. Stacpoole is connected, owns and controls 3,088,235 ordinary shares. It also holds £750,000 of convertible loan stock.
- v. Oval Ventures Limited, a related company of D. Ryan, owns and controls 2,003,400 ordinary shares. Also, through DFR Nominees Limited, D. Ryan controls an additional 10,420,293 ordinary shares. DFR Nominees Limited also has £2,925,010 of convertible loan notes. A. Carragher is also connected to DFR Nominees Limited.
- vi. In addition to N. Traynor's personal holding of 12,000 ordinary shares, other family interests own 12,000 ordinary shares.

Political and charitable contributions

The group made no political or charitable contributions during the year.

Annual General Meeting

The Annual General Meeting of London Irish Holdings Limited will be held at The Guinness Bar, London Irish, The Avenue, Sunbury-on-Thames, Middlesex TW16 5EQ on a date and at a time to be advised. Notice of the meeting will be included in a separate circular to Shareholders.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Directors' Report for the year ended 30 June 2008 (continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

Disclosure of information to auditors

The directors confirm that, so far that they are aware, there is no relevant information that the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant information, and to establish that the company's auditors are aware of the information.

Signed on behalf of the board

P GUMM
Secretary

Approved by the Board on 8 September 2008

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS
Independent auditors' report to the members of London Irish Holdings Limited
and its subsidiary undertakings

We have audited the financial statements of London Irish Holdings Limited and its subsidiary undertakings for the year ended 30 June 2008 which are set out on pages 10 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors

The directors' responsibilities for preparing 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).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all of 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 opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS
Independent auditors' report to the members of London Irish Holdings Limited
and its subsidiary undertakings

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 company's affairs as at 30 June 2008 and of its loss 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.

Day, Smith & Hunter
Registered Auditors and
Chartered Accountants

8 September 2008

Batchworth House
Batchworth Place
Church Street
Rickmansworth
Hertfordshire WD3 1JE

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Consolidated profit and loss account for the year ended 30 June 2008

	<u>Notes</u>	<u>2008</u> £	<u>2007</u> £
Turnover		6,514,863	6,430,451
Cost of sales		(1,555,987)	(1,344,264)
		<hr/>	<hr/>
Gross profit		4,958,876	5,086,187
Administrative expenses		(6,581,740)	(5,762,000)
Other operating income	2	-	19,140
		<hr/>	<hr/>
Operating loss	3	(1,622,864)	(656,673)
Interest receivable and similar income	5	27,896	8,511
Interest payable and similar charges	6	(233,407)	(43,471)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,828,375)	(691,633)
Taxation	7	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation	17	<u>(1,828,375)</u>	<u>(691,633)</u>

Consolidated statement of total recognised gains and losses for the year ended 30 June 2008

	<u>2008</u> £	<u>2007</u> £
Loss for the financial year	(1,828,375)	(691,633)
Unrealised surplus on revaluation of freehold land	-	2,824,049
	<hr/>	<hr/>
Total recognised gains and losses for the year	<u>(1,828,375)</u>	<u>2,132,416</u>

None of the company's activities were acquired or discontinued during the above two years.

The notes on pages 14 to 25 form part of these financial statements.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Consolidated balance sheet as at 30 June 2008

	<u>Notes</u>	<u>2008</u> £	<u>2007</u> £
Fixed assets			
Tangible assets	9	4,350,957	4,169,050
Current assets			
Stocks	11	74,820	44,847
Debtors	12	529,380	994,975
Cash at bank and in hand		3,487,840	290,421
		<u>4,092,040</u>	<u>1,330,243</u>
Creditors: amounts falling due within one year	13	<u>(1,668,130)</u>	<u>(2,919,958)</u>
Net current assets/(liabilities)		<u>2,423,910</u>	<u>(1,589,715)</u>
Total assets less current liabilities		<u>6,774,867</u>	<u>2,579,335</u>
Creditors: amounts falling due after more than one year	14	<u>(6,023,907)</u>	<u>-</u>
Net assets		<u><u>750,960</u></u>	<u><u>2,579,335</u></u>
 Capital and reserves			
Called up share capital	16	4,275,059	4,275,059
Other reserves	17	43,888	43,888
Share premium account	17	729,250	729,250
Revaluation reserve	17	3,354,956	3,354,956
Profit and loss account	17	(7,652,193)	(5,823,818)
Shareholders' funds	22	<u><u>750,960</u></u>	<u><u>2,579,335</u></u>

Approved by the board of directors on 8 September 2008 and signed on its behalf

S PALMER - Director

The notes on pages 14 to 25 form part of these financial statements.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Parent Company Balance sheet as at 30 June 2008

