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Chairman's Statement

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THE LAST YEAR has seen a number of significant developments across the business. The stadium redevelopment has been completed on time and within budget, a strategic media alliance has been formed with NTL, a strong management team is in place and, most importantly, the football team is playing with increased confidence.

Our fortunes on the field improved dramatically during the season following Bobby Robson's appointment in September 1999. After a difficult start the team finished 11th in the Premier League and reached the semi-finals of the FA Cup, for the third year running.

### Financial

Turnover increased to £45.1m (1999: £44.7m), reflecting the net effect of a fall in match revenues, a decrease in branded product sales and increased TV revenues. During the year revenues were undoubtedly affected by the negative impact of our decision to ask a number of fans to move to alternative seats.

Match revenues decreased from £20.7m to £19.7m due to fewer FA Cup and Worthington Cup games being played at St. James' Park compared with the previous year together with the operation of a reduced ticket pricing policy for cup games. Television revenue increased by 45% to £13.1m (1999: £8.9m), principally reflecting the effect of the TV contract secured for the broadcasting rights for our UEFA Cup games.

Sponsorship revenue at £8.2m (1999: £9.0m), was adversely affected by league position related terms in one of our sponsorship agreements. Branded products sales totalled £4.2m (1999: £6.0m), reflecting the difficult market for leisure products. The level of sales of branded products has improved significantly following the successful launch of the new change strip in July 2000. Over 12,500 shirts have been sold through our outlets since the launch date; the best since 1997 when the Club finished as runners-up in the Premiership and qualified for the UEFA Champions League.

Operating profit before player trading was £0.8m (1999: £6.9m) as operating costs rose £6.5m to £44.3m, an increase of 17%. Exclusion of a number of exceptional operating costs from current and previous years figures result in an underlying cost increase of £4.2m (11%).

During the year the amortisation of acquired player registrations increased by 5% to £15.4m (1999: £14.6m). Overall the cost of player trading increased more than threefold to £19.9m (1999: £5.5m). The main reasons for this difference being a greatly reduced profit on disposal of player registrations, and a permanent diminution in net book values of certain squad members of £4.1m.

### Football management and playing squad

Performance on the field continues to be a key driver of the business and during the last twelve months we have made significant progress. Under Bobby Robson's management, the team moved from bottom of the Premiership table in September 1999 to finish in a creditable eleventh position. We also reached the semi-finals of the FA Cup, having been runners-up in this competition in the previous two years. Our progress has continued into the current season with the team currently well placed in the Premier League.

We are delighted that Bobby Robson has committed himself to the Club by signing a new one-year rolling contract. Bobby has also given the Club invaluable advice about the structure and operation of football matters on an on-going basis.

Significant work has been undertaken to review our squad requirements for the longer term, resulting in the sale of a number of players who did not feature in our plans. We are particularly pleased that our investment in youth in recent years is now reaping rewards, with several young players graduating to the first team squad. Brian Kerr, Stephen Caldwell, Jamie Coppinger and Folushowala Amoebi have all made first team debuts this season.

We are effectively managing our players' wage bill in a number of ways. We have recently renegotiated new, longer contracts for a number of key senior players whose contracts were due to expire in or before June 2002. Supporting the senior squad there is a strong base of talented young players in development. This has reduced the age profile of the squad to an average of 23 years. The majority of the players sold in recent months were relatively high earners and, as a consequence, the players wage costs have been significantly reduced going forward.

*Player acquisitions comprised:*
Christian Bassedas, Daniel Cordone, Carl Cort, Kevin Gallacher and Diego Gavilan with the acquisitions of Lomana LuaLua and Clarence Acuña post year-end.

*Player disposals comprised:*
Andreas Andersson, Franc Dumas, Silvio Maric, Lionel Perez, Alessandro Pistone and Paul Robinson with further sales post year-end of Duncan Ferguson, Steve Howey, Temuri Ketsbaia and Laurent Charvet.

Following a challenge mounted by the European Commission on the payment of transfer fees in professional football we are entering a period of uncertainty over the future of the existing system. The FA Premier League is seeking to have the status quo maintained, a view which the Board supports. Only when the outcome of this issue is known will the Board be in a position to make an informed judgement on the impact of any ruling and, in particular, of whether any adjustment will be required to the carrying value of player registrations.

**Stadium redevelopment**
We greeted the current season with a magnificent 52,000 seat stadium, one of the finest in Europe and the second largest Premier League ground. This was completed on time and within budget. All available season tickets (41,300) were sold this summer within four weeks of going on sale, as we satisfied more fans from the waiting list. In accordance with a promise made at the commencement of the overall project we have retained 2,500 seats across the range of prices which are available on a match-by-match basis for all supporters.

On average over 51,000 supporters have attended each of our home Premiership games so far this season; an increase of 41% compared to last season's average. The attendance for the first fixture of the current season against Derby County was 51,327, our highest attendance for almost 25 years.

In addition to the excellent match day facilities, the redeveloped St. James' Park boasts an impressive range of business and leisure facilities. Available seven days a week, these include:

- **Conference and Banqueting:** over 250,000 square feet incorporating a variety of hospitality suites. These facilities are already proving extremely popular with over 15,000 customers booking for Christmas 2000 functions;
- **The New Magpie Room restaurant:** a restaurant with a capacity of 160 covers;
- **Family Lounge:** at 8,000 square feet one of the largest family rooms of its kind in football;
- **Media and photography centre:** a suite of facilities designed to meet the needs of television, radio and press;
- **Study Support Centre:** a state-of-the-art multi media learning facility for local schools and public use.

The redeveloped St. James' Park will provide in excess of 1,000 car park spaces around the stadium. Working closely with the City Council, the car parks are also to be used for general city centre parking.

The stadium redevelopment required a number of fans to select alternative seats. We would like to thank the overwhelming majority of the fans affected who took up our offer of a new seat. That we were not able to reach agreement with all the fans affected is a matter of regret to the Board.

The stadium project was a tremendous achievement and the Board expresses its thanks to Russell Jones and all the staff for their work on this project over the last two years.

