

Newcastle United Limited

**Directors' report and consolidated
financial statements**

31 May 1994

Registered number 2529667



Newcastle United Limited

Directors' report and financial statements

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Newcastle United Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 1994.

Principal activities

The principal activity of the company during the year was that of a holding company. The principal activity of the company's subsidiary undertaking is that of a professional football club.

Business review

In the group's first season as members of the Football Association Premier League, turnover increased from £8.74 million in the year ended 31 May 1993, to £17.00 million in the year under review. In addition to an increase in match revenue and increased revenue from League distributions and television, a substantial proportion of the additional revenue was generated from sponsorship and marketing, with a significant increase in shop turnover.

Further investment in the playing squad took place during the year. Expenditure of £7.63 million was incurred on the purchase of players' registrations, resulting in a net book value of players' registrations of £10.86 million at the year end. The directors are pleased to report that this further investment in the playing squad contributed to an extremely successful first Premier League campaign, the team finishing third overall and subsequently qualifying for a place in the UEFA Cup for the 1994/95 season.

Since the year end a further investment of £6.26m has been made in the purchase of players' registrations.

The redevelopment of the stadium continues. A new stand was constructed at the Gallowgate End of the stadium ready for the commencement of the 1994/95 season. Redevelopment of the south east and south west corners of the stadium is programmed to continue on from the final completion of the new Gallowgate main structure, and in the summer of 1995 the conversion to seating of the final standing area in the stadium will also take place, in readiness for three group matches in the Euro '96 Competition to be staged at the Stadium during June 1996.

Since the year end the group has purchased a 300 acre area of land and property, Woolsington Hall, adjacent to Newcastle Airport which is to be developed as the team's training centre and a soccer academy for young players. The centre will incorporate a Sports Medicine and Science Department and various other sports and leisure facilities.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the year retained in the group is £3.77m.

Newcastle United Limited

Directors' report *(continued)*

Significant changes in fixed assets

Tangible fixed asset additions for the year totalled £8.76m. Included within this amount is £4.0m relating to the completion of the Sir John Hall Stand and £2.5m relating to the commencement of the Exhibition Stand. Further refurbishment of the Milburn Stand has also been carried out at a cost of £1.3m.

Details of fixed asset movements are set out in notes 9 to 11.

Market value of land and buildings

As at 29 July 1993 the football ground was valued by Sanderson, Townend & Gilbert, Chartered Surveyors, on a depreciated replacement cost basis. The valuation at this date was £15.0m compared with a net book value of £16.2m. The diminution is considered to be permanent and has therefore been accounted for in the financial statements.

Directors

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

Sir John Hall
WF Shepherd
DS Hall
R Jones

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company and other group companies, as recorded in the register of directors' shares interests:

| | Company | Class of share | Interest at end of year | Interest at beginning of year |
|---------------|--|----------------|-----------------------------|-------------------------------|
| Sir John Hall | Cameron Hall Developments Limited | Ordinary | 55,000 | 55,000 |
| | Newcastle United Limited | Ordinary | 10,000 | 10,000 |
| WF Shepherd | Newcastle United Limited | Ordinary | 1,042,863 | 640,863 |
| DS Hall | Cameron Hall Developments Limited | Ordinary | 19,000 | 19,000 |
| | Newcastle United Limited | Ordinary | 10,000 | 10,000 |
| | Europarking SA | Ordinary | 24% of issued share capital | 24% of issued share capital |
| | Cameron Hall Promocao Gestao de Investimentos Imobiliarios Lda | Ordinary | 5% of issued share capital | 5% of issued share capital |
| R Jones | Cameron Hall Promocao Gestao de Investimentos Imobiliarios Lda | Ordinary | 5% of issued share capital | 5% of issued share capital |

Newcastle United Limited

Directors' report *(continued)*

Directors *(continued)*

According to the register of directors' interests, no rights to subscribe for shares in group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable contributions

The group made no political contributions during the year. Donations to UK charities amounted to £18,380.