	<u>Notes</u>	<u>2008</u> £	<u>2007</u> £
Fixed assets			
Tangible assets	9	1,458,774	1,230,366
Investments	10	250,950	250,950
		<u>1,709,724</u>	<u>1,481,316</u>
Current assets			
Debtors	12	10,647	283
Cash at bank and in hand		3,482,636	46,559
		<u>3,493,283</u>	<u>46,842</u>
Creditors: amounts falling due within one year	13	<u>(120,161)</u>	<u>(833,424)</u>
Net current assets/(liabilities)		<u>3,373,122</u>	<u>(786,582)</u>
Total assets less current liabilities		5,082,846	694,734
Creditors: amounts falling due after more than one year	14	<u>(6,023,907)</u>	-
Net (liabilities)/assets		<u><u>(941,061)</u></u>	<u><u>694,734</u></u>
Capital and reserves			
Called up share capital	16	4,275,059	4,275,059
Share premium account	17	729,250	729,250
Revaluation reserve	17	878,255	878,255
Profit and loss account	17	<u>(6,823,625)</u>	<u>(5,187,830)</u>
Shareholders' funds	22	<u><u>(941,061)</u></u>	<u><u>694,734</u></u>

Approved by the board of directors on 8 September 2008 and signed on its behalf.

S PALMER - Director

The notes on pages 14 to 25 form part of these financial statements.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Consolidated cash flow statement

	<u>Notes</u>	<u>2008</u> £	<u>2007</u> £
Cashflow from operating activities	19	(1,629,592)	(122,485)
Return on investments and servicing of finance			
Interest received		27,896	8,511
Interest paid		<u>(59,510)</u>	<u>(43,471)</u>
Net cash outflow from returns on investment and servicing of finance		(31,614)	(34,960)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		<u>(293,295)</u>	<u>(126,811)</u>
Cash outflow before management of liquid resources and financing		(1,954,501)	(284,256)
Financing			
Repayment of old loan stock		(700,000)	-
Proceeds from issue of loan stock		<u>5,850,010</u>	<u>-</u>
Net decrease in cash	20/21	<u><u>3,195,509</u></u>	<u><u>(284,256)</u></u>

The notes on pages 14 to 25 form part of these financial statements.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Notes to the financial statements for the year ended 30 June 2008

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

a) Basis of accounting

The financial statements are prepared under the historical cost basis of accounting, modified by the revaluation of freehold land, and have been prepared in accordance with applicable accounting standards.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 30 June 2008. The profits and losses of the subsidiary and associated undertakings are consolidated from the date of acquisition to the date of disposal. All inter company transactions and balances are eliminated on consolidation.

c) Going Concern

The Group balance sheet at 30 June 2008 shows net assets of £750,960 (2007: £2,579,335). During the year ended 30 June 2008 the Group made a pre tax loss of £1,828,375.

The accounts have been prepared on a going concern basis as, the Group completed on 19 March 2008 a placing and offer that raised £5.85 million before expenses.

d) Holding company profit and loss account

The company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account.

e) Turnover

Turnover comprises income receivable (excluding value added tax and discounts where appropriate) from rugby and related commercial activities.

Revenue is recognised as follows:

Matchday income: Gate receipts and other matchday revenue is recognised within the period in which the respective match takes place.

Sale of goods: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

Sponsorship income: Sponsorship and similar commercial income is recognised on an accruals basis in accordance with the substance of the relevant agreement. Income received in advance is carried forward as deferred income.

Other income: Club membership and season tickets are recognised on an accruals basis. Income received in advance is carried forward as deferred income.

The turnover and loss before taxation are attributable to the one principal activity of the group.

The directors have chosen not to disclose any segmental information in accordance with Companies Act 1985 Sch 4 para 55(5), as such disclosure would be considered prejudicial to the interests of the Group.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Notes to the financial statements for the year ended 30 June 2008 (continued)

f) Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Plant and machinery	-	25% per annum
Equipment, fixtures and fittings	-	20% / 25% / 33.33% per annum
Development project	-	20% per annum
Playing surface at Madejski Stadium	-	14% per annum

Due to changing market conditions, the directors feel that it is appropriate for the Group to adopt the valuation basis for the land and buildings in accordance with Financial Reporting Standard 15. Therefore, with effect from 30 June 2007 the land and buildings are held on the balance sheet at open market value.

g) Fixed asset investment

Investments in subsidiary undertakings are shown at cost less provision for permanent diminutions in value.

h) Stocks

Stock is valued at the lower of cost and estimated net realisable value.