**Stadium redevelopment funding**

The balance sheet reflects an increase in long-term creditors relating to the completion of the stadium funding project. In September 1999 the Club repaid the outstanding balance of £14.7m on the Barclays Bank stadium redevelopment loan and cancelled the facility.

The facility was replaced by a successful private placement of £55m fixed interest senior notes securitised on future income from ticket sales and corporate hospitality receipts. The securitisation has a weighted average fixed interest rate of 7.43% and is repayable in equal annual instalments from 2001 to 2016.

**Board and management changes**

In April 2000 we were delighted to announce the appointment of David Stonehouse as Chief Executive. Following his appointment David and the rest of the Board have given careful consideration to the management team appropriate to drive the business forward. Les Wheatley resigned as Finance Director in April to take up a similar position at Liverpool FC. Given the needs of the business and David Stonehouse's own background as a Chartered Accountant, former partner of Price Waterhouse and finance director of quoted companies; a replacement Finance Director has not been appointed. Ken Slater, who has vast knowledge of the Club's finances as its Chief Accountant has taken the role of Financial Controller and is responsible for day to day control of financial matters.

Freddie Fletcher stepped down as Executive Chairman in June 2000 and resigned his Non-Executive role within the Board the following month. I was delighted to accept the role of Independent Non-Executive Chairman of the Company.

In July 2000 Michael Winskell who was a part-time Executive Director and Company Secretary also resigned. Russell Cushing, who already held the position of Company Secretary of our Football Club for almost 30 years agreed to assume the same role for the Company.

Within the evaluation of roles of management the Board has felt it appropriate to re-define the role of Freddy Shepherd. As Chairman of the Football Club, Freddy provides active and important input to football matters within the business. The Board feels such input is of sufficient significance as to be considered part-time Executive as opposed to Non-Executive.

Similarly Russell Jones' contribution is far wider than Property Director and he is also considered to be a part-time Executive Director.

These changes, coupled with a number of other changes already implemented and planned at management levels, provide the Board with confidence that the business is to be managed by people of appropriate skills and experience.

### Strategic media alliance

In December 1999 we announced that we had entered into a Media Alliance with Premium TV, a wholly owned subsidiary of NTL. During an initial five year term Premium TV will act as exclusive agent in relation to Newcastle United's media rights and certain other commercial rights and will have the exclusive right to run any Newcastle United television channel, web-site and internet related activities on terms to be agreed.

The Board believes that the TV and internet opportunities provide significant scope for value creation in future years and will be seeking to maximise this value to shareholders. These, combined with the strength of the Newcastle United brand, place the Company in a strong position.

NTL also became Newcastle United's main sponsor for a period of five years from the start of the 2000/01 season. Premium TV provided Newcastle United with an interest free loan facility of £25m, repayable after five years by the issue of ordinary shares in the Company. The first tranche of £10m was paid following the approval by shareholders of the Media Alliance, in January 2000. The remaining £15m is due from Premium TV on the first anniversary of the initial payment.

### Broadcasting rights

New contracts for the centrally held TV rights for live, recorded and Pay-per-View Premier League games were recently announced by the FA Premier League. These new agreements become effective from the 2001/02 season and provide the Premier League with £1.6 billion over the next 3 years. From the date they come into force, the new TV contracts will, annually, more than double the TV revenues available to the Premier League for distribution.

### Shareholding changes

In December 1999 Cameron Hall Developments Limited sold 25.2% of Newcastle United PLC's share capital to Wynyard (Guernsey) Limited, a trust run by independent trustees for the benefit of the Hall family. In addition, Cameron Hall Developments Ltd sold 4,729,260 shares and Douglas Hall 570,740 shares (the whole of his direct holding) to Premium TV at a price of 111.7p per share, representing 3.3% and 0.4% of the existing share capital of the Company. As a result of these share purchases, Premium TV's immediate shareholding in Newcastle United PLC increased to approximately 9.8% and the Cameron Hall Developments Limited shareholding reduced to 22.6%.

### Rewarding our stakeholders

In line with the majority of businesses in the football sector, the anticipated investment growth when the company floated in 1997 has not occurred for Newcastle United PLC. This is despite confirmed television revenues for the Premier League over the next three years, completion of our stadium redevelopment, which will improve underlying cash trends, new media opportunities, and an upturn in the team's fortunes.

Last year we asked shareholders to consider a scrip dividend alternative in lieu of a cash dividend. We thank those shareholders who accepted our offer at a time when the Company was investing heavily in the new stadium and keen to conserve cash.

The Board is pleased to announce its intention to reward both supporters and shareholders, recognising the value of their continued support. Firstly, following the modest increase in season ticket prices for 2000/01 (2.3%), the Board has decided to freeze all season ticket and package prices next season. Secondly, we are recommending an increase in the final dividend payable to shareholders from 1.16p to 2.04p per share.

Additionally, to demonstrate its confidence in the future cash generating capability of the Company, it is the Board's intention to provide shareholders with an appropriate level of return on their investment going forward, with the Board looking favourably, where possible, at further dividend growth in future years.

Our employees have also been affected by our continued investment in the Club. They have responded effectively and loyally as always. We thank them for their hard work and support.

### Working for our community

Once again I am very pleased to report the continued success of all of our community initiatives. Not only have our existing programmes gone from strength to strength but we have also made the bold step of implementing strategies that we believe will lead to us being universally recognised for our community activities.

Our 'Football In The Community' scheme continues to work with the region's schools and I am very pleased to report that a video prepared to showcase the important work we undertake in the community has been distributed to all Members of Parliament and the Club's sponsors in order to highlight our efforts. I mentioned earlier that we are already implementing strategies that we envisage will play a major part in the lives of both our younger and older fans. These include the development of a purpose built 'state-of-the-art' learning centre in the heart of the Milburn stand. In a unique partnership with the City Council and the Department for Education and Employment we are providing a learning environment that will accommodate about 1,000 pupils from our city schools and up to 500 adults to access information technology and online learning each week.