Employees

Applications for employment by disabled persons are always fully considered. Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or national origin, nationality, sex or marital status. In the event of employees becoming disabled, every effort is made, including appropriate training, to ensure that their employment with the group continues.

The directors recognise the importance of good communications and good relations with employees.

Health and safety policy

The group promotes all aspects of safety in the interests of employees, customers and the public.

Auditors

Our auditors, KPMG Peat Marwick, have informed us that they will practise under the name of KPMG with effect from 6 February 1995. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



R Cushing
Secretary

St James' Park
Newcastle upon Tyne
NE1 4ST

3 February 1995

Newcastle United Limited

Statement of 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 group and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures which are disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors' report to the members of Newcastle United Limited.

We have audited the financial statements on pages 6 to 25.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

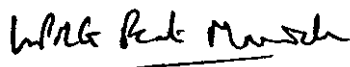
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Peat Marwick
Chartered Accountants
Registered Auditors

3 February 1995

Newcastle United Limited

Consolidated profit and loss account for the year ended 31 May 1994

| | Note | 1994 £'000 | 1993 £'000 |
|---|------|---------------|---------------|
| Turnover - continuing operations | 2 | 17,004 | 8,743 |
| Other operating income | | 265 | 55 |
| | | <hr/> | <hr/> |
| | | 17,269 | 8,798 |
| Payroll costs | 5 | (5,551) | (3,956) |
| Signing on fees | 5 | (1,024) | (706) |
| Depreciation | 10 | (632) | (450) |
| Amortisation of transfer fees | 9 | (1,656) | (769) |
| Other operating costs | | (7,089) | (3,533) |
| | | <hr/> | <hr/> |
| Operating profit/(loss) - continuing operations | | 1,317 | (616) |
| Interest receivable | 6 | 20 | 3 |
| Interest payable and similar charges | 7 | (538) | (607) |
| Change of team manager | | - | 117 |
| (Loss)/profit on disposal of tangible fixed assets | 8 | (55) | 355 |
| Profit on sale of players' registrations | | 3,022 | 374 |
| | | <hr/> | <hr/> |
| Profit/(loss) on ordinary activities before taxation | 3-4 | 3,766 | (374) |
| Tax on profit/(loss) on ordinary activities | 16 | - | - |
| | | <hr/> | <hr/> |
| Profit/(loss) for the financial year | | 3,766 | (374) |

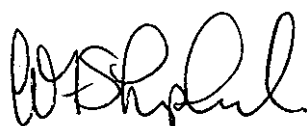
A statement of movements on reserves is given in note 19.

Newcastle United Limited

Balance sheet at 31 May 1994

| | Note | Group | | Company | |
|---|------|-----------------|----------------|---------------|---------------|
| | | 1994 £'000 | 1993 £'000 | 1994 £'000 | 1993 £'000 |
| Fixed assets | | | | | |
| Intangible assets | 9 | 10,856 | 5,851 | - | - |
| Tangible assets | 10 | 18,889 | 12,209 | - | - |
| Investment | 11 | - | - | 3,995 | 3,995 |
| | | <u>29,745</u> | <u>18,060</u> | <u>3,995</u> | <u>3,995</u> |
| Current assets | | | | | |
| Stocks | 12 | 338 | 290 | - | - |
| Debtors | 13 | 3,735 | 1,176 | 710 | 904 |
| Cash at bank and in hand | | 1,776 | 844 | - | - |
| | | <u>5,849</u> | <u>2,310</u> | <u>710</u> | <u>904</u> |
| Creditors: amounts falling due within one year | 14 | (17,234) | (11,717) | - | (194) |
| Net current (liabilities)/assets | | <u>(11,385)</u> | <u>(9,407)</u> | <u>710</u> | <u>710</u> |
| Total assets less current liabilities | | 18,360 | 8,653 | 4,705 | 4,705 |
| Creditors: amounts falling due after more than one year | 15 | (2,530) | (3,112) | - | - |
| Deferred income | 17 | (9,987) | (2,346) | - | - |
| Net assets | | <u>5,843</u> | <u>3,195</u> | <u>4,705</u> | <u>4,705</u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | 5,162 | 5,162 | 5,162 | 5,162 |
| Revaluation reserve | 19 | - | 1,118 | - | - |
| Profit and loss account | 19 | 681 | (3,085) | (457) | (457) |
| Shareholders' funds | | <u>5,843</u> | <u>3,195</u> | <u>4,705</u> | <u>4,705</u> |