Stock of rugby clothing and merchandise is determined on the first in first out basis and after making due allowance for slow moving items. Net realisable value is the price at which the stock can be realised in the normal course of business, less further costs to completion of sale.

i) Deferred taxation

Deferred tax is provided in respect of the material tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 a non-discounted basis, at the average 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 substantively enacted by the balance sheet date.

j) Classification of financial instruments issued by the Group

Following the adoption of Financial Reporting Standard 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Notes to the financial statements for the year ended 30 June 2008 (continued)

- b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

k) Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

l) Grants

Grants received in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by annual instalments over the expected useful lives of the relevant assets.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

	<u>2008</u>	<u>2007</u>
	£	£
2. Other operating income		
Other	-	19,140
	<u>-</u>	<u>19,140</u>

	<u>2008</u>	<u>2007</u>
	£	£
3. Operating loss - Group		
Operating loss before taxation is stated after charging:		
Auditors' remuneration:		
Group – Audit	16,400	10,250
Non audit	4,600	7,250
Depreciation and other amounts written off tangible fixed assets	111,388	150,672
	<u>111,388</u>	<u>150,672</u>

4. Staff numbers and costs - Group

The average number of persons employed by the Group (including directors) during the year, analysed by category, were as follows:

	Number of Employees	
	2008	2007
Rugby Department	59	49
Sales	10	9
Administration	11	20
	<u>80</u>	<u>79</u>

The aggregate payroll costs of these persons were as follows:-

	2008	2007
Wages and salaries	3,747,412	3,383,839
Social security costs	456,440	352,357
Other pension costs	26,680	19,135
	<u>4,230,532</u>	<u>3,755,331</u>

The aggregate directors' emoluments amounted to:-

	2008	2007
Emoluments	161,640	181,454
Company contributions to money purchase pension schemes	9,250	11,811
Compensation for loss of office	77,500	-
	<u>248,390</u>	<u>193,265</u>

	2008	2007
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>1</u>	<u>1</u>

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

	<u>2008</u> £	<u>2007</u> £
5. Other interest receivable and similar income - Group		
Bank interest	27,896	8,511
	<u>27,896</u>	<u>8,511</u>
	<u>2008</u> £	<u>2007</u> £
6. Interest payable and similar charges - Group		
Loan note interest	208,827	42,630
Bank loans and overdraft interest	24,493	841
Other interest	87	-
	<u>233,407</u>	<u>43,471</u>
	<u>2008</u> £	<u>2007</u> £
7. Taxation - Group		
Analysis of charge in period		
UK corporation tax		
Current tax on income for the period	-	-
	<u>-</u>	<u>-</u>
Factors affecting the current tax charge for the period		
Current tax reconciliation		
Loss on ordinary activities before tax	(1,828,375)	(691,633)
Current tax at 28% (2007: 30%)	(511,945)	(207,490)
Effects of:		
Expenses not deductible for tax purposes	62,214	10,202
Depreciation for period in excess of capital allowances	(19,590)	45,202
Unrelieved tax losses arising in the period	488,116	162,334
Other short-term timing differences	(18,795)	(10,248)
Total current tax charge (see above)	<u>-</u>	<u>-</u>

At the year end the group had accumulated tax losses of £5,302,272 (2007: £3,559,155) that are available to carry forward and offset against future profits of the same trade.

8. Profit attributable to members of the parent company

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss before and after taxation for the financial year was £1,635,795 after providing against inter company loans (2007: £202,315).

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

9. Tangible Fixed Assets

Group

	Freehold land	Plant and machinery	Equipment, fixtures & fittings	Development project	Share of pitch	Total
	£	£	£	£	£	£
<u>Cost or valuation</u>						
At 1 July 2007	3,956,160	419,695	274,766	276,166	167,233	5,094,020
Additions	228,408	48,841	16,046	-	-	293,295
Disposals	-	-	-	-	(167,233)	(167,233)
At 30 June 2008	4,184,568	468,536	290,812	276,166	167,233	5,220,082
<u>Depreciation</u>						
At 1 July 2007	-	336,906	178,294	266,427	143,343	924,970
Charge for year	-	31,686	46,073	9,739	23,890	111,388
Disposals	-	-	-	-	(167,233)	(167,233)
At 30 June 2008	-	368,592	224,367	276,166	-	869,125
<u>Net book value</u>						
At 30 June 2008	4,184,568	99,944	66,445	-	-	4,350,957
At 30 June 2007	3,956,160	82,789	96,472	9,739	23,890	4,169,050