### Newcastle Breweries Limited

I would like to take this opportunity, on behalf of the Board, to thank Newcastle Breweries for their support as the Club's main sponsor over the last 20 years. We look forward to continuing our association with the brewery in their new role as the Club's founder sponsor.

### Outlook

The past year has provided a great number of challenges for the Company, and I believe that we can look to the future with considerable optimism. After eight years of redevelopment costing £75m, we now have a stadium which meets the aspirations of the Club and it's supporters.

We have in Bobby Robson, a manager of enormous experience who is laying the foundations for long-term success for Newcastle United. Changes in the playing squad have resulted in a better balanced and more motivated squad, delivering much improved performances on the pitch.

The new Premier League TV deal will come into effect at the start of the 2001/02 season and will provide significant additional financial benefits for all Premier League Clubs.

With the support of our magnificent fans, we believe that Newcastle United has an exciting future and has the potential to compete at the very highest level.

John Fender, *Chairman*

27 October 2000

## Directors and Advisers

**Directors**
John Lawrence Fender, *Independent Non-Executive Chairman*
David Coulson Stonehouse, *Chief Executive*
William Frederick Shepherd, *Part-time Executive Director*
Russell Jones, *Part-time Executive Director*
Douglas Stuart Hall, *Non-Executive Director*

**Company Registration Number**
2529667

**Company Secretary and Registered Office**
Russell Cushing,
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**
Hawkpoint Partners Limited,
4 Great St. Helens,
London EC3A 6HA

**Stockbrokers**
Beeson Gregory,
The Registry,
Royal Mint Court,
London EC3N 4EY

**Solicitors**
DLA,
Fountain Precinct,
Balm Green,
Sheffield S1 1RZ

**Bankers**
Barclays Bank Plc,
71 Grey Street,
Newcastle upon Tyne NE99 1LG

**Registrars and Transfer Office**
Lloyds TSB Registrars,
54 Pershore Road South,
Kings Norton,
Birmingham B22 1AD

## Financial Review

### Financial Highlights

| | 2000 | 1999 |
|---|---|---|
| | *£'m* | *£'m* |
| Turnover | 45.1 | 44.7 |
| Operating profit before player trading | 0.8 | 6.9 |
| Shareholders' funds | 36.4 | 54.5 |

### Accounting Policies

There have been no changes in the Group's accounting policies during the year. However, the introduction of Financial Reporting Standard No. 15 'Tangible Fixed Assets' has resulted in a change in the depreciation rate of stadium assets. The expected useful life of the stadium has been reduced from 99 years to 50 years, the maximum recommended under the standard, which has increased the depreciation charge for the year by £0.3m.

### Results

Turnover increased to £45.1m (1999: £44.7m) reflecting the net effect of an increase in TV income and a fall in Match, Sponsorship and Branded Products revenues.

### Match

Match receipts for 1999/2000 decreased by £1.0m due to fewer games being played at St. James' Park compared to the previous season. A total of 868,207 spectators attended 24 home games (1999: 904,543 spectators attended 25 home games). Average FA Premier League attendances were 36,400 - 99% capacity; despite the stadium redevelopment taking place (1999: 36,691). A reduced ticket pricing policy was applied for all home cup ties, where attendances averaged 35,621.

### Television

Television income includes FA Premier League contracts and income from the broadcast of FA Cup and UEFA Cup matches. Television income increased 45% mainly due to an improved UEFA Cup TV contract. In the season 1999/2000 the Club appeared in 14 live matches compared to 12 in the previous season, a reflection of progress in both the UEFA Cup and FA Cup competitions during the year.

### Sponsorship

Sponsorship revenue at £8.2m(1999: £9.0m), was adversely affected by league position related terms in one of our main sponsorship agreements.

### Branded Products

Branded products sales totalled £4.2m (1999: £6.0m), reflecting the difficult market for leisure products. The level of sales of Branded products has improved significantly following the successful launch of the new change strip in July 2000.

### Operating Costs

Operating costs rose £6.5m to £44.3m, an increase of 17%. Exclusion of a number of exceptional operating costs from current and previous years figures result in an underlying cost increase of £4.2m (11%).

A review of the Club's long term requirements has already had an impact on the level of playing squad costs. A number of disposals, both during the year and following the year-end has reduced the cost of the squad going forward.

ST.JAMES' PARK

### Player Trading

During the year the net book value of players' registrations was reduced by £6.8m.

A total of £19.5m was written off during the year, as a result of an increased amortisation charge of £15.4m together with a permanent diminution in value of a number of the playing squad, totalling £4.1m.

Additions during the year included Christian Bassedas, Daniel Cordone, Carl Cort, Diego Gavilan and Kevin Gallacher.

Sales during the year included Andreas Andersson, Franc Dumas, Silvio Maric, Alessandro Pistone and Paul Robinson. There was a profit on disposal of £2.3m, including £0.9m additional amounts received in respect of prior years' transfers.

### (Loss)/profit before tax and dividends

| | 2000<br>*£'m* | 1999<br>*£'m* |
|---|---|---|
| Operating profit before player trading | 0.8 | 6.9 |
| Player trading: | | |
| Amortisation of acquired players' registrations | (15.4) | (14.6) |
| Permanent diminution in value | (4.1) | - |
| Amortisation of signing on fees | (2.7) | (3.0) |
| Net profit on disposal of players' registrations | 2.3 | 12.1 |
| | (19.9) | (5.5) |
| Operating (loss)/profit after player trading | (19.1) | 1.4 |
| Exceptional item | - | (0.5) |
| Interest receivable | 0.2 | 0.5 |
| (Loss)/profit on ordinary activities before taxation | (18.9) | 1.4 |

### Dividends and Retained Loss

The loss on ordinary activities before taxation of £18.9m was reduced by a write-back of the deferred taxation provision of £3.4m, no longer required due to the level of losses sustained in the year. This credit gives an effective tax rate of 18%, below the standard rate of 30% principally due to the non-recognition of a deferred tax asset of £1.6m in the accounts.