These financial statements were approved by the board of directors on 3 February 1995 and were signed on its behalf by:



WF Shepherd
Vice Chairman

Newcastle United Limited

Consolidated cash flow statement for the year ended 31 May 1994

| | Note | 1994 | | 1993 | |
|--|------|---------|----------|---------|---------|
| | | £'000 | £'000 | £'000 | £'000 |
| Net cash inflow from operating activities | 22 | | 8,417 | | 2,449 |
| Return on investments and servicing of finance | | | | | |
| Interest received | | 20 | | 3 | |
| Interest paid | | (467) | | (448) | |
| Interest element of finance lease rental payments | | (68) | | (28) | |
| | | | | | |
| Net cash outflow from returns on investment and servicing of finance | | | (515) | | (473) |
| Investing activities | | | | | |
| Purchase of players' registrations | | (6,386) | | (3,490) | |
| Purchase of tangible fixed assets | | (8,963) | | (1,514) | |
| Sale of players' registrations | | 3,312 | | 891 | |
| Sale of tangible fixed assets | | 197 | | 747 | |
| | | | | | |
| Net cash outflow from investing activities | | | (11,840) | | (3,366) |
| Net cash outflow before financing | | | (3,938) | | (1,390) |
| Financing | | | | | |
| Repayment of bank loans and other loans | | (8,281) | | (1,434) | |
| New short-term loans | | 11,686 | | 4,456 | |
| Capital grants received | | 2,000 | | 105 | |
| Finance lease capital raised | | 1,213 | | 110 | |
| Capital element of finance lease rental payments | | (335) | | (130) | |
| | | | | | |
| Net cash inflow from financing | | | 6,283 | | 3,107 |
| Increase in cash and cash equivalents | 23 | | 2,345 | | 1,717 |

Deferred income receipts, other than capital grants, have been reclassified from financing last year to net cash inflow from operating activities this year. Accordingly the comparatives have been restated.

Newcastle United Limited

Consolidated statement of total recognised gains and losses for the year ended 31 May 1994

| | 1994 £'000 | 1993 £'000 |
|---|---------------|---------------|
| Profit/(loss) for the financial year | 3,766 | (374) |
| Property revaluation taken to revaluation reserve | (1,118) | - |
| Total recognised gains and losses relating to the financial year | 2,648 | (374) |
| Prior year adjustment | - | 2,627 |
| Total gains and losses recognised since last annual report | 2,648 | 2,253 |

Note of consolidated historical cost profits and losses for the year ended 31 May 1994

| | 1994 £'000 | 1993 £'000 |
|---|---------------|---------------|
| Reported profit/(loss) on ordinary activities before taxation | 3,766 | (374) |
| Property revaluation in current year | 82 | - |
| Property revaluation gains of previous years | 7 | 9 |
| Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | 23 | 6 |
| Historical cost profit/(loss) on ordinary activities before taxation | 3,878 | (359) |
| Historical cost profit/(loss) for the year retained after taxation | 3,878 | (359) |

Reconciliations of movements in shareholders' funds for the year ended 31 May 1994

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 1994 £'000 | 1993 £'000 | 1994 £'000 | 1993 £'000 |
| Profit/(loss) for the financial year | 3,766 | (374) | - | - |
| Property revaluation taken to revaluation reserve | (1,118) | - | - | - |
| Net movement in shareholders' funds | 2,648 | (374) | - | - |
| Opening shareholders' funds | 3,195 | 3,569 | 4,705 | 4,705 |
| Closing shareholders' funds | 5,843 | 3,195 | 4,705 | 4,705 |

Newcastle United Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

Basis of consolidation

The group financial statements consolidate the financial statements of Newcastle United Limited and its subsidiary undertaking for the year ended 31 May 1994.