Company

Freehold Land
£

Cost or valuation

At 1 July 2007	1,230,366
Additions	228,408
At 30 June 2008	<u>1,458,774</u>

Depreciation

At 1 July 2007 and at 30 June 2008	<u>-</u>
------------------------------------	----------

Net book value

At 30 June 2008	<u>1,458,774</u>
At 30 June 2007	<u>1,230,366</u>

Group

On the historical cost basis, freehold land would have been included as follows:

	<u>2008</u> £	<u>2007</u> £
Cost	829,612	601,204
Accumulated depreciation	-	-
Net book value	<u>829,612</u>	<u>601,204</u>

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

9. Tangible Fixed Assets (continued)

Company

On the historical cost basis, freehold land would have been included as follows:

	<u>2008</u>	<u>2007</u>
	£	£
Cost	580,519	352,111
Accumulated depreciation	-	-
Net book value	<u>580,519</u>	<u>352,111</u>

Freehold land was revalued on an open market basis on 12 October 2008 by Smith Melzack Pepper Angliss an independent firm of Chartered Surveyors for a total market value of £4,800,000.

If the property was sold at its current valuation the group's proportion of the land held based on the total valuation had a market value of £4,184,568. Taxation of £727,036 would be payable on this sale.

The amount of taxation on the above sale relating to London Irish Holdings Limited is £154,158.

10. Fixed asset investments

	Shares in Group Undertakings		
	(Unlisted)	Loan Notes	Total
	£	£	£
Company			
Cost			
At 1 July 2007 and 30 June 2008	250,950	500,000	750,950
Provision for diminution in value			
At 1 July 2007 and 30 June 2008	-	(500,000)	(500,000)
Net book value			
At 1 July 2007 and 30 June 2008	<u>250,950</u>	-	<u>250,950</u>

The loan notes relate to a £500,000 nil coupon instrument issued to London Irish Scottish Richmond Limited during 2002. The instrument is interest free, unsecured and repayable in 2010. As London Irish Scottish Richmond Limited is dependant upon the support of its holding company, the loan notes have been provided against in full.

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

10. Fixed asset investments (continued)

Shares in group undertakings held directly

Name	Country of incorporation	Class of shares held	Percentage of shares held	Nature of business
London Irish Rugby Football Club (Guarantee company)	England & Wales	n/a	n/a	Non-trading
London Irish Rugby Football Ground Limited	England & Wales	Ordinary	100% interest	Owens land for Group
London Irish Scottish Richmond Limited	England & Wales	Ordinary	100% interest	Professional Rugby
Sunclear Limited	England & Wales	Ordinary	100% interest	Property Development

Shares in group undertakings held by subsidiaries

Name	Country of incorporation	Class of shares held	Percentage of shares held	Nature of business
The Avenue Club Limited	England & Wales	Ordinary	100% interest	Non-trading
LIRFC Trading Limited	England & Wales	Ordinary	100% interest	Non-trading

11. Stock

Group	<u>2008</u> £	<u>2007</u> £
Finished goods and goods for resale	74,820	44,847

12. Debtors

	<u>2008</u> £	<u>2007</u> £	<u>2008</u> £	<u>2007</u> £
	Group		Company	
Trade debtors	152,866	562,206	-	-
Prepayments and accrued income	301,737	217,066	10,364	-
Other debtors	74,777	215,703	283	283
	<u>529,380</u>	<u>994,975</u>	<u>10,647</u>	<u>283</u>

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

13. Creditors: amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£	£	£	£
Trade creditors	395,495	461,767	-	-
2008 Convertible loan note debt	-	700,000	-	700,000
Bank overdraft	2,220	310	149	-
Amounts owed to group undertakings	-	-	109,341	109,341
Other taxation and social security	309,223	347,658	-	-
Other creditors	1,267	541	100	100
Accruals and deferred income	959,925	1,409,682	10,571	23,983
	<u>1,668,130</u>	<u>2,919,958</u>	<u>120,161</u>	<u>833,424</u>

£700,000 of Convertible Loan Notes issued by London Irish Holdings Limited together with accrued interest was repaid on 30 June 2008. This was secured by a charge upon the freehold land held by London Irish Holdings Limited and freehold land held by its subsidiary London Irish Rugby Football Ground Limited.

A placing and offer of up to £6,250,000 of secured convertible loan notes was made during the year. Of this, £5,850,010 were taken up and issued by London Irish Holdings Limited and redeemable are 21 April 2013. The loan notes are secured by a charge upon the freehold land held by London Irish Holdings Limited and freehold land held by its subsidiary London Irish Rugby Football Ground Limited. Interest on the convertible loan note is cumulative and payable at 15.5%. Under certain circumstances both the principal and the interest can be converted into ordinary shares.