The Board has recommended a final dividend of 2.04p per ordinary share which, subject to approval at the annual general meeting, will be paid on 15 December 2000 to all shareholders on the register at the close of business on 27 October 2000.

## Financial Review

### Balance Sheet

The net assets at the year-end were £36.4m (1999: £54.5m).

The Group's cash position at the end of the year was strong, increasing by £11.6m to £17.5m (1999: £5.9m). The Group generated operating cashflow of £3.1m (1999: £5.1m) and received cash inflows of £49.4m net (1999: £14.0m) from financing activities. Outflows in respect of capital expenditure and financial investment amounted to £39.8m (1999: £35.1m).

In September 1999 we announced the £55m securitisation issue to finance St. James' Park. The issue, arranged by J Henry Schroder & Co. Ltd., and placed with six US and UK institutional investors, replaced the £40m term loan facility from Barclays Bank PLC taken out to provide interim financing for the expansion of St. James' Park .

The securitisation issue has a weighted average fixed interest rate of 7.43% and is repayable in annual instalments from 2001 to 2016. Backed by the future income streams from ticket sales and corporate hospitality receipts, it enables Newcastle United PLC to fund the stadium redevelopment in a highly cost effective manner. Revenues from broadcasting rights, sponsorship and merchandising are not included in the terms of the transaction.

The securitisation creditor of £54.5m, together with the Premium TV convertible loan of £9.5m (net) are the main reasons for the increase in long-term creditors, which rose to £70.6m (1999: £20.2m).

### Financial Instruments

The Group's financial instruments comprise borrowings, cash and liquid resources and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivatives transactions (principally forward foreign currency contracts). The purpose of such transactions is to manage the currency risks arising from the purchase and sale of players.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

*Interest Rate Risk*

The Group manages its operations through a mixture of retained profits, bank borrowings and fixed rate debt. The Group's main borowings are in Sterling at fixed and floating rates of interest.

*Liquidity Risk*

The maturity profiles of the Group's borrowings are set out in note 17.

Short-term flexibility is achieved by the use of overdraft facilities.

*Foreign Currency Risks*

The Group operates solely in the UK but occasionally enters into transactions in foreign currencies, mainly to purchase and sell overseas players. The Group's policy is to eliminate all currency exposures at the time of transaction through forward foreign currency contracts.

Stonehouse

**David Stonehouse,** *Chief Executive*

27 October 2000

ST JAMES' PARK

**The Directors of Newcastle United PLC present their Annual Report for the year ended 31 July 2000, 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 Friday 8 December 2000.**

### Results and dividends

The loss after taxation and dividends of £19.4m has been retained and transferred to reserves. The Board has recommended a final dividend of 2.04p per ordinary share which, subject to approval at the annual general meeting, will be paid on 15 December 2000 to all shareholders on the register at the close of business on 27 October 2000.

### 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 and the Financial Review on pages 2 to 16.

### 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 20 to 23. Brief biographical details of the directors are contained on page 13.

In accordance with the articles of association of the Company, D C Stonehouse and R Jones 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 accounts 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 accounts 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 accounts 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 accounts 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
- 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, health and safety and environmental 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 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**

Save as disclosed in the table opposite, the directors are not aware of any person who directly or indirectly is interested in three per cent or more of the issued share capital of the Company as at 27 October 2000 or any persons who, directly or indirectly, jointly or separately exercise or could exercise control over the Company.

St.JAMES' PARK

## Issued share capital of the company

| | No. of ordinary shares as at 27 October 2000 | Percentage of issued share capital as at 27 October 2000 |
|---|---|---|
| Wynyard (Guernsey) Limited | 36,650,000 | 25.2% |
| Cameron Hall Developments Limited | 32,797,165 | 22.6% |
| NTL (Premium TV Limited) | 14,300,000 | 9.8% |
| Shepherd Offshore plc | 11,087,834 | 7.6% |
| Legal and General | 5,269,929 | 3.6% |
| L Hatton | 5,161,910 | 3.6% |

Details of changes in share capital during the year are set out in note 21.

## Political and charitable donations

The Group's charitable donations for the year amounted to £17,516 (1999: £1,176). There were no political contributions (1999: Nil).

## Post balance sheet events

Details of significant post balance sheet events are set out in note 30 to the accounts.

## Auditors

A resolution to reappoint Arthur Andersen as auditors of the Company and to authorise the directors to agree their remuneration will be proposed at the annual general meeting.

## Annual general meeting

The notice of the annual general meeting to be held on Friday 8 December 2000 is set out on page 52.

By Order of the Board

R Cushing, *Company Secretary*,

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

27 October 2000

**Composition and function**

The Remuneration Committee comprises all the Non-Executive Directors of the Company. 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 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. Changes to executive remuneration in the year were the salary and options awarded to Mr D C Stonehouse following his appointment, and increased salaries awarded to the two part-time Executive Directors, Mr W F Shepherd and Mr R Jones.

**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.

**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 the experience, responsibilities and salaries of those with 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 enhancing the performance of the Group.

*(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 of 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.

ST. JAMES' PARK

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

**Directors' share options**

| | No. of options granted | Exercised | Exercise price | Exercise period |
|---|---|---|---|---|
| *Unapproved Plan* | | | | |
| D C Stonehouse | 793,651* | – | 63p | 01.06.2003-31.05.2007 |
| R Jones | 177,777 | – | 135p | 27.02.2000-26.02.2004 |

*Granted during the year.

The middle market price of the Company's shares on 1 August 2000 was 65.5p. The highest middle market price of the Company's shares during the period from 1 August 1999 to 31 July 2000 was 88.5p and the lowest was 53.5p.

## 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 1999 (or later date of appointment) and 31 July 2000 which have been notified by each director pursuant to Section 324 of the Companies Act 1985 were as follows:

| | 2000 | 1999 |
|---|---|---|
| J L Fender | 10,000 | – |
| D C Stonehouse | 10,000 | – |
| W F Shepherd[1] | 11,842,819 | 11,619,370 |
| R Jones | 59,151 | 58,037 |
| D S Hall[2] | 69,447,165 | 73,447,610 |

The Company is not aware of any changes in these interests in the period to 27 October 2000.