In the company's financial statements, the investment in the subsidiary undertaking is stated at cost.

In accordance with Section 230(4) of the Companies Act 1985 Newcastle United Limited is exempt from the requirement to present its own profit and loss account. The company is a holding company and did not trade during the year and consequently made neither a profit nor a loss in the year or the preceding year.

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|--------------------------------|---|------------------------------|
| Ground erections and equipment | - | 6 years |
| East Stand Executive Boxes | - | 16 years |
| Ground developments | - | Life of St James' Park lease |
| Fixtures and fittings | - | 6 years |
| Motor vehicles | - | 4 years |

No depreciation is provided on freehold land.

Grants

Grants receivable from the Football Grounds Improvement Trust and other related grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Newcastle United Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, including similar hire purchase contracts, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks

Stocks comprise goods for resale in the club shops and bar and catering stocks throughout the ground. They are stated at the lower of cost and net realisable value.

Turnover

Turnover represents all income arising from the activities of the group excluding transfer fees receivable.

Transfer fees

The costs of players' registrations are capitalised as intangible fixed assets and amortised over the period from the contract date to the end of the season in which the player attains 33 years of age. If the contract expires after the season in which the player attains 33 years of age the cost is amortised over the period of the contract.

In accordance with the rules of the Football League a player is entitled to a free transfer at the end of a contract if the player has been engaged by the group for at least five seasons.

Profits or losses on disposal are recognised at the termination of a player's contract.

Transfer fees contingent on future appearances are not provided for but are noted as contingent liabilities.

Signing on fees and loyalty bonuses

Signing on fees and loyalty bonuses paid to players are charged to the profit and loss account according to the due date for payment. Signing on fees due in the future on continued service are not provided for but are noted as contingent liabilities.

Taxation

The charge for taxation is based upon the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Newcastle United Limited

Notes (continued)

1 Accounting policies (continued)

Assets acquired for non cash consideration

The company has entered into a number of agreements whereby fixed assets are supplied in return for advertising, match tickets and hospitality facilities.

Fixed assets acquired in this way are capitalised at their estimated market value at the date of the agreement and a corresponding credit is made to deferred income.

An amount equal to the value of the facilities provided is credited to the profit and loss account over the period of the agreement between the two parties.

The excess of the capitalised value of the asset, if any, over the value of the facilities provided in return, is released to income over the life of the asset.

2 Turnover

All turnover is derived from the group's principal activity and arises in the United Kingdom.

3 Profit/(loss) on ordinary activities before taxation

| | 1994 | 1993 |
|---|-------|-------|
| | £'000 | £'000 |
| <i>Profit/(loss) on ordinary activities before taxation is stated</i> | | |
| <i>after charging</i> | | |
| Auditors' remuneration: | | |
| Audit | 21 | 16 |
| Other services | 42 | 16 |
| Amortisation of transfer fees | 1,656 | 769 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 536 | 383 |
| Leased | 96 | 67 |
| Hire of plant and machinery - rentals payable under operating leases | 72 | 19 |
| Hire of other assets - operating leases | 35 | 35 |

after crediting

| | | |
|----------------|----|----|
| Capital grants | 71 | 34 |
|----------------|----|----|

The total amounts charged to revenue for the hire of plant and machinery amounted to £236,000 (1993:£114,000). This comprises rentals payable under operating leases as well as depreciation on plant and machinery held under finance leases together with the related finance charges.

Newcastle United Limited

Notes (continued)

4 Remuneration of directors

None of the directors received any remuneration in the current or preceding financial year.

