



CONTENTS, DIRECTORS AND ADVISERS

NEWCASTLE UNITED PLC

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DIRECTORS

Sir Terence Harrison DL, Non-Executive Chairman.

William Frederick Shepherd, Non-Executive Deputy Chairman.

Alfred Olding Fletcher, Chief Executive.

Josephine Dixon ACA, Finance Director.

Russell Jones, Property Director.

Douglas Stuart Hall, Non-Executive Director.

Denis Patrick Cassidy, Non-Executive Director.

John Charles Mayo ACA, Non-Executive Director.

ADVISERS

SECRETARY AND REGISTERED OFFICE

Andrew Price, St James' Park,
Newcastle upon Tyne NE1 4ST.

AUDITORS

Arthur Andersen, Pearl Assurance House,
7 New Bridge Street, Newcastle upon Tyne NE1 8BQ.

FINANCIAL ADVISERS

NatWest Markets Corporate Finance Limited,
Clarence House, Clarence Street, Manchester M2 4DW.

STOCKBROKERS

NatWest Securities Limited, 135 Bishopgate,
London EC2M 3XT.

SOLICITORS

Dibb Lupton Alsop, Fountain Precinct,
Balm Green, Sheffield S1 1RZ.

BANKERS

Barclays Bank Plc, 71 Grey Street,
Newcastle upon Tyne NE99 1JP.

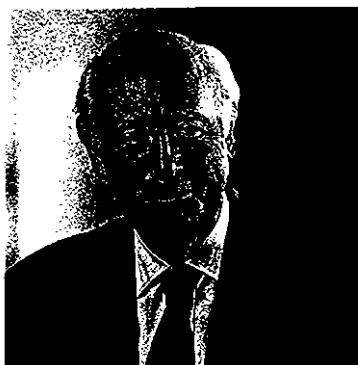
REGISTRARS AND TRANSFER OFFICE

Lloyds Bank Registrars, 54 Pershore Road South,
Kings Norton, Birmingham B30 3EP.





CHAIRMAN'S STATEMENT



SIR TERENCE HARRISON
CHAIRMAN

It gives me great pleasure to contribute to the first annual report of Newcastle United PLC as a listed company. I believe it is an appropriate time to reflect on what has been achieved by the Club in the last few years and to look forward to the future.

In 1992 the Club was on the brink of relegation to the old Third Division. It was rescued from this ignominy by the involvement of Sir John Hall, through his company Cameron Hall Developments Limited, which injected substantial funds into the Club and set about rebuilding the fortunes of Newcastle United.

The priorities were to improve the management, build a high quality squad and enhance team performance, revive local interest and redevelop St James' Park. All of these objectives have been achieved. The Club has secured a place in the UEFA Champions League competition for the 1997/98 season by finishing runners up in the FA Premier League.

On behalf of the Board of Newcastle United PLC and the Football Club, and, indeed, on behalf of all on Tyneside and those who support the Club world-wide, I want to thank Sir John Hall for his immense contribution to the success of recent years. He will relinquish his position as Chairman of the Football Club to become Life President at a time when Newcastle United is now competing with the best European teams. We wish him well in retirement. Freddy Shepherd, who has many years experience as Vice Chairman, will succeed Sir John as Chairman of the Football Club.

THE CHANGING NATURE OF FOOTBALL

It has not just been Newcastle United which has changed dramatically over the last five years. During that period the football industry at the highest level in the UK has been transformed, largely resulting from the establishment of the Premier League, the growth of satellite and cable television and the improvement in stadium facilities following the Taylor report. English football now attracts star players from around the world. Crowd attendances for Premier League matches and viewing figures for televised games continue to increase and Premier League matches are shown in over 130 countries.

Football is now big business and, as with all businesses, you need to invest to grow. We looked at the challenges ahead, and decided that the optimum route for us was a stock market listing. That listing, or flotation, was achieved in April this year, and I am pleased to record that the offer for new shares was over-subscribed, both from institutional and private shareholder applications. We raised £49.9 million (net of expenses) which was used to repay existing borrowings and settle transfer fee liabilities and provide us with the capital to meet future objectives - the immediate priority being new training facilities and investment in young player development.



CHAIRMAN'S STATEMENT

I want to give a very warm welcome to new private and institutional shareholders in the Company. I am confident that, in time, your decision to invest will reflect sound judgement.

Newcastle United Football Company Limited is a wholly owned subsidiary of Newcastle United PLC, the company quoted on the Stock Exchange. The role of the Football Club Board is to manage, within the authorities delegated to it, the footballing activities in the broadest sense; players, transfers, youth policy and stadium, together with the related retail and sponsorship activities. The PLC Board has a strategic and financial advisory role and operates on behalf of, and is accountable to, shareholders.

The executive directors of the PLC Board have responsibilities for implementing the strategy of the Group. The strategy is to continue to improve performance both on and off the field and maximise the value of "Newcastle United" and related brands.

THE YEAR UNDER REVIEW

Group operating profit before net transfer fees, signing-on fees and associated costs and other exceptional operating costs, was £8.1m (1996: £5.9m continuing operations) on turnover of £41.1m (1996: £29.0m continuing operations). Subject to approval at the annual general meeting, a dividend of 0.5p per share (net) will be paid on 15 December 1997 to shareholders on the register at the close of business on 31 October 1997.

Currently the Club is unable to satisfy the demand for season tickets at St James' Park with the present capacity of 36,834. There is a waiting list of over 10,000 and the Club has submitted an application for planning permission to build a new 55,000 capacity stadium close to the existing St James' Park, which would then be remodelled into a commercial leisure complex. A decision is awaited from Newcastle City Council.

MANAGEMENT, PLAYERS, EMPLOYEES AND SUPPORTERS

We are fortunate in having in Mr Freddie Fletcher, Chief Executive and Mr Kenny Dalglish, Team Manager, together with their players and staff, a very able group of people. We also have an enormous asset in the loyal fans who support Newcastle United, both at home and away, and the Board thanks them all for their tremendous support. Without this support, the success of recent years could not have been achieved.

PROSPECTS

Newcastle United has made an encouraging start to the 1997/98 season with qualification for and early success in the UEFA Champions League. We are confident of continued development this season, both on and off the pitch.

SIR TERENCE HARRISON
CHAIRMAN



CHIEF EXECUTIVE'S REVIEW



FOOTBALL

The 1996/97 football season saw Newcastle United finish in second place in the FA Premier League and continue its development as one of the top clubs in English football. In addition to the Premier League achievement, the Club reached the quarter finals of the UEFA Cup.

Paradoxically, the runners up position, which had been a great disappointment in 1995/96 was greeted with celebrations last season, coming as it did at the end of a season during which we experienced the difficulties of a change of manager. No doubt the resulting qualification for the preliminary round of the UEFA Champions League helped make a difference.

Kenny Dalglish, who joined us in January, is already taking the Club into a new chapter by managing the team that gained entry into the UEFA Champions League for the first time. He succeeded Kevin Keegan, who contributed greatly to our previous seasons' successes.

The squad was strengthened for the 1996/97 season with the signing of Alan Shearer, albeit that the date of the signing fell into the previous financial year. The unfortunate injury Alan sustained in a pre-season tournament was a set back for Newcastle United and we look forward to seeing Alan playing again for the Club as soon as possible.

During the financial year under review, a number of playing squad changes have been recognised including the signings of Alessandro Pistone, Jon Dahl Tomasson, Temuri Ketsbaia, Shay Given, Des Hamilton, Stuart Pearce and the transfers of Les Ferdinand, David Ginola, Lee Clark, Robbie Elliott and Paul Kitson. After the financial year end Peter Beardsley left and John Barnes and Ian Rush joined the squad.