Notes:

(1) These shares include 11,087,834 shares owned by Shepherd Offshore plc, a Company connected with W F Shepherd.

(2) These shares include 36,650,000 shares owned by Wynyard (Guernsey) Ltd* and 32,797,165 shares owned by Cameron Hall Developments Limited, which are companies connected with D S Hall.

*Wynyard (Guernsey) Ltd is a trust run by independent trustees for the benefit of the Hall family.

## Service contracts

The service contracts for D C Stonehouse and R Jones are terminable upon twelve months notice to be given by the Company or the executive.

The service contract for W F Shepherd is terminable upon twelve months notice to be given by the Company or three months notice by Mr Shepherd.

The Non-Executive Directors have been engaged for terms expiring on 31 May 2002.

In addition, Mr J L Fender has a service contract as Non-Executive Chairman which is terminable upon twelve months notice to be given by the Company.

St.JAMES' PARK

**Directors' remuneration**

The remuneration of the directors for the year ended 31 July 2000 was as follows:

| | Salary/fees £ | Taxable benefits £ | Bonuses £ | Money purchase pension contributions £ | 2000 Total £ | 1999 Total £ |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| D C Stonehouse | 53,333 | 3,218 | 30,000 | 5,333 | 91,884 | – |
| R Jones | 75,000 | – | – | 7,500 | 82,500 | 66,000 |
| W F Shepherd | 75,000 | – | – | – | 75,000 | 23,533 |
| A O Fletcher* | 136,250 | 12,445 | 66,667 | 13,333 | 228,695 | 267,039 |
| L A Wheatley | 103,327 | 11,881 | – | 10,333 | 125,541 | 160,984 |
| I M Winskell | 69,795 | 5,677 | – | – | 75,472 | 5,205 |
| **Non-executive** | | | | | | |
| J L Fender** | 41,667 | – | – | – | 41,667 | 35,000 |
| D S Hall | 35,000 | – | – | – | 35,000 | 23,533 |
| D P Cassidy | – | – | – | – | – | 27,500 |
| T Fenton | – | – | – | – | – | 13,125 |
| J I Josephs | – | – | – | – | – | 12,504 |
| Aggregate emoluments | 589,372 | 33,221 | 96,667 | 36,499 | 755,759 | 634,423 |

*Executive Chairman 1 August 1999 – 31 May 2000

** Appointed Non-Executive Chairman 31 May 2000

Mr A O Fletcher resigned as Chairman on 31 May 2000, at which date he became a non-executive director. In addition to the emoluments above, Mr Fletcher was paid £532,000 by the Company following his resignation. He resigned as a non-executive director on 31 July 2000.

Mr D C Stonehouse was appointed as Chief Executive on 3 April 2000.

Mr L A Wheatley resigned as a director on 25 April 2000.
Mr I M Winskell resigned as a director on 18 July 2000.

On Behalf of the Board,

J L Fender, *Chairman*

27 October 2000

## Compliance with the Code of Best Practice

This statement, together with the Directors' Remuneration report, set out on page 23, explains how Newcastle United has applied the principles set out in section 1 of the Combined Code.

The Company has complied throughout the year with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code except for the following matters:

- The Company's Board of Directors does not comprise of one-third independent Non-Executive Directors following the resignations of D P Cassidy, J Josephs and T Fenton on 8 December 1998. Appointments were not made to fill these roles at the time due to uncertainty over the Company's future ownership. At present the Directors are confident that the size and experience of the current Board and senior management team is adequate to meet the needs of the Company. However, should suitable independent Non-Executive Directors be identified they will be considered for appointment to these roles.
- The Audit and Remuneration Committees do not comprise of three independent Non-Executive Directors for the same reasons outlined above.

## Board of directors

The Board comprises three Executive Directors and two Non-Executive Directors. The Board of Directors meets regularly throughout the year. The Board is responsible for overall Group strategy, investment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of the individual trading divisions, their annual budgets and progress towards the achievement of these budgets. Certain duties are delegated to Committees of the Board, whose responsibilities and composition are set out below.

## Audit committee

The Audit Committee normally meets twice during the year and is attended by the Financial Controller and representatives of the Group's external auditors. It reviews the effectiveness of accounting and financial policies and controls as well as the work performed by the Company's external auditors. Time is set aside for discussions with the external auditors in private.

## Remuneration committee

The Remuneration Committee has written terms of reference and normally meets at least once a year. The main duties of the Remuneration Committee are to make recommendations to the Board of the Company's framework of executive remuneration and to award appropriate remuneration packages to individual Executive Directors.

## Relations with shareholders

The Board considers the continuation of a dialogue with investors an important activity in the Company's development.

Communication with fund managers, institutional investors and analysts is actively pursued and it is the Board's intention that these arrangements should be continued.

## Going concern

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

## Internal controls

Guidance for Directors on the Combined Code (the Turnbull Guidance) was published in September 1999. The Company has adopted the transitional arrangements for the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999 and has established procedures to facilitate implementation of the Turnbull Guidance by taking a risk based approach to control evaluation that covers business, operations and compliance as well as financial control. This process is subject to regular review and assessment by the Board.

The risk based approach is designed to enable the Company to fully comply with the Turnbull Guidance in relation to internal control disclosures for the financial year ended 31 July 2001. In the intervening period, the Group will continue to review and report upon internal financial controls pursuant to the Guidance for Directors on internal controls and financial reporting issued by the Rutterman Working Group in December 1994.

The key features of the financial control system that operated throughout the period covered by the accounts 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; and
- 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.

# Auditors' Report

**Auditors' report to the shareholders of Newcastle United PLC**

We have audited the accounts on pages 32 to 51 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and, the accounting policies set out on pages 35 to 37. We have also examined the amounts disclosed relating to the emoluments, share options and pension benefits of the Directors which form part of the remuneration report on pages 20 to 23.