5 Staff numbers and costs

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

| | Number of employees | |
|-----------|---------------------|------------|
| | 1994 | 1993 |
| Full-time | 114 | 104 |
| Part-time | 117 | 155 |
| | <u>231</u> | <u>259</u> |

The aggregate payroll costs, including signing on fees, of these persons were as follows:

| | 1994 £'000 | 1993 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 6,017 | 4,228 |
| Social security costs | 540 | 416 |
| Other pension costs | 18 | 18 |
| | <u>6,575</u> | <u>4,662</u> |
| <i>Disclosed as:</i> | | |
| Payroll costs | 5,551 | 3,956 |
| Signing on fees | 1,024 | 706 |
| | <u>6,575</u> | <u>4,662</u> |

6 Interest receivable

| | 1994 £'000 | 1993 £'000 |
|-----------------------|---------------|---------------|
| Bank deposit interest | <u>20</u> | <u>3</u> |

Newcastle United Limited

Notes (continued)

7 Interest payable and similar charges

| | 1994 £'000 | 1993 £'000 |
|--|---------------|---------------|
| On bank loans, overdrafts and other loans wholly repayable within five years | 328 | 226 |
| On amounts owed to directors (note 25) | 90 | 23 |
| On amounts due to group undertaking | 52 | 120 |
| On all other loans | - | 210 |
| Finance charges payable in respect of finance leases and hire purchase contracts | 68 | 28 |
| | <u>538</u> | <u>607</u> |

8 (Loss)/profit on disposal of tangible fixed assets

| | 1994 £'000 | 1993 £'000 |
|---------------------------------------|---------------|---------------|
| Profit on disposal of training ground | - | 536 |
| Loss on disposal of other assets | (55) | (181) |
| | <u>(55)</u> | <u>355</u> |

Newcastle United Limited

Notes (continued)

9 Intangible fixed assets

| | Players' registrations £'000 |
|-----------------------|------------------------------------|
| Group | |
| <i>Cost</i> | |
| At beginning of year | 7,068 |
| Additions | 7,630 |
| Disposals | (2,053) |
| | <hr/> |
| At end of year | 12,645 |
| | <hr/> |
| <i>Amortisation</i> | |
| At beginning of year | 1,217 |
| Charge for year | 1,656 |
| On disposals | (1,084) |
| | <hr/> |
| At end of year | 1,789 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 May 1994 | 10,856 |
| | <hr/> |
| At 31 May 1993 | 5,851 |
| | <hr/> |

The above represents the amortised cost of 17 players (1993:19).

Newcastle United Limited

Notes (continued)

10 Tangible fixed assets

| | Land and buildings £'000 | Fixtures and fittings £'000 | Motor vehicles £'000 | Total £'000 |
|--------------------------|--------------------------------|-----------------------------------|----------------------------|----------------|
| Group | | | | |
| <i>Cost or valuation</i> | | | | |
| At beginning of year | 12,689 | 796 | 151 | 13,636 |
| Revaluation | (2,168) | - | - | (2,168) |
| Additions | 8,148 | 610 | 6 | 8,764 |
| Disposals | (184) | (36) | (127) | (347) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 18,485 | 1,370 | 30 | 19,885 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At beginning of year | 880 | 469 | 78 | 1,427 |
| Charge for year | 410 | 216 | 6 | 632 |
| Revaluation | (968) | - | - | (968) |
| On disposals | (12) | (25) | (58) | (95) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 310 | 660 | 26 | 996 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 31 May 1994 | 18,175 | 710 | 4 | 18,889 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 May 1993 | 11,809 | 327 | 73 | 12,209 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Included within the cost of land and buildings is £2,927,000 (1993:£2,485,000) representing assets in the course of construction. No depreciation has been charged on these assets.

Included within fixed assets are assets held under finance leases with the following net book values: land and buildings £nil (1993:£11,000), fixtures and fittings £1,147,878 (1993:£84,000) and motor vehicles £nil (1993:£72,000).