TRADING

We had a successful trading year. Turnover rose to £411.1m, an increase of 42% on the comparable figure for last year, with growth coming from all revenue sources.

Our successful run in the UEFA Cup contributed to the increases in both match and TV revenues. TV revenues were also enhanced by increased Premier League distributions while sponsorship increases resulted mainly from a renegotiation with the kit sponsor, adidas. Towards the end of the year we renewed the Club sponsorship deal with Newcastle Breweries Limited and are delighted to continue our long standing partnership with the brewery.

Branded products saw improved results from organic growth and the opening of a new shop in Monument Mall in the centre of Newcastle. In addition to improved sales of replica kit, there were substantial increases in a number of non-core areas such as childrenswear and gifts, which were particularly encouraging.

Group operating profit before net transfer fees and associated costs and other exceptional operating costs was £8.1m (1996: £5.9m continuing operations). Total operating costs have increased to £33.0m (1996: £23.1m continuing operations). The main area of cost increase is in the playing squad and comes from squad strengthening and the renegotiation of certain existing players' contracts. We have sought to contain the level of increase by securing key players on longer term contracts. Significant emphasis is being placed on youth development and scouting to identify talent which is available in the post Bosman era.





CHIEF EXECUTIVE'S REVIEW



COMMUNITY INVOLVEMENT

It is important for the Club to remain a focal point of the community in the North East of England. This will help the Club to sustain revenues and encourage the youth development programme but is also important in its own right.

We have, for many years, forged strong links with the local community and these links manifest themselves in a number of ways. Recently our Football in the Community scheme has been expanded and has successfully been providing coaching courses with local schools for the last three years, involving over 70,000 pupils.

The Scoring Goals for Success Scheme is a recent educational project operated by Newcastle United Football in the Community in partnership with Gateshead Education Business Partnership. It will allow primary and special schools to develop a long term relationship with the Club and create an opportunity for the Club to support more than 11,000 pupils each year.

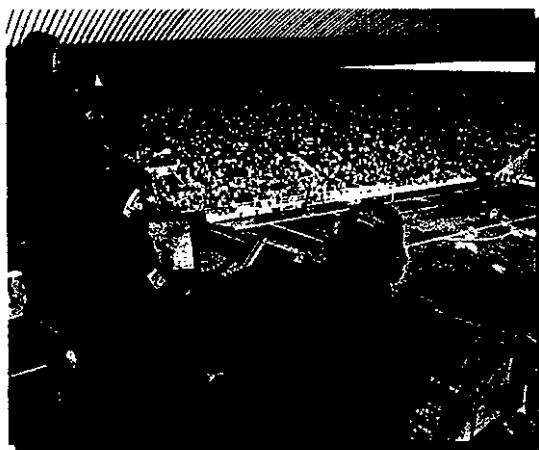
FUTURE STRATEGY AND PROSPECTS

Greater emphasis is being placed by the Club on youth development.

A number of suitable sites for the building of a facility to house the Newcastle Soccer Academy have been identified and this will be finalised as soon as possible and building commenced. The appointments of Alan Irvine, Tommy Burns and Terry Gennoe to the coaching staff and Chris McMenemy as Chief Scout, together with the increased number of junior players, are important aspects of the implementation of the youth development policy.

Appropriate funds continue to be made available to Kenny Dalglish for selective squad strengthening where necessary as the maintenance and improvement of a quality playing squad is a key factor in Newcastle United's ability to meet its commercial objectives.

The Club's television income has increased substantially over recent years. During the 1996/97 season, Newcastle United's UK television audience was over 163,000,000 viewer hours. The proposed launch of digital television should provide opportunities for major clubs to increase their revenues.



FREDDIE FLETCHER
CHIEF EXECUTIVE

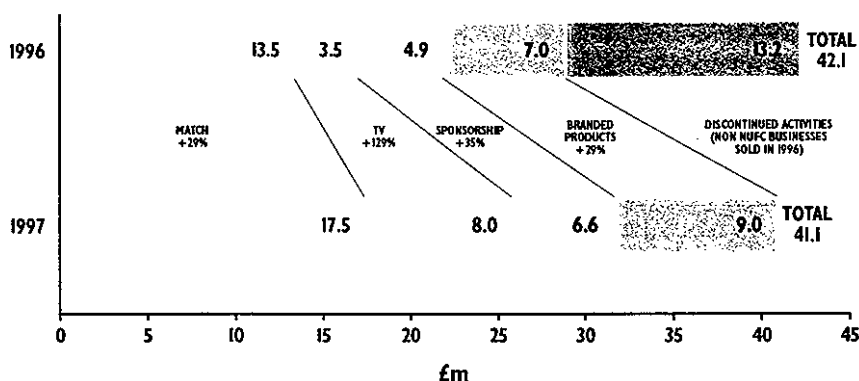


FINANCIAL REVIEW

TRADING REVIEW

Turnover in the year was £41.1m, 42% higher than 1996 (continuing operations). Turnover grew in all categories of income as demonstrated:

Turnover by business segment



Operating expenses of the business rose to £33.0m (1996: £23.1m continuing operations), with three principal reasons for cost growth. Firstly, wages and salaries, which continue to be the most significant element of the cost base, rose £5.2m, of which £4.1m is directly attributable to footballing personnel. Secondly, a number of directly match related costs have increased in line with the 26 home matches staged in 1996/97, an increase of five over the previous year, due primarily to the Club's progression to the Quarter Final stages of the UEFA cup. Thirdly, underlying growth within the business, most significantly within the retailing division, has led to a corresponding increase in direct costs.

Group operating profit before net transfer fees and associated costs and other exceptional operating costs was £8.1m an increase of 37% from the previous year. The Board considers this a good result.

The strategy the Board operates is to ensure that the Club has a high quality squad capable of challenging for domestic and European honours. In the five years to the end of 1996 substantial investment was made in implementing this strategy to take Newcastle United from the bottom of the old Division Two to become one of the leading Premier League clubs. With the base of the squad now established, transfer costs will be funded after taking into account the maintenance of a return to shareholders and an adequate level of Balance Sheet reserves.

Profit before tax improved to £8.3m from a loss the previous year of £23.6m. The comparative figure includes the substantial transfer costs incurred in 1995/96. Net interest costs fell to £1.2m following the repayment of borrowings and the establishment of cash reserves after the flotation.

Newcastle United Football Company Limited has substantial tax losses brought forward resulting in a low provision for tax in the year. The resulting profit after tax attributable to shareholders is £8.0m and after dividend £7.3m has been transferred to reserves.

BALANCE SHEET

The net assets at the end of the year were: Group £16.2m; Company £56.8m. The position changed significantly in the year as a result of the £49.9m capital raised, net of expenses. The principal fixed asset of the Group is St James' Park. There are no amounts recognised in the balance sheet for player registrations.

The Group adopts conservative accounting policies and practices. Transfer fees payable or receivable and signing on fee costs are taken to the profit and loss account in full in the year the transfer takes place.

CASH FLOW

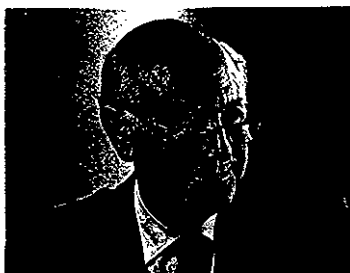
The year end net cash position is strong at £31.3m. The proceeds of flotation have been used to repay borrowings of £16.2m (secured) and £14.4m (unsecured). The Board has earmarked up to £10m for capital investment in a Soccer Academy.