**Respective responsibilities of directors and auditors**

The Directors are responsible for preparing the Annual Report including, as described on page 17, the accounts, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listings Rules regarding Directors' remuneration and transactions with the Company or the Group is not disclosed.

We review whether the corporate governance statement on pages 24 and 25 reflects the Company's Compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

**Basis of audit opinion**

We conducted our audit in accordance with the 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 July 2000 and of the Group's loss 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

27 October 2000

## Group Profit and Loss Account

For the year ended 31 July 2000

| | Note | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 45,090 | 44,718 |
| **Operating expenses before player trading and exceptional items** | | (42,092) | (37,882) |
| **Exceptional operating expenses, net** | 3 | (2,232) | 70 |
| | | (44,324) | (37,812) |
| **Player trading** | | | |
| Amortisation of acquired player registrations | | (15,416) | (14,616) |
| Permanent diminution in value | | (4,086) | – |
| Amortisation of signing on fees | | (2,628) | (2,982) |
| Net profit on disposal of player registrations | | 2,256 | 12,064 |
| **Total operating expenses** | | (64,198) | (43,346) |
| Operating profit before player trading | | 766 | 6,906 |
| Player trading | | (19,874) | (5,534) |
| Operating (loss)/profit | | (19,108) | 1,372 |
| **Exceptional item reported after operating profit** | 4 | – | (491) |
| Interest receivable net | 5 | 185 | 492 |
| **(Loss)/profit on ordinary activities before taxation** | 6 | (18,923) | 1,373 |
| Taxation | 8 | 3,379 | (486) |
| **(Loss)/profit on ordinary activities after taxation** | | (15,544) | 887 |
| Dividends | 9 | (3,836) | (2,521) |
| **Retained loss for the year** | 22 | (19,380) | (1,634) |
| (Loss)/earnings per share | 10 | (10.8)p | 0.6p |
| Adjusted (loss)/earnings per share | 10 | (0.0)p | 4.1p |

All results are derived from continuing operations.

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 Statement of Total Recognised Gains and Losses

For the year ended 31 July 2000

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| (Loss)/profit for the year attributable to shareholders | (15,544) | 887 |
| Total recognised gains and losses relating to the year (as above) | (15,544) | 887 |
| Prior year adjustment | – | 39,529 |
| Total gains and losses recognised since last annual report | (15,544) | 40,416 |

The accompanying notes are an integral part of this Group Statement of Total Recognised Gains and Losses.

# Group and Company Balance Sheets

At 31 July 2000

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| | Note | Group 2000 £'000 | Group 1999 £'000 | Company 2000 £'000 | Company 1999 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 11 | 46,401 | 53,184 | – | – |
| Tangible assets | 12 | 88,615 | 57,553 | – | – |
| Investments | 13 | – | – | 69,945 | 69,945 |
| | | 135,016 | 110,737 | 69,945 | 69,945 |
| **Current assets** | | | | | |
| Stocks | 14 | 455 | 727 | – | – |
| Debtors | 15 | 13,938 | 19,617 | 63 | 92 |
| Cash at bank and in hand | | 17,471 | 5,863 | 13,883 | 4,639 |
| | | 31,864 | 26,207 | 13,946 | 4,731 |
| Creditors: amounts falling due within one year | 16 | (30,573) | (31,120) | (14,479) | (16,271) |
| Net current assets/(liabilities) | | 1,291 | (4,913) | (533) | (11,540) |
| Total assets less current liabilities | | 136,307 | 105,824 | 69,412 | 58,405 |
| Creditors: amounts falling due after more than one year | 17 | (70,578) | (20,229) | (9,520) | – |
| Provisions for liabilities and charges | 19 | – | (3,379) | – | – |
| Deferred income | 20 | (29,368) | (27,707) | – | – |
| Net assets | | 36,361 | 54,509 | 59,892 | 58,405 |
| **Capital and reserves** | | | | | |
| Called up share capital | 21 | 7,264 | 7,162 | 7,264 | 7,162 |
| Share premium account | 22 | 49,091 | 47,961 | 49,091 | 47,961 |
| Profit and loss account | 22 | (19,994) | (614) | 3,537 | 3,282 |
| Equity shareholders' funds | | 36,361 | 54,509 | 59,892 | 58,405 |

These accounts were approved by the Board of Directors on 27 October 2000 and were signed on its behalf by:

J L Fender, *Chairman*

D C Stonehouse, *Chief Executive*

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

## Group Cash Flow Statement
For the year ended 31 July 2000

| | Note | 2000 £'000 | 1999 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 25 | 3,111 | 5,097 |
| **Returns on investments and servicing of finance** | 26 | 113 | 321 |
| Taxation – Advance Corporation Tax Paid | | – | (416) |
| **Capital expenditure and financial investment** | 26 | (39,212) | (35,178) |
| Equity dividends paid | | (1,301) | (2,520) |
| Cash outflow before use of liquid resources and financing | | (37,289) | (32,696) |
| **Financing** | | | |
| Increase in debt | 26 | 48,897 | 14,021 |
| Increase/(decrease) in cash in the year | 27 | 11,608 | (18,675) |

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

## Reconciliations of Movements in Equity Shareholders' Funds
For the year ended 31 July 2000

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2000 £'000 | 1999 £'000 | 2000 £'000 | 1999 £'000 |
| (Loss)/profit for the year | (15,544) | 887 | 4,091 | 3,838 |
| Dividends | (3,836) | (2,521) | (3,836) | (2,521) |
| New share capital subscribed | 1,232 | – | 1,232 | – |
| **Net movement in equity shareholders' funds** | (18,148) | (1,634) | 1,487 | 1,317 |
| Opening equity shareholders' funds | 54,509 | 56,143 | 58,405 | 57,088 |
| **Closing equity shareholders' funds** | 36,361 | 54,509 | 59,892 | 58,405 |

1 Accounting policies

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

*(a) Basis of accounting*

The accounts are 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.

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 after taxation for the financial year, determined in accordance with the Act, was £4,091,000 (1999:£3,838,000).

*(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 and provisions for impairment.