The net book value of land and buildings comprises:

| | 1994 £'000 | 1993 £'000 |
|-----------------|---------------|---------------|
| Freehold | - | 134 |
| Long leasehold | 18,170 | 11,669 |
| Short leasehold | 5 | 6 |
| | <hr/> | <hr/> |
| | 18,175 | 11,809 |
| | <hr/> | <hr/> |

Newcastle United Limited

Notes (continued)

10 Tangible fixed assets (continued)

Particulars relating to assets which were revalued assets are given below:

| | 1994 £'000 | 1993 £'000 |
|---|---------------|---------------|
| Land and buildings | | |
| At valuation | 15,000 | 9,767 |
| Aggregate depreciation thereon | (310) | (809) |
| | <hr/> | <hr/> |
| Net book value | 14,690 | 8,958 |
| | <hr/> | <hr/> |
| Historical cost of revalued assets | 14,711 | 7,096 |
| Aggregate depreciation based on historical cost | (2,066) | (1,413) |
| | <hr/> | <hr/> |
| Historical cost net book value | 12,645 | 5,683 |
| | <hr/> | <hr/> |

Other tangible fixed assets, including subsequent additions to land and buildings, are included at cost.

As at 29 July 1993 the football ground was revalued by Sanderson, Townend and Gilbert, Chartered Surveyors, on a depreciated replacement cost basis. The valuation at this date was £15.0m compared with a net book value of £16.2m. The diminution in value is considered to be permanent and has therefore been accounted for in these financial statements.

11 Investment

| | 1994 £'000 | 1993 £'000 |
|----------------------------------|---------------|---------------|
| Company | | |
| Investment in subsidiary at cost | 3,995 | 3,995 |
| | <hr/> | <hr/> |

The company holds 100% of the 7,989,936 issued 50p ordinary shares in Newcastle United Football Company Limited, a company registered in England and Wales. The principal activity of Newcastle United Football Company Limited is that of a professional football club.

12 Stocks

| | 1994 £'000 | 1993 £'000 |
|------------------|---------------|---------------|
| Group | | |
| Goods for resale | 338 | 290 |
| | <hr/> | <hr/> |

Newcastle United Limited

Notes (continued)

13 Debtors

| | Group | | Company | |
|---|--------------|--------------|------------|------------|
| | 1994 | 1993 | 1994 | 1993 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year | | | | |
| Trade debtors | 2,614 | 655 | - | - |
| Other debtors | 158 | 340 | - | - |
| Prepayments and accrued income | 851 | 181 | - | - |
| Amounts owed by ultimate parent undertaking | 112 | - | - | - |
| Amounts owed by subsidiary undertaking | - | - | 710 | 904 |
| | <u>3,735</u> | <u>1,176</u> | <u>710</u> | <u>904</u> |

14 Creditors: amounts falling due within one year

| | Group | | Company | |
|--|---------------|---------------|----------|------------|
| | 1994 | 1993 | 1994 | 1993 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank overdraft | - | 1,413 | - | - |
| Bank loans (note 15) | - | 267 | - | - |
| Other loans (note 15) | 2,849 | 1,133 | - | - |
| Obligations under finance leases and hire purchase contracts (note 15) | 395 | 94 | - | - |
| Trade creditors | 3,695 | 2,839 | - | - |
| Amounts owed to ultimate parent undertaking | 5,785 | 2,734 | - | - |
| Taxes and social security | 160 | 199 | - | - |
| Other creditors | 1,115 | 575 | - | - |
| Accruals and deferred income | 3,235 | 2,463 | - | - |
| Amounts owed to subsidiary undertaking | - | - | - | 194 |
| | <u>17,234</u> | <u>11,717</u> | <u>-</u> | <u>194</u> |

Newcastle United Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|--|--------------|--------------|----------|----------|
| | 1994 | 1993 | 1994 | 1993 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans | - | 2,054 | - | - |
| Other loans | 1,718 | 1,004 | - | - |
| Obligations under finance leases and hire purchase contracts | 605 | 28 | - | - |
| Accruals and deferred income | 207 | 26 | - | - |
| | <u>2,530</u> | <u>3,112</u> | <u>-</u> | <u>-</u> |