The loan note is convertible at any time on the option of the holder. The holders are entitled to one 10p ordinary share for every 17p of notes held upon conversion.

14. Creditors: amounts falling due after one year

Group and company	<u>2008</u>	<u>2007</u>
	£	£
Convertible loan note debt	<u>6,023,907</u>	<u>-</u>

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

15. Deferred Taxation

Group

The elements of the deferred taxation asset are as follows:-

	<u>2008</u> £	<u>2007</u> £
Tax losses	1,591,361	1,067,747
Difference between accumulated depreciation and capital allowances	106,725	146,682
	<u>1,698,086</u>	<u>1,214,429</u>

It is unlikely that the accumulated tax losses and accelerated capital allowances will be utilised in the foreseeable future. Consequently, the deferred tax asset has not been recognised.

16. Called up share capital

	<u>2008</u> £	<u>2007</u> £
Authorised 75,000,000 ordinary shares of 10p each	7,500,000	7,500,000
Allotted, called up and fully paid 42,750,590 ordinary shares of 10p each	4,275,059	4,275,059

17. Reserves

Group

	Other Reserves	Share Premium Account	Revaluation Reserve Account	Profit & Loss Account
At 1 July 2007	43,888	729,250	3,354,956	(5,823,818)
Loss for the year	-	-	-	(1,828,375)
At 30 June 2008	43,888	729,250	3,354,956	(7,652,193)

Company

	Share Premium Account	Revaluation Reserve Account	Profit & Loss Account
At 1 July 2007	729,250	878,255	(5,187,830)
Loss for the year	-	-	(1,635,795)
At 30 June 2008	729,250	878,225	(6,823,625)

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

**Notes to the financial statements
for the year ended 30 June 2008 (continued)**

18. Pension Scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £26,680 (2007: £19,135). There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2007: £nil).

19. Net Cash flow from operating activities

	<u>2008</u> £	<u>2007</u> £
Operating loss	(1,622,864)	(656,673)
Depreciation	111,388	150,672
(Increase)/decrease in stocks	(29,973)	76,012
Decrease/(increase) in debtors	465,595	(109,975)
(Decrease)/increase in creditors	(553,738)	417,479
	<u>(1,629,592)</u>	<u>(122,485)</u>
At 30 June 2008	<u>(1,629,592)</u>	<u>(122,485)</u>

20. Analysis of change in net debt

	B/fwd	Cash flows	C/fwd
Cash balances	290,421	3,197,419	3,487,840
Bank loans and overdrafts	(310)	(1,910)	(2,220)
	<u>290,111</u>	<u>3,195,509</u>	<u>3,485,620</u>
Convertible loan notes due within 1 year	(700,000)	700,000	-
Convertible loan notes due after 1 year	-	(6,023,907)	(6,023,907)
	<u>(409,889)</u>	<u>(2,128,398)</u>	<u>(2,538,287)</u>

21. Reconciliation of net cash flow to movement in net debt

	<u>2008</u> £	<u>2007</u> £
Increase/(decrease) in cash in the year	3,195,509	(284,256)
Increase in debt in the year	(5,150,010)	-
	<u>(1,954,501)</u>	<u>(284,256)</u>
Movement in net funds/(debt) in year	(1,954,501)	(284,256)
Net debt at start of year	(409,889)	(125,633)
	<u>(2,364,390)</u>	<u>(409,889)</u>
Net funds/(debt) at end of year	<u>(2,364,390)</u>	<u>(409,889)</u>

22. Reconciliation of movements in shareholders' funds

	Group £	Company £
Opening shareholders' funds at 1 July 2007	2,579,335	694,734
Loss for the year	(1,828,375)	(1,635,795)
	<u>750,960</u>	<u>(941,061)</u>
Closing shareholders' funds at 30 June 2008	<u>750,960</u>	<u>(941,061)</u>

LONDON IRISH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Notes to the financial statements for the year ended 30 June 2008 (continued)

23. Related party transactions

No one party had control of the company during the current or previous year.

The following balances are included in creditors at the year end due to related parties:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£	£	£	£
Amounts due to subsidiary undertakings				
London Irish Rugby Football Ground Limited	-	-	109,001	109,001
London Irish Scottish Richmond Limited	-	-	340	340
	<u>-</u>	<u>-</u>	<u>109,341</u>	<u>109,341</u>

The Clancy Group Plc sponsored the club to the value of £30,000 during the year. K T Clancy is a director of both companies.