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 shorter of the unexpired term of the lease and 50 years |
| Fixtures and equipment | 3-15 years |
| Motor vehicles | 4 years |

The Group has utilised the transitional valuation provision of FRS15 in relation to the fixed assets of the business. St. James' Park is shown at a value which comprises the 1993 valuation with subsequent additions at cost. In compliance with FRS15 the useful economic life of the stadium has been reduced to 50 years from 99 years. This has resulted in an increased depreciation charge for the year of £300,000.

No depreciation is provided on freehold land or assets in the course of construction. Interest incurred on borrowings to finance the stadium redevelopment is capitalised.

*(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) Player trading*

The costs of acquiring player registrations are capitalised as intangible fixed assets and written off over the life of the contract. Provision for any impairment in value, such as through injury or loss of form, is made when it becomes apparent that the diminution in value is permanent.

*(g) Signing on fees*

Signing on fees payable to players are recognised in the balance sheet as prepayments and amortised over the life of the contract. If a player's registration is fully written down as a result of a permanent diminution in value, the amortisation of the signing on fee is accelerated accordingly. Any adjustment arising on the disposal of a player's registration is included as part of the profit or loss on disposal.

*(h) 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 lives 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.

*(i) Taxation*

The charge or credit 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 in the foreseeable future.

*(j) 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.

*(k) Foreign Currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

*(l) Debt*

Debt is initially stated at the amount of the net proceeds after deducting any issue costs.

The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Convertible debt is reported as a liability unless conversion actually occurs.

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## 2 Turnover

| | 2000 | 1999 |
|---|---|---|
| | *£'000* | *£'000* |
| Match | 19,657 | 20,741 |
| Television | 13,055 | 8,972 |
| Football | 32,712 | 29,713 |
| Sponsorship | 8,184 | 8,979 |
| Branded Products | 4,194 | 6,026 |
| Commercial | 12,378 | 15,005 |
| | 45,090 | 44,718 |

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.

## 3 Exceptional operating expenses, net

| | 2000 | 1999 |
|---|---|---|
| | *£'000* | *£'000* |
| Stadium development costs | 1,053 | – |
| Legal and professional fees associated with NTL bid, changes in Directors and Managers, and various other matters | 647 | 682 |
| Directors' compensation for loss of office | 532 | 80 |
| Release of provisions no longer required | – | (832) |
| | 2,232 | (70) |

## 4 Exceptional item reported after operating profit

An exceptional loss on the disposal of fixed assets of £491,000 arose in the year ended 31 July 1999 from the write off of the Milburn Stand roof and other Milburn Stand areas affected by the construction work.

## 5 Interest receivable and similar charges, net

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Interest receivable | 1,105 | 563 |
| Interest payable: | | |
| On bank loans, overdrafts and other loans | (3,834) | (518) |
| Finance charges payable in respect of finance leases and hire purchase contracts | (50) | (50) |
| Amounts capitalised | 2,964 | 497 |
| Net interest receivable | 185 | 492 |

## 6 (Loss)/profit on ordinary activities before taxation

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| (Loss)/profit on ordinary activities before taxation is stated after charging/(crediting) | | |
| Auditors' remuneration: | | |
| Audit | 52 | 52 |
| Other services | 116 | 46 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 1,129 | 641 |
| Leased | 211 | 449 |
| Permanent diminution in value of intangible fixed assets | 4,086 | – |
| Amortisation of intangible fixed assets | 15,416 | 14,615 |
| Amortisation of signing on fees | 2,628 | 2,982 |
| Hire of plant and machinery – rentals payable under operating leases | 347 | 332 |
| Hire of other assets – operating leases | 808 | 761 |
| Loss/(profit) on disposal of tangible fixed assets | 302 | (4) |
| Net profit on disposal of intangible fixed assets | (2,256) | (12,064) |
| Capital grants release | (158) | (79) |
| Exceptional operating expenses, net (note 3) | 2,232 | (70) |
| Pension deficit (note 7) | (120) | – |
| Exceptional item (note 4) | – | 491 |

In addition to the amounts disclosed above, the Group paid a total of £85,800 to Arthur Andersen in respect of the NTL media alliance and issue of the fixed interest senior notes, which are included in the issue expenses.

## 7 Directors and employees

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

| | 2000 | 1999 |
|---|---|---|
| | Number of employees | |
| Full time | 228 | 225 |
| Part time | 85 | 81 |
| | 313 | 306 |

The aggregate payroll costs of these employees were as follows:

| | 2000 | 1999 |
|---|---|---|
| | *£'000* | *£'000* |
| Wages and salaries | 23,260 | 18,693 |
| Signing on fees paid | 2,468 | 3,280 |
| Social security costs | 2,892 | 2,298 |
| Other pension costs | 249 | 220 |
| | 28,869 | 24,491 |

The Group makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and defined benefit schemes including the Football League Limited Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate. The assets of all schemes are held in funds independent from the Group.

The trustees of the Football League Limited Pension & Life Assurance Scheme suspended the defined benefit element of the scheme as of 31 August 1999. Following this suspension an independent actuarial review of the funding position identified a deficit of £12.5m which, under the Pensions Act 1995, has to be made good by participating employers. The Group has recently been advised that its share of this deficit is estimated at £120,000 and this sum has been provided in full in these accounts.

Contributions are also made into individual's private pension schemes.

## 8 Taxation

The Group had unrelieved UK corporation tax losses of approximately £19m at the end of the year.

| | 2000 | 1999 |
|---|---|---|
| | *£'000* | *£'000* |
| UK Corporation tax | – | – |
| Deferred taxation | (3,951) | 693 |
| | (3,951) | 693 |
| ACT irrecoverable | – | 189 |
| | (3,951) | 882 |
| Adjustment in respect of prior years – deferred taxation | 572 | (396) |
| | (3,379) | 486 |

The Group has an effective tax rate of 18%, as a result of the impact of not recognising a deferred tax asset at 31 July 2000 and the adjustment in respect of prior years.