(i) Bank loans

| | 1994 | 1993 |
|-------------------------------|----------|--------------|
| | £'000 | £'000 |
| Repayable within five years | - | 1,040 |
| Repayable after five years | - | 1,281 |
| | <u>-</u> | <u>2,321</u> |
| Due within one year (note 14) | - | (267) |
| | <u>-</u> | <u>2,054</u> |

(ii) Other loans

| | 1994 | 1993 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Repayable within five years | 4,490 | 1,904 |
| Repayable after five years | 77 | 233 |
| | <u>4,567</u> | <u>2,137</u> |
| Due within one year (note 14) | (2,849) | (1,133) |
| | <u>1,718</u> | <u>1,004</u> |

The only loan partly repayable after more than five years is repayable in monthly instalments of £1,700. The total amount of this loan outstanding at the year end is £180,000 (1993:£201,000). Interest is charged at the higher of 13% or 3% above base rate but is waived provided the group complies with certain conditions regarding purchases.

Newcastle United Limited

Notes (continued)

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

- (iii) The maturity of obligations under finance leases and hire purchase contracts is as follows:

| | 1994 £'000 | 1993 £'000 |
|------------------------------|---------------|---------------|
| Within one year (note 14) | 395 | 94 |
| In the second to fifth years | 605 | 28 |
| | <u>1,000</u> | <u>122</u> |

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

16 Provisions for liabilities and charges

No charge for taxation has been provided in the financial statements as a result of unrelieved corporation tax losses brought forward from previous years. The company has unrelieved UK corporation tax losses of approximately £2,800,000 at the end of the year (1993:£8,900,000).

The amounts provided for deferred taxation and the amounts not provided are set out below:

| | 1994 | | 1993 | |
|--|-------------------|---------------------|-------------------|---------------------|
| | Provided £'000 | Unprovided £'000 | Provided £'000 | Unprovided £'000 |
| Difference between accumulated depreciation and capital allowances | 285 | - | 160 | - |
| Other timing differences | (33) | - | (30) | (309) |
| Capitalisation of players' registrations | 86 | - | 1,931 | - |
| | <u>338</u> | <u>-</u> | <u>2,061</u> | <u>(309)</u> |
| UK corporation tax losses | (338) | - | (2,061) | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(309)</u> |

Newcastle United Limited

Notes (continued)

17 Deferred income

| | 1994 £'000 | 1993 £'000 |
|-----------------------|---------------|---------------|
| Total deferred income | <u>9,987</u> | <u>2,346</u> |

Included within the above is the following amount relating to capital grants:

| | £'000 |
|-------------------------------------|--------------|
| At beginning of year | 812 |
| Received during year | <u>2,000</u> |
| | 2,812 |
| Credited to profit and loss account | <u>(71)</u> |
| At end of year | <u>2,741</u> |

Deferred income comprises capital grants, platinum club and bond receipts, assets received for non-cash consideration and sponsorship.

18 Called up share capital

| | 1994 £'000 | 1993 £'000 |
|---|---------------|---------------|
| <i>Authorised</i> | | |
| 20,000,000 ordinary shares of 50p each | <u>10,000</u> | <u>10,000</u> |
| <i>Allotted, called up and fully paid</i> | | |
| 10,323,825 ordinary shares of 50p each | <u>5,162</u> | <u>5,162</u> |

Newcastle United Limited

Notes (continued)

19 Reserves

| | Profit and loss account £'000 | Revaluation reserve £'000 |
|-------------------------------|-------------------------------------|---------------------------------|
| At beginning of year | (3,085) | 1,118 |
| Revaluation during year | - | (1,118) |
| Profit for the financial year | 3,766 | - |
| | <hr/> | <hr/> |
| At end of year | 681 | - |
| | <hr/> | <hr/> |

20 Contingent liabilities

At the end of the financial year the group had contingent liabilities in respect of signing on fees and loyalty bonuses amounting to a maximum of £2,266,000 (1993: £1,138,000) which may become payable immediately under Football League rules if the players concerned leave the group.