The Group benefits from high quality revenue streams from its operating activities. Due to the number of season tickets, 93% of the Premier League gate receipts for the 1997/98 season were received before the year end. This strong cash flow, together with ongoing profitability in the current year, positions the Group well to fund future capital projects.

JO DIXON
FINANCE DIRECTOR



BOARD OF DIRECTORS



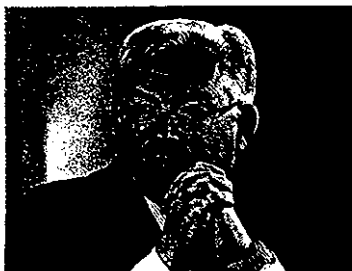
SIR TERENCE HARRISON DL
NON-EXECUTIVE CHAIRMAN

Appointed as Non-Executive Chairman in February 1997. Also Chairman of Alfred McAlpine PLC. Age 64.



WILLIAM FREDERICK SHEPHERD
NON-EXECUTIVE DEPUTY CHAIRMAN

Appointed a director of the Company in 1991 and will become Chairman of the Football Company in December 1997. Currently Chairman of Shepherd Offshore plc and a director of The Sporting Club Limited. Age 55.



ALFRED OLDING FLETCHER
CHIEF EXECUTIVE

Appointed Chief Executive of the Football Company in 1992. Joint Chief Executive of Newcastle United PLC in December 1996 and sole Chief Executive in July 1997. Previously Commercial Director of Greenock Morton Football Club and Glasgow Rangers, Scottish League Treasurer and on the Board of the Scottish FA. Age 56.



JOSEPHINE DIXON ACA
FINANCE DIRECTOR

Appointed to the Board in December 1996 as Finance Director having joined the Company in May 1995. Previously a senior executive of National Westminster Bank Plc. Age 38.



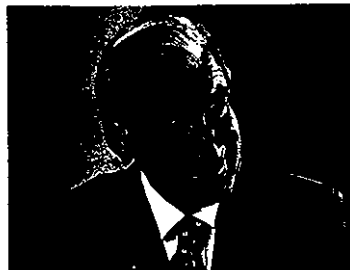
RUSSELL JONES
PROPERTY DIRECTOR

Appointed as a director of the Company in 1992. Also Managing Director of Cameron Hall Developments Limited and a director of The Sporting Club Limited. Age 52.



DOUGLAS STUART HALL
NON-EXECUTIVE DIRECTOR

Appointed a director of the Company in 1991. He is the Chairman of Cameron Hall Developments Limited and a director of The Sporting Club Limited. Age 39.



DENIS PATRICK CASSIDY
NON-EXECUTIVE DIRECTOR

Appointed Non-Executive Director in February 1997. He is currently Chairman of Liberty PLC, Ferguson International PLC and The Oliver Group Plc and a non-executive director of Compass Group PLC. Age 64.



JOHN CHARLES MAYO ACA
NON-EXECUTIVE DIRECTOR

Appointed Non-Executive Director in February 1997. He is currently Finance Director of The General Electric Company PLC and a non-executive director of Pentland Group PLC. Age 41.



DIRECTORS' REPORT

The directors of Newcastle United PLC present their annual report for the year ended 31 July 1997, together with the accounts of the Group and the auditors' report for the year. These will be laid before the shareholders at the annual general meeting to be held on Monday 1 December 1997.

RE-REGISTRATION

The Company re-registered as a public limited company on 25 February 1997.

RESULTS AND DIVIDENDS

The profit after taxation and dividends of £7.3m (1996: Loss £23.3m) has been retained and transferred to reserves. The Board has recommended a final net dividend of 0.5p per ordinary share which, subject to approval at the annual general meeting, will be paid on 15 December 1997 to shareholders on the register at the close of business on 31 October 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A review of the business of the Group for the financial year and of likely future developments is set out in the Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 2 to 6.

DIRECTORS

Details of the directors of the Company who served during the year and their interests in the shares of the Company are shown in the report of the Remuneration Committee on pages 10 to 13. Brief biographical details of the directors are contained on page 7.

In accordance with the articles of association of the Company, Mr D S Hall and Mr W F Shepherd retire as directors of the Company at the annual general meeting and, each being eligible, offers himself for re-election.

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 the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and 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 the Group 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 Company and the Group and to prevent and detect fraud and other irregularities.

STATEMENT OF AUDITORS' RESPONSIBILITIES

Company law requires auditors to form an independent opinion on the accounts presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the companies in the Group have maintained proper accounting records;
- that the accounts are in agreement with the accounting records;
- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and



DIRECTORS' REPORT

- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the directors' report. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the directors' report are inconsistent with the accounts.

EMPLOYMENT AND HEALTH AND SAFETY POLICIES

It is the Group's policy that there should be no discrimination against any person on the grounds of race, sex, religion or otherwise.

In accordance with the Group's equal opportunity policy, disabled people are given the same consideration as others when they apply for a job. Depending on their skills and abilities, they enjoy the same career prospects and scope for realising their potential as other employees. If an existing employee becomes disabled, reasonable steps are taken to retain him/her in employment.

Within the bounds of commercial confidentiality, staff are kept reasonably informed of matters that affect the progress of the Group and are of interest to them as employees.

The Company has introduced a Sharesave Scheme to encourage the involvement of employees in the Group's performance.

The Group maintains its own health and safety and environmental policies covering its activities. Adherence to these policies is monitored on a regular basis.

PAYMENTS TO SUPPLIERS

The Group does not have a standard creditor payment policy but seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment, which will be agreed with suppliers when the details of each transaction are settled. The Group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders. Transfer fees and similar transactions are such that any calculation of the number of creditor days would prove meaningless.

SUBSTANTIAL INTERESTS

In addition to the interests of certain of the directors set out in the Remuneration Committee Report on pages 10 to 13, the only interest in over 3 per cent of the Company's issued share capital of which the Company has been notified as at 20 October 1997 is the interest of Leonard Hatton in 5,161,910 ordinary shares (3.6%).

POLITICAL AND CHARITABLE DONATIONS

The Group's charitable donations for the year amounted to £31,252 (1996: £20,000). There were no political contributions (1996: £Nil).

AUDITORS

At the request of the Board, the Group's previous auditors, KPMG, resigned on 26 June 1997 and Arthur Andersen were appointed auditors. The Board wish to thank KPMG for their many years service advising and auditing the Group.

Arthur Andersen have expressed their willingness to continue in office as auditors of the Group and a resolution to propose their re-appointment and to authorise the directors to agree their remuneration will be put to the annual general meeting.

ANNUAL GENERAL MEETING

The notice of the annual general meeting to be held on Monday 1 December 1997 is set out on page 37.

BY ORDER OF THE BOARD,
A B Price,
Company Secretary,
St. James' Park,
Newcastle upon Tyne NE1 4ST.
20 October 1997.



REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION AND FUNCTION

The Remuneration Committee was formed on 27 February 1997 and comprises all the non-executive directors of the Company, other than Mr D S Hall. It considers all aspects of the executive directors' remuneration and administers the Company's executive share option schemes. The remuneration of the non-executive directors is considered by the Board following recommendations by the executive directors.

COMPLIANCE

The Company has, since its admission to the London Stock Exchange, complied with Section A of the best practice provisions on directors' remuneration annexed to the London Stock Exchange Listing Rules. In framing its remuneration policy the Remuneration Committee has also given full consideration to all of the matters referred to in Section B of the best practice provisions.

REMUNERATION POLICY

TOTAL REMUNERATION

The objective of the Company's remuneration policy is to retain and motivate high calibre senior executives through competitive pay arrangements which are also in the best interests of the shareholders.

THE MAIN COMPONENTS

The main components of the remuneration package for executive directors are basic salary, annual bonus, benefits and share options.

(i) Basic Salary

Basic salary for each director is determined by the Remuneration Committee, taking into account performance of the individual and the Group, together with experience and responsibilities and the salaries for similar positions and responsibilities in comparable companies. The basic salary is reviewed in December each year.

(ii) Annual Bonus

The annual bonus is awarded at the discretion of the Remuneration Committee and is designed to reward executives for their efforts in the performance of the Group. The service contract for Mr A O Fletcher provides that his annual bonus will not be less than 50 per cent but not more than 100 per cent of his basic salary.

(iii) Benefits

Full time executive directors are provided with pension contributions of 10% of basic salary, company car, medical insurance and permanent health insurance. Pensionable earnings exclude annual bonus and benefits. Mr R Jones receives a pension contribution of 10% of basic salary.

(iv) Share Options

The Company believes that share ownership strengthens the link between personal interests and those of shareholders and encourages long-term improvement in the Group's performance.

The Remuneration Committee is responsible for supervising the Company's Approved Share Option Plan 1997 and Unapproved Share Option Plan 1997 which were adopted on 27 February 1997. No options have been granted under the Approved Share Option Plan.



REPORT OF THE REMUNERATION COMMITTEE

Details of options granted to directors under the Unapproved Share Option Plan 1997 and the Sharesave Scheme are set out below.

DIRECTORS' SHARE OPTIONS

	Number of Options Granted	Options Exercised	Exercise Price	Exercise Period
UNAPPROVED PLAN				
A O Fletcher	711,111	-	135p	27.02.2000 - 26.02.2004
J Dixon	266,666	-	135p	27.02.2000 - 26.02.2004
R Jones	177,777	-	135p	27.02.2000 - 26.02.2004
SHARESAVE SCHEME				
A O Fletcher	7,048	-	138 ¹ / ₃ p	30.04.2000 - 31.10.2000

The middle market price of the Company's shares on admission to the London Stock Exchange on 2 April 1997 was 135p and at close of business on 31 July 1997 was 124p. The highest middle market price of the Company's shares during the period from 2 April 1997 to 31 July 1997 was 140p, the lowest was 113¹/₂p.

DIRECTORS' INTERESTS

The interests (all of which are beneficial) of the directors who held office at the end of the year, and those of their families, in the ordinary shares of the Company on 1 August 1996 (or later date of appointment) and 31 July 1997 which have been notified by each director pursuant to Section 324 of the Companies Act 1985 were as follows:

	NOTES	1997 ordinary shares of 5p each	1996 ordinary shares of 50p each
Sir Terence Harrison		37,037	-
W F Shepherd	1	11,169,370	1,042,863
A O Fletcher		7,407	-
J Dixon		14,814	-
R Jones		58,037	-
D S Hall	2	82,797,610	8,187,687
D P Cassidy		18,518	-
J C Mayo		18,518	-

Notes:

- (1) The shares include 10,428,630 ordinary shares of 5p each (1996: 1,042,863 ordinary shares of 50p each) owned by Shepherd Offshore plc, a company connected with W F Shepherd.
- (2) These shares include 81,776,870 ordinary shares of 5p each (1996: 8,177,687 ordinary shares of 50p each) owned by Cameron Hall Developments Limited, a company connected with D S Hall.

The Company is not aware of any changes in these interests in the period to 20 October 1997.



REPORT OF THE REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 31 July 1997 was as follows:

	Salary/Fees £	Taxable benefits £	Annual bonuses £	Money purchase pension contributions £	1997 Total £	1996 Total £
EXECUTIVE						
A O Fletcher	106,667	8,070	53,333	10,667	178,737	-
M A Corbridge	96,410	7,085	-	9,641	113,136	-
J Dixon ACA	60,000	5,791	-	6,000	71,791	-
R Jones	40,000	319	-	4,000	44,319	75,000
Sir John Hall	-	548	-	-	548	836,803
NON-EXECUTIVE						
Sir Terence Harrison*	18,750	-	-	-	18,750	-
W F Shepherd**	14,583	2,747	-	-	17,330	750,000
D S Hall	14,583	336	-	-	14,919	793,612
D P Cassidy	14,583	-	-	-	14,583	-
J C Mayo ACA	14,583	-	-	-	14,583	-
Aggregate Emoluments	380,159	24,896	53,333	30,308	488,696	2,455,415

*Non-Executive Chairman

**Non-Executive Deputy Chairman

A O Fletcher and J Dixon were appointed to the Board on 1 December 1996. Sir Terence Harrison, D P Cassidy and J C Mayo were appointed to the Board on 27 February 1997.

Sir John Hall resigned as a director of the Company on 24 February 1997 and has announced that he will retire as a director and Chairman of Newcastle United Football Company Limited on 1 December 1997.

In addition to the above remuneration, Cameron Hall Developments Limited paid the following sums to certain directors in recognition of the part they had played in the recent development of Newcastle United:

A O Fletcher	£750,000
M A Corbridge	£300,000
J Dixon	£100,000

M A Corbridge was appointed a director of the Company on 1 December 1996 and resigned as a director on 7 July 1997. In addition to his emoluments shown above, M A Corbridge was paid £400,000 by the Company following his resignation.



REPORT OF THE REMUNERATION COMMITTEE

Remuneration paid to each of Sir John Hall, W F Shepherd and D S Hall included in the 1996 comparative figures reflect the significant contribution of those directors in the management of the Group since June 1992, for which they had previously received no payment.

SERVICE CONTRACTS

The service contract for A O Fletcher is for an initial term ending on 2 April 2000. The agreement is terminable upon two years notice to be given by the Company or six months notice by Mr Fletcher, such notice to expire at any time on or after 2 April 2000. The contract for Mr Fletcher replaced a previous contract which had a longer fixed term.

The service contracts for J Dixon and R Jones are for an initial period ending on 30 November 1998. The agreement is terminable upon 12 months' notice to be given by the Company or the executive, to expire at any time after 30 November 1998.

Each of the non-executive directors has been engaged for a term of three years from 27 February 1997.

ON BEHALF OF THE BOARD,
Sir Terence Harrison,
Chairman,
Remuneration Committee.
20 October 1997.



STATEMENT OF CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the requirements of the Code of Best Practice on the Financial Aspects of Corporate Governance in the period since the admission of the Company to the London Stock Exchange.

INTERNAL FINANCIAL CONTROL

The Board has overall responsibility for ensuring that the Group maintains a system of internal financial control to provide it with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system that operated throughout the period covered by the financial statements are as follows:

- Financial reporting within a comprehensive system of budgeting and forecasting and detailed periodic review of actual results with budget.
- Procedures for the appraisal, review and authorisation of capital and other expenditure.
- The directors have put in place an organisation structure appropriate for the size of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the accounts.

REPORT OF THE AUDITORS TO NEWCASTLE UNITED PLC ON CORPORATE GOVERNANCE MATTERS.

In addition to our audit of the financial statements, we have reviewed the directors' statements above concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

OPINION

With respect to the directors' statements on internal financial control and going concern above, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement above, appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Arthur Andersen

Arthur Andersen, Chartered Accountants,
Newcastle upon Tyne,
20 October 1997.



AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF NEWCASTLE UNITED PLC

We have audited the financial statements on pages 16 to 36, which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings on the basis of the accounting policies set out on pages 20 and 21. We have also examined the amounts disclosed relating to the emoluments and share options of the directors which form part of the report to shareholders by the Remuneration Committee on pages 10 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 8, the Company's directors are responsible for the preparation of financial statements and 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 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 of the state of affairs of the Company and of the Group as at 31 July 1997 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

*Arthur Andersen, Chartered Accountants and Registered Auditors,
Newcastle upon Tyne,
20 October 1997.*



GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 July 1997

	NOTE	1997 £000	1996 £000
TURNOVER			
<i>Continuing Operations</i>	2	41,134	28,970
<i>Discontinued Operations</i>	2	-	13,192
		41,134	42,162
OPERATING EXPENSES			
		(33,029)	(41,350)
OPERATING PROFIT/(LOSS) BEFORE NET TRANSFER FEES & ASSOCIATED COSTS			
<i>Continuing Operations</i>	3	8,105	3,639
<i>Discontinued Operations</i>	3	-	(2,827)
		8,105	812
NET TRANSFER FEES & ASSOCIATED COSTS	7	1,436	(27,596)
OPERATING PROFIT/(LOSS) AFTER NET TRANSFER FEES & ASSOCIATED COSTS			
<i>Continuing Operations</i>	3	9,541	(23,957)
<i>Discontinued Operations</i>	3	-	(2,827)
		9,541	(26,784)
<i>Exceptional items reported after operating profit/(loss)</i>		-	5,576
<i>Income from discontinued interest in associated undertaking</i>		-	(162)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		9,541	(21,370)
<i>Interest payable & similar charges, net</i>	4	(1,239)	(2,234)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	8,302	(23,604)
<i>Taxation</i>	8	(268)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		8,034	(23,604)
<i>Minority interests</i>		-	259
PROFIT/(LOSS) FOR THE YEAR		8,034	(23,345)
<i>Dividends</i>	9	(716)	-
RETAINED PROFIT/(LOSS) FOR THE YEAR		7,318	(23,345)
Earnings/(loss) per share			
	10	6.9p	(22.6)p

There are no recognised gains or losses in either year other than the profit/(loss) for each year.

There are no material differences between the result disclosed above and the result as given on an unmodified historical cost basis.

The accompanying notes are an integral part of this Group profit and loss account.



GROUP AND COMPANY BALANCE SHEETS

at 31 July 1997

	NOTE	Group		Company	
		1997 £000	1996 £000	1997 £000	1996 £000
FIXED ASSETS					
Tangible assets	11	33,314	32,632	-	-
Investments	12	-	-	60,627	3,995
		33,314	32,632	60,627	3,995
CURRENT ASSETS					
Stocks	13	1,518	943	-	-
Debtors	14	11,086	5,519	58	197
Cash at bank and in hand		31,438	5	14,581	22,346
		44,042	6,467	14,639	22,543
CREDITORS: amounts falling due within one year	15	(22,449)	(43,482)	(18,493)	(23,709)
NET CURRENT ASSETS/(LIABILITIES)		21,593	(37,015)	(3,854)	(1,166)
TOTAL ASSETS LESS CURRENT LIABILITIES		54,907	(4,383)	56,773	2,829
CREDITORS: amounts falling due after more than one year	16	(8,763)	(10,093)	-	-
DEFERRED INCOME	18	(29,970)	(26,588)	-	-
NET ASSETS/(LIABILITIES)		16,174	(41,064)	56,773	2,829
CAPITAL AND RESERVES					
Called up share capital	19	7,162	5,162	7,162	5,162
Share premium account	20	47,920	-	47,920	-
Profit and loss account	20	(38,908)	(46,226)	1,691	(2,333)
SHAREHOLDERS' FUNDS		16,174	(41,064)	56,773	2,829

These financial statements were approved by the Board of directors on 20 October 1997 and were signed on its behalf by:

SIR TERENCE HARRISON
CHAIRMAN

J DIXON
FINANCE DIRECTOR

The accompanying notes are an integral part of these Group and Company balance sheets.



GROUP CASH FLOW STATEMENT

for the year ended 31 July 1997

	NOTE	1997 £000	1996 £000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	23	9,244	(9,748)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	24	(1,405)	(2,208)
TAXATION		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	24	(1,853)	(2,876)
ACQUISITIONS AND DISPOSALS		-	3,212
EQUITY DIVIDENDS PAID		-	-
<i>Cash inflow/(outflow) before use of liquid resources and financing</i>		5,986	(11,620)
MANAGEMENT OF LIQUID RESOURCES		-	-
FINANCING			
Net inflow from issue of shares	24	49,920	-
(Decrease)/increase in debt	24	(18,768)	7,519
<i>Increase/(decrease) in cash in the year</i>		37,138	(4,101)

The accompanying notes are an integral part of this Group cash flow statement.



RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 July 1997

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
PROFIT/(LOSS) FOR THE YEAR	8,034	(23,345)	4,740	(1,876)
Dividends	(716)	-	(716)	-
New share capital subscribed (net)	49,920	-	49,920	-
Goodwill arising on acquisitions	-	1,257	-	-
Goodwill taken to profit and loss account on disposals	-	(57)	-	-
NET MOVEMENT IN SHAREHOLDERS' FUNDS	57,238	(22,145)	53,944	(1,876)
Opening shareholders' funds	(41,064)	(18,919)	2,829	4,705
CLOSING SHAREHOLDERS' FUNDS	16,174	(41,064)	56,773	2,829



NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

A summary of the principal accounting policies of the Group is set out below:

(a) Basis of accounting

The financial information is prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with applicable accounting standards.

(b) Basis of consolidation

The financial information consolidates the accounts of Newcastle United PLC and those of its subsidiary undertakings.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is transferred to a separate goodwill reserve.

On the subsequent disposal of a previously acquired business the profit and loss on disposal includes the gross amount of any related goodwill previously transferred to the goodwill reserve.

In accordance with Section 230(4) of the Companies Act 1985, Newcastle United PLC is exempt from the requirement to present its own profit and loss account. The Company's profit/(loss) for the financial year, determined in accordance with the Act, was £4,024,000. (1996: loss (£1,876,000)).

(c) Turnover

Turnover represents all income arising from the ordinary activities of the Group and excludes transfer fees receivable and value added tax.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation.

The rates of depreciation applied by the Group are calculated to write off the cost or valuation of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Long leasehold property	Over the unexpired term of the lease
Fixtures and equipment	3-15 years
Motor vehicles	4 years

No depreciation is provided on freehold land.

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on the estimated selling price. Provision is made for obsolete, slow-moving or defective items where appropriate.

(f) Players' transfers

Amounts payable or receivable in respect of players' transfers, together with their associated costs, are recognised in the profit and loss account in the period in which the transfer occurs. Amounts payable in respect of players' transfers include both transfer and signing on fees and the associated costs include the Football League levy payable, net of any rebates received.

(g) Deferred income

Deferred income comprises amounts received from capital grants, sponsorship, bond and season ticket income. Capital grants are released to the profit and loss account on a straight-line basis over the estimated useful life of the assets to which they relate. Other deferred income is released to the profit and loss account on a straight-line basis over the period to which it relates.



NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

(h) Taxation

The charge for taxation is based upon the result for the year and takes into account taxation deferred through timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation except to the extent that it is probable that such taxation will not become payable.

(i) Leases

Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term.

2. TURNOVER

	1997 £000	1996 £000
Continuing operations		
Match	17,475	13,464
Television	8,030	3,541
Football	25,505	17,005
Sponsorship	6,601	4,918
Branded Products	9,028	7,047
Commercial	15,629	11,965
	41,134	28,970
Discontinued operations	-	13,192
	41,134	42,162

The origin and destination of all turnover is the United Kingdom.

The directors consider that it would be prejudicial to disclose profit before tax and net assets by activity.



NOTES TO THE ACCOUNTS

3. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	1997			1996		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
TURNOVER	41,134	-	41,134	28,970	13,192	42,162
Cost of sales (retail)	(5,173)	-	(5,173)	(4,461)	(4,064)	(8,525)
Administrative expenses	(27,856)	-	(27,856)	(18,638)	(11,955)	(30,593)
OPERATING PROFIT/(LOSS) BEFORE NET TRANSFER FEES AND ASSOCIATED COSTS & OTHER EXCEPTIONAL OPERATING COSTS	8,105	-	8,105	5,871	(2,827)	3,044
Other exceptional operating costs	-	-	-	(2,232)	-	(2,232)
OPERATING PROFIT/(LOSS) BEFORE NET TRANSFER FEES AND ASSOCIATED COSTS	8,105	-	8,105	3,639	(2,827)	812
Net transfer fees and associated costs (note 7)	1,436	-	1,436	(27,596)	-	(27,596)
OPERATING PROFIT/(LOSS) AFTER NET TRANSFER FEES AND ASSOCIATED COSTS	9,541	-	9,541	(23,957)	(2,827)	(26,784)

Other exceptional operating costs relate to bonuses paid to certain directors in 1996. Further details are given in the Report of the Remuneration Committee on pages 10 to 13.

In July 1996, the Company disposed of investments in a number of subsidiaries and assets and liabilities relating to other sporting activities and catering operations to The Sporting Club Limited, a fellow subsidiary of Cameron Hall Developments Limited. This transaction is reflected in the accounts for 1996 and the comparative analysis above outlines the split of continuing and discontinued operations.



NOTES TO THE ACCOUNTS

4. INTEREST PAYABLE AND SIMILAR CHARGES, NET

	1997 £000	1996 £000
On bank loans, overdrafts and other loans	1,256	1,612
On amounts owed to Group undertaking	379	419
On all other loans	-	12
Finance charges payable in respect of finance leases and hire purchase contracts	267	244
	1,902	2,287
Interest receivable	(663)	(53)
	1,239	2,234

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £000	1996 £000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration:		
Audit - Arthur Andersen	30	-
Other services - Arthur Andersen	28	-
Audit - KPMG	33	41
Other services - KPMG	58	248
Depreciation and other amounts written off tangible fixed assets:		
Owned	358	1,323
Leased	849	653
Hire of plant and machinery - rentals payable under operating leases	223	152
Hire of other assets - operating leases	406	2,000
Profit/(loss) on sale of tangible fixed assets	(8)	297
Capital grants amortisation	(98)	(98)
Rents receivable	-	(217)

In addition to amounts disclosed above, the Group paid £117,000 to Arthur Andersen as reporting accountants on the flotation, the cost of which is included in expenses of the share issue (Note 24).



NOTES TO THE ACCOUNTS

6. DIRECTORS & EMPLOYEES

The average number of employees, including executive directors, during the year was

	1997	1996
	Number of employees	
<i>Football Club:</i>		
<i>Full time</i>	199	162
<i>Part time</i>	117	845
<i>Catering</i>	-	799
<i>Other Sports</i>	-	77
	316	1,883

The aggregate payroll costs of these employees were as follows:

	1997	1996
	£000	£000
<i>Wages and salaries</i>	15,932	18,121
<i>Social security costs</i>	1,448	1,522
<i>Other pension costs</i>	107	103
	17,487	19,746

All payroll costs including wages and salaries, and signing on fees payable in the year for 1997 relate to continuing operations (1996: £14,311,000). A detailed breakdown of individual directors emoluments is contained in the Report of the Remuneration Committee on page 12.

7. NET TRANSFER FEES AND ASSOCIATED COSTS

	1997	1996
	£000	£000
<i>Transfer and signing on fees payable and associated costs</i>	15,175	33,637
<i>Transfer fees receivable</i>	(16,101)	(5,623)
<i>Football League levy rebate received</i>	(510)	(418)
	(1,436)	27,596

8. TAXATION

The Group had unrelieved UK corporation tax losses of approximately £29,000,000 at the end of the year.

	1997	1996
	£000	£000
<i>UK Corporation Tax</i>	268	-

Losses in the Company amounting to £1.8m (included in the £29m noted above) have not yet been agreed by the Inland Revenue. In arriving at the above tax charge, the Group has not taken the benefit of these losses.



NOTES TO THE ACCOUNTS

9. DIVIDENDS

	1997 £000	1996 £000
<i>Final - 0.5 pence per share (1996-nil)</i>	716	-

10. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the profit/(loss) for the year and on the weighted average number of ordinary shares in issue and ranking for dividend in the year.

	1997	1996
<i>Profit/(loss) for the year (£000)</i>	8,034	(23,345)
<i>Weighted average number of shares (000)</i>	116,572	103,238

Adjusted Earnings per share

The calculation of adjusted earnings per share is based on the profit/(loss) for the year excluding net transfer fees and associated costs and other exceptional operating costs on continuing operations, and on the weighted average number of ordinary shares in issue and ranking for dividend in the year. The directors believe that this gives a better indication of underlying performance.

The reconciliation of the profit/(loss) for the year to the profit used in calculating the adjusted earnings per share is set out in the table below:

	1997 £000	1996 £000
PROFIT/(LOSS) FOR THE YEAR	8,034	(23,345)
<i>Adjustments required in respect of discontinued operations</i>		
<i>Loss from discontinued operations</i>	-	2,827
<i>Exceptional items reported after operating profit</i>	-	(5,576)
<i>Income from interest in associated undertaking</i>	-	162
<i>Minority interest</i>	-	(259)
<i>Exceptional operating costs</i>	-	2,232
	8,034	23,959
<i>Net transfer fees and associated costs</i>	(1,436)	27,596
<i>Profit for the year excluding net transfer fees and associated costs and other exceptional operating costs on continuing operations</i>	6,598	3,637
<i>Adjusted earnings per share</i>	5.7p	3.5p

Adjusted Earnings per share (proforma)

The calculation of proforma adjusted earnings per share, disclosed in the prospectus, is on the profit/(loss) for the year, on continuing operations, as adjusted for net transfer fees and associated costs and other exceptional operating costs, together with the net interest expense incurred during the year. The proforma adjusted earnings per share included in the prospectus for the year ended 31 July 1996 was 5.7p per share. The proforma adjusted earnings per share calculated on an equivalent basis for the year ended 31 July 1997 was 6.7p.



NOTES TO THE ACCOUNTS

11. TANGIBLE FIXED ASSETS

	Land & buildings £000	Fixtures & equipment £000	Motor vehicles £000	Total £000
GROUP				
Cost or valuation				
At beginning of year	32,441	2,901	412	35,754
Additions	1,128	763	10	1,901
Disposals	-	-	(51)	(51)
At end of year	33,569	3,664	371	37,604
Depreciation				
At beginning of year	1,522	1,425	175	3,122
Charge for year	528	582	97	1,207
On disposals	-	-	(39)	(39)
At end of year	2,050	2,007	233	4,290
Net book value				
At 31 July 1997	31,519	1,657	138	33,314
At 31 July 1996	30,919	1,476	237	32,632

Included within fixed assets are assets held under finance leases with the following net book values: land and buildings £3,045,000 (1996: £3,314,000), fixtures and fittings £720,000 (1996: £278,000) and motor vehicles £108,000 (1996: £180,000).

Included within the cost of land and buildings at 31 July 1997 are costs of £754,000 associated with stadium development. These costs are treated as assets in the course of construction. At 31 July 1996 assets in the course of construction amounted to £709,000, relating to work being carried out at St. James' Park. Assets in the course of construction have not been depreciated.