## 9 Dividends

| | 2000 | 1999 |
|---|---|---|
| | *£'000* | *£'000* |
| Interim paid – 0.6 pence per share (1999 – 0.6 pence) | 872 | 859 |
| Final proposed – 2.04 pence per share (1999 – 1.16 pence) | 2,964 | 1,662 |
| | 3,836 | 2,521 |

10 (Loss)/earnings per share

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

| | 2000 | 1999 |
|---|---|---|
| (Loss)/profit for the year (£'000) | (15,544) | 887 |
| Weighted average number of shares (000) | 144,509 | 143,238 |

*Adjusted (loss)/earnings per share*

The calculation of adjusted earnings per share is based on the (loss)/profit for the year excluding player trading and exceptional items 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 (loss)/profit for the year to the (loss)/profit used in calculating the adjusted earnings per share is set out in the table below:

| | 2000 *£'000* | 1999 *£'000* |
|---|---|---|
| (Loss)/profit for the year | (15,544) | 887 |
| Player trading | 19,874 | 5,534 |
| Net tax effect of adjustment | (4,337) | (1,025) |
| Exceptional item reported after operating profit | – | 491 |
| (Loss)/profit for the year excluding player trading and exceptional item | (7) | 5,887 |
| Adjusted (loss)/earnings per share | (0.0p) | 4.1p |

11 **Intangible assets – acquired player registrations**

| | *£'000* |
|---|---|
| *Group* | |
| *Cost* | |
| At 1 August 1999 | 79,308 |
| Additions | 18,771 |
| Disposals | (12,867) |
| Adjustment – league levy refund received | (149) |
| At 31 July 2000 | 85,063 |
| *Amortisation* | |
| At 1 August 1999 | 26,124 |
| Charge for year | 15,416 |
| Permanent diminution in value | 4,086 |
| Disposals | (6,964) |
| At 31 July 2000 | 38,662 |
| Net book value at 31 July 2000 | 46,401 |
| Net book value at 31 July 1999 | 53,184 |

The European Commission is currently reviewing the transfer system for European nationals between clubs in Europe, which may possibly lead to the abolition of the present system whereby the transferee club pays compensation to the transferor club.

In the opinion of the Directors, until the outcome of the review is known no adjustment is needed at this time to the carrying value of acquired player registrations or signing on fees, currently £46.4m and £4.9m respectively. The accounts have therefore been prepared on a basis consistent with prior years, with an acknowledgement that, subject to the outcome of the European Commission's review, a reduction in the carrying value of these assets may be required in future periods.

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## 12 Tangible fixed assets

| | Land & buildings £'000 | Fixtures & equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|
| *Group* | | | | |
| Cost or valuation | | | | |
| At beginning of year | 59,403 | 3,949 | 34 | 63,386 |
| Additions | 29,217 | 3,491 | 3 | 32,711 |
| Disposals | (888) | (713) | (13) | (1,614) |
| At end of year | 87,732 | 6,727 | 24 | 94,483 |
| Depreciation | | | | |
| At beginning of year | 3,000 | 2,808 | 25 | 5,833 |
| Charge for year | 770 | 567 | 3 | 1,340 |
| On disposals | (603) | (689) | (13) | (1,305) |
| At end of year | 3,167 | 2,686 | 15 | 5,868 |
| Net book value at 31 July 2000 | 84,565 | 4,041 | 9 | 88,615 |
| Net book value at 31 July 1999 | 56,403 | 1,141 | 9 | 57,553 |

Included within fixed assets are assets held under finance leases with the following net book values: land and buildings £210,000 (1999: £796,000), fixtures and equipment £nil (1999: £155,000).

Included within fixed assets are the following costs treated as assets in the course of construction: Land and buildings £49,936,000 and fixtures and equipment £3,726,000. These costs relate to stadium redevelopment, the Football Academy and a new Executive Lounge at Newcastle Airport. (1999: £24,053,000 – Land and buildings relating to stadium redevelopment). These assets have not been depreciated.

Cumulative finance costs capitalised, excluding tax relief, included in the value of tangible fixed assets amounts to £3,461,000 (1999: £497,000).

The net book value of land and buildings comprises:

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Freehold | 203 | 203 |
| Long leasehold | 84,362 | 56,200 |
| | 84,565 | 56,403 |
| Particulars relating to assets which have been revalued are given below: | | |
| Land and buildings | | |
| At 1993 valuation | 14,275 | 15,000 |
| Aggregate depreciation thereon | (1,287) | (2,200) |
| Net book value | 12,988 | 12,800 |
| Historical cost of revalued assets | 13,050 | 14,711 |
| Aggregate depreciation based on historical cost | (1,621) | (3,842) |
| Historical cost net book value | 11,429 | 10,869 |

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

## 13 Investments

*Company*

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| **Shares in subsidiary undertakings at cost** | | |
| Cost at beginning and end of year | 69,945 | 69,945 |

| *Company* | Principal Activity |
|---|---|
| Newcastle United Football Company Limited | Professional Football Club |
| Newcastle United Employment Limited | Provision of Staff |
| Newcastle United Enterprises Limited | General Commercial |
| Newcastle United Ventures Limited | General Commercial |
| St. James' Park Newcastle Limited | General Commercial |
| Newcastle United 1892 Limited | Dormant |
| Newcastle United Catering Limited | Dormant |
| Newcastle United Entertainment Limited | Dormant |
| Newcastle United Group Limited | Dormant |
| Newcastle United Holdings Limited | Dormant |
| Newcastle United Licensing Limited | Dormant |
| Newcastle United Promotions Limited | Dormant |
| Newcastle United Publications Limited | Dormant |
| Newcastle United Sports Limited | Dormant |
| Newcastle United Sportswear Limited | Dormant |
| Newcastle United Telecoms Limited | Dormant |
| Newcastle United Television Limited | Dormant |
| NUFC Limited | Dormant |
| The Football Channel Limited | Dormant |

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

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

## 14 Stocks

*Group*

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Goods for resale | 455 | 727 |

ST JAMES' PARK

## 15 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Trade debtors