21 Commitments

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

| | 1994 £'000 | 1993 £'000 |
|------------|---------------|---------------|
| Contracted | 3,797 | 5,160 |
| | <hr/> | <hr/> |

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

| | Land and buildings | | Other | |
|------------------------------|--------------------|---------------|---------------|---------------|
| | 1994 £'000 | 1993 £'000 | 1994 £'000 | 1993 £'000 |
| Within one year | - | - | 9 | 9 |
| In the second to fifth years | - | - | 9 | 3 |
| After five years | 35 | 35 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 35 | 35 | 18 | 12 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Newcastle United Limited

Notes (continued)

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

| | 1994 £'000 | 1993 £'000 |
|---|---------------|---------------|
| Operating profit/(loss) | 1,317 | (616) |
| Depreciation charge | 632 | 450 |
| Property revaluation | 82 | - |
| Amortisation charge | 1,656 | 769 |
| Grants release | (71) | (34) |
| Increase in stocks | (48) | (156) |
| Increase in debtors | (1,686) | (415) |
| Increase in creditors | 823 | 1,579 |
| Increase in deferred income | 5,712 | 872 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 8,417 | 2,449 |
| | <hr/> | <hr/> |

23 Analysis of changes in cash and cash equivalents

| | Cash £'000 | Overdraft £'000 | Net £'000 |
|------------------------|---------------|--------------------|--------------|
| Balance at 31 May 1992 | 20 | (2,306) | (2,286) |
| Net cash inflow | 824 | 893 | 1,717 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 May 1993 | 844 | (1,413) | (569) |
| Net cash inflow | 932 | 1,413 | 2,345 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 May 1994 | 1,776 | - | 1,776 |
| | <hr/> | <hr/> | <hr/> |

Newcastle United Limited

Notes (continued)

24 Analysis of changes in financing during the year

| | Share capital £'000 | Bank and other loans £'000 | Capital grants £'000 | Finance lease obligations £'000 |
|--|------------------------|----------------------------------|----------------------------|---------------------------------------|
| Balance at 31 May 1992 | 5,162 | 3,925 | 741 | 142 |
| Net cash flow from financing | - | 3,022 | 105 | (20) |
| Credited to profit and loss account | - | - | (34) | |
| Balance at 31 May 1993 | 5,162 | 6,947 | 812 | 122 |
| Net cash flow from financing | - | 3,405 | 2,000 | 878 |
| Credited to profit and loss account | - | - | (71) | - |
| Balance at 31 May 1994 | 5,162 | 10,352 | 2,741 | 1,000 |

Bank and other loans above includes amounts due to the ultimate parent undertaking.

25 Transactions with directors

Certain directors have provided loans to the group. Interest is charged at 10% per annum on these amounts. Details are set out below:

| Name | Amounts owed at end of year £ | Amounts owed at beginning of year £ | Interest charged in year £ |
|---------------|-------------------------------------|---|----------------------------------|
| Sir John Hall | 2,583,333 | 766,667 | 94,606 |
| WF Shepherd | 45,000 | 200,000 | (4,602) |
| | <u>2,628,333</u> | <u>966,667</u> | <u>90,004</u> |

Mr WF Shepherd has waived all interest charges. Accordingly, the charge of £4,602 made in 1993 has been reversed this year. The amounts at the beginning and at the end of the year are included within "other loans" in notes 14 and 15.

Newcastle United Limited

Notes *(continued)*

25 **Transactions with directors *(continued)***

The group paid certain expenditure on behalf of DS Hall during the year by way of quasi-loan and this was reimbursed during the year. The amount outstanding at both the beginning and the end of the year was £nil and the maximum value outstanding during the year was £34,012.

26 **Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Cameron Hall Developments Limited, registered in England and Wales.

The only other group in which the results of the company are consolidated is that headed by Cameron Hall Developments Limited.