The net book value of land and buildings comprises:

	1997 £000	1996 £000
Freehold	203	203
Long leasehold	31,316	30,715
Short leasehold	-	1
	31,519	30,919

Particulars relating to assets which have been revalued are given below:

Land and buildings		
At 1993 valuation	15,000	15,000
Aggregate depreciation thereon	(1,444)	(1,066)
Net book value	13,556	13,934
Historical cost of revalued assets	14,711	14,711
Aggregate depreciation based on historical cost	(3,132)	(2,776)
Historical cost net book value	11,579	11,935

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



NOTES TO THE ACCOUNTS

12. INVESTMENTS

	£000	£000
Shares in subsidiary undertakings at cost		
Cost at beginning of period	3,995	3,995
Shares acquired at cost	56,632	-
Cost at end of period	60,627	3,995

The Company owns 100% of the issued share capital of Newcastle United Football Company Limited, a company registered in England and Wales. The principal activity of this company is that of a professional football club.

On 7 October 1996, the Company subscribed for two additional shares at a premium of £44.632m. This was completed in order to facilitate the elimination of the accumulated deficit on the profit and loss account of Newcastle United Football Company Limited.

On 2 July 1997, the Company subscribed for 12,000,000 redeemable shares of £1 in Newcastle United Football Company Limited.

During the year ended 31 July 1997 the Company acquired a 100 per cent interest in the issued share capital of the following companies:

Company	Date of Incorporation	Principal Activity
Newcastle United 1892 Limited	20 November 1996	Dormant
Newcastle United Sportswear Limited	17 December 1996	Dormant
The Football Channel Limited	17 December 1996	Dormant
Newcastle United Employment Limited	6 January 1997	Dormant
Newcastle United Group Limited	20 January 1997	Dormant
Newcastle United Entertainment Limited	21 January 1997	Dormant
Newcastle United Enterprises Limited	21 January 1997	Dormant
Newcastle United Television Limited	21 January 1997	Dormant
Newcastle United Licensing Limited	21 January 1997	Dormant
Newcastle United Sports Limited	21 January 1997	Dormant
Newcastle United Holdings Limited	21 January 1997	Dormant
Newcastle United Publications Limited	21 January 1997	Dormant
Newcastle United Catering Limited	21 January 1997	Dormant
Newcastle United Promotions Limited	21 January 1997	Dormant
Newcastle United Telecoms Limited	24 January 1997	Dormant
Newcastle United Ventures Limited	21 January 1997	General Commercial

With the exception of Newcastle United Football Company Limited, the issued share capital of each company is £2.

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



NOTES TO THE ACCOUNTS

13. STOCKS

	Group	
	1997	1996
	£000	£000
Goods for resale	1,518	943

14. DEBTORS

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Trade debtors	9,326	2,690	-	-
Other debtors	459	1,100	6	-
Prepayments and accrued income	1,132	1,513	52	142
Amounts owed by ultimate parent undertaking	-	-	-	55
Amounts owed by fellow subsidiary undertakings	169	216	-	-
	11,086	5,519	58	197

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank overdraft	-	5,705	-	-
Bank loans	-	12,000	-	12,000
Term loans	46	264	-	-
Obligations under finance leases and hire purchase contracts	1,118	1,076	-	-
Trade creditors	7,323	13,074	4	-
Amounts owed to ultimate parent undertaking	-	4,029	-	-
Amounts owed to subsidiary undertaking	-	-	16,866	9,320
Amounts owed to fellow subsidiary undertakings	339	332	122	322
Taxation and social security	1,160	1,574	285	-
Other creditors	5,333	1,142	3	2,067
Proposed dividend	716	-	716	-
Accruals	6,414	4,286	497	-
	22,449	43,482	18,493	23,709



NOTES TO THE ACCOUNTS

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	1997	1996
	£000	£000
Trade creditors	2,300	3,750
Term loans	94	1,386
Obligations under finance leases and hire purchase contracts	1,297	1,672
Accruals	5,072	3,285
	8,763	10,093

Borrowings are analysed as follows:

(i) Bank loans

	Group	
	1997	1996
	£000	£000
Repayable within five years	-	12,000
Repayable after five years	-	-
	-	12,000
Due within one year	-	(12,000)
	-	-

(ii) Term loans

	Group	
	1997	1996
	£000	£000
Repayable within five years	130	1,619
Repayable after five years	10	31
	140	1,650
Due within one year	(46)	(264)
	94	1,386

One term loan falls partly due for repayment after more than five years. The outstanding balance of £114,583 is repayable in monthly instalments of £1,736. Interest is charged at the higher of 13% or 3% above base rate but has been waived because the Group has complied with certain conditions of the loan.

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

	Group	
	1997	1996
	£000	£000
Amounts payable:		
Within one year	1,118	1,076
In the second to fifth years	1,297	1,672
	2,415	2,748

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



NOTES TO THE ACCOUNTS

17. PROVISIONS FOR LIABILITIES AND CHARGES

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

	1997		1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	82	-	235	-
Other timing differences	-	(2,383)	-	(1,569)
UK corporation tax losses	(82)	(9,429)	(235)	(12,635)
	-	(11,812)	-	(14,204)

18 DEFERRED INCOME

	1997 £000	1996 £000
Capital grants	3,367	3,465
Other deferred income	26,603	23,123
	29,970	26,588

Other deferred income comprises sponsorship, bond, executive scheme and season ticket income.

The total movement on capital grants comprises:

	1997 £000	1996 £000
At 1 August 1996	3,465	3,277
Received during the year	-	286
Credited to profit and loss account	(98)	(98)
At 31 July 1997	3,367	3,465

19 SHARE CAPITAL

	1997		1996	
	Number	£000	Number	£000
Authorised				
Ordinary shares of 50p each	-	-	20,000,000	10,000
Ordinary shares of 5p each	200,000,000	10,000	-	-
	200,000,000	10,000	20,000,000	10,000
Allotted, called-up and fully paid				
Ordinary shares of 50p each -	-	-	10,323,825	5,162
Ordinary shares of 5p each	143,238,250	7,162	-	-
	143,238,250	7,162	10,323,825	5,162

On 24 February 1997 pursuant to a resolution of the shareholders of the Company each issued and unissued ordinary share of 50p in the capital of the Company was subdivided into ten ordinary shares of 5p each.

On 2 April 1997 the Company issued 40,000,000 ordinary shares of 5p each at 135p per share.



NOTES TO THE ACCOUNTS

20. RESERVES

	Share Premium Account £000	Profit & Loss Account £000
Group		
At 1 August 1996	-	(46,226)
Profit for the year	-	7,318
Premium on share issues	47,920	-
At 31 July 1997	47,920	(38,908)
Company		
At 1 August 1996	-	(2,333)
Profit for the year	-	4,024
Premium on share issues	47,920	-
At 31 July 1997	47,920	1,691

21. CONTINGENT LIABILITIES

The principal subsidiary undertaking, Newcastle United Football Company Limited, has submitted an application for planning permission to build a new stadium close to the existing St James' Park, which would then be remodelled into a commercial leisure complex. If the application is successful and the Group decides to proceed with the development, grant monies of £2,850,000 may, under certain circumstances, be repayable.

The FA Premier League Limited has agreed the principal terms of a new contract, with BSkyB which commenced at the start of the 1997/98 football season. The FA Premier League Limited has released an amount this year to Premier League football clubs to be treated as 1996/97 broadcasting income and £3,017,000 has been included in turnover for the year ended 31 July 1997. In the opinion of the directors this amount is not expected to be repayable.

Under the terms of certain contracts for the signing of players, additional amounts may become payable to other football clubs. The maximum unprovided liability which may arise in respect of these players at 31 July 1997 is £2,000,000 (1996: £1,350,000).



NOTES TO THE ACCOUNTS

22. COMMITMENTS

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

	1997 £000	1996 £000
Group		
Contracted	-	355

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

	Land and Building	
	1997 £000	1996 £000
Group		
Expiring after five years	413	309

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

23. RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER NET TRANSFER FEES AND ASSOCIATED COSTS TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	1997 £000	1996 £000
Operating profit/(loss) after transfer fees and associated costs	9,541	(26,784)
Depreciation	1,207	1,976
Profit/(loss) on disposal of tangible assets	(8)	297
Grants release	(98)	(98)
Increase in stocks	(575)	(368)
Increase in debtors	(5,520)	(2,505)
Increase in creditors	1,315	16,553
Increase in deferred income	3,382	1,181
Net cash inflow/(outflow) from operating activities	9,244	(9,748)



NOTES TO THE ACCOUNTS

24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1997 £000	1996 £000
Returns on investments and servicing of finance		
<i>Interest received</i>	616	53
<i>Interest paid</i>	(1,754)	(2,017)
<i>Interest element of finance leases and rental payments</i>	(267)	(244)
Net cash outflow from returns on investments and servicing of finance	(1,405)	(2,208)
Capital expenditure and financial investment		
<i>Purchase of tangible fixed assets</i>	(1,873)	(4,859)
<i>Sale of tangible fixed assets</i>	20	1,983
Net cash outflow from capital expenditure and financial investment	(1,853)	(2,876)
Acquisitions and disposals		
<i>Purchase of subsidiary undertaking</i>	-	(27)
<i>Sale of subsidiary undertakings</i>	-	3,239
Net cash inflow from acquisitions and disposals	-	3,212
Financing		
<i>Issue of ordinary share capital</i>	54,000	-
<i>Payments of expenses of share issue</i>	(4,080)	-
Net inflow from issue of shares	49,920	-
Debt due within one year:		
<i>Decrease in short term borrowings</i>	(4,029)	(1,944)
<i>Repayment of secured loan</i>	(13,510)	-
<i>New short term loans</i>	-	10,262
<i>Capital grants received</i>	-	286
<i>Capital element of finance lease rental payments</i>	(1,229)	(1,085)
<i>(Decrease)/increase in debt</i>	(18,768)	7,519
Net cash inflow from financing	31,152	7,519



NOTES TO THE ACCOUNTS

25. ANALYSIS OF NET FUNDS/(DEBT)

	At 1 August 1996 £000	Cash flow £000	Other non-cash changes £000	At 31 July 1997 £000
Cash in hand, at bank	5	31,433	-	31,438
Overdraft	(5,705)	5,705	-	-
	(5,700)	37,138	-	31,438
Debt due after 1 year	(1,386)	1,292	-	(94)
Debt due within 1 year	(16,293)	16,247	-	(46)
Finance leases	(2,748)	1,496	(1,163)	(2,415)
	(20,427)	19,035	(1,163)	(2,555)
Total	(26,127)	56,173	(1,163)	28,883

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	1997 £000	1996 £000
Increase in cash in the year	37,138	(4,101)
Cash outflow from decrease in debt and lease financing	19,035	(1,705)
Change in net debt resulting from cash flows	56,173	(5,806)
New finance leases	(1,163)	(3,248)
Movement in net funds in the year	55,010	(9,054)
Net debt at 1 August	(26,127)	(17,073)
Net funds at 31 July	28,883	(26,127)



NOTES TO THE ACCOUNTS

27. RELATED PARTY TRANSACTIONS

The Group's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them in the year ended 31 July 1997 are summarised below.

	Value of transactions with related parties in the year ended 31 July 1997 £000	Amounts owing to (owed by) the Group at 31 July 1997 £000
Ultimate parent undertaking - Cameron Hall Developments Limited		
Sales to ultimate parent on normal trading terms	45	-
Purchases from ultimate parent on normal trading terms	22	-
During the year the Group paid interest of £379,000 on a loan provided by its ultimate parent undertaking which has now been repaid in full. Interest on this loan was charged at 11% per annum.		
Fellow subsidiaries of the ultimate parent undertaking		
The Sporting Club Limited	-	(129)
Courtlands (Shopping Centres) Limited	-	21
Newcastle Cobras Limited	-	6
Newcastle Eagles (Basketball) Limited	-	4
Newcastle Rugby Football Club Limited	-	7
St James' Security Limited	-	(71)
Touchline Event Management Limited	-	(8)
Sales to fellow subsidiaries on normal trading terms	984	
Purchases from fellow subsidiaries on normal trading terms	1,456	

Tyne Port 2000 PLC is a company of which Mr D S Hall, Mr W F Shepherd and Mr R Jones are directors and in which Mr D S Hall and Mr W F Shepherd have indirect interests. Purchases of £22,500 were made in respect of staff seconded from Tyne Port 2000 PLC.

Shepherd Offshore plc is a company of which Mr W F Shepherd is a director and in which he has an interest. Sales of £43,123 and purchases of £4,650 were made by the Group to Shepherd Offshore plc during the year on normal trading terms.

The Group paid certain expenditure on behalf of Mr D S Hall in the period up to 31 January 1997 by way of quasi-loan. The amount outstanding at the beginning of the year was £nil and the amount outstanding at the end of year was £nil. The maximum amount outstanding during the period to 31 January 1997 was £18,868 after which time the arrangement for such a facility was terminated. These amounts were unsecured and interest free with no fixed repayment date.



NOTES TO THE ACCOUNTS

28. ULTIMATE PARENT

The Company is a subsidiary undertaking of Cameron Hall Developments Limited, a company 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. The accounts of this company are available from Companies House.

29. POST BALANCE SHEET EVENTS

On 12 August 1997 the Company subscribed for 9,318,000 redeemable shares of £1 each in Newcastle United Football Company Limited, increasing the investment in that company to £69,945,316. On 12 August 1997 the Company received a dividend from Newcastle United Football Company Limited of £3,797,000.

Subsequent to 31 July 1997, Newcastle United Football Company Limited transferred the registration of Peter Beardsley to Bolton Wanderers Football Club for £500,000 and acquired the registrations of John Barnes and Ian Rush on free transfers from Liverpool Football Club and Leeds United Football Club respectively.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held in the Milburn Stand, St. James' Park, Newcastle upon Tyne NE1 4ST on Monday 1 December 1997 at 10.30 am for the following purposes:

ORDINARY BUSINESS

1. To receive the financial statements for the year ended 31 July 1997 and the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 31 July 1997 of 0.5p (net) per ordinary share, payable to shareholders on the register at the close of business on 31 October 1997.
3. To re-elect Mr D S Hall as a director.
4. To re-elect Mr W F Shepherd as a director (Member of the Audit and Remuneration Committees).
5. To re-appoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, only those shareholders registered at 9.00am on 30 November 1997 will be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Subsequent changes to the register will be disregarded in determining the right of any person to attend and vote at the meeting.

By order of the Board

A B Price
Company Secretary
Newcastle United PLC
St James' Park
Newcastle upon Tyne
NE1 4ST
5 November 1997

Notes:

1. A member entitled to attend and vote may appoint another person (whether a member or not) as his/her proxy to attend and vote instead of him/her. A form of proxy is enclosed with this annual report for the use of members who are unable to attend the meeting and should be returned to the Company's Registrars not later than 48 hours before the time fixed for the meeting.
2. The register of directors' share interests and copies of directors' service contracts will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until 30 November 1997 and at the annual general meeting from 10.00am until its conclusion.

