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## Report to the Directors of Newcastle United Limited

In accordance with the terms of our engagement letter dated 17 February 1997, we have audited the financial statements on pages 2 to 28, which have been prepared under the historical cost accounting rules, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 8 to 10.

The financial statements have been prepared by, and are solely the responsibility of, the directors.

### 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, in connection with the proposed placing and public offer of shares of the company, a true and fair view of the state of affairs of the company and of the group as at 31 January 1997 and of the profit of the group for the six month period then ended and have been properly prepared in accordance with the Companies Act 1985 as if those requirements had applied to the financial statements, except that no Directors' Report is included.

KPMG

24 February 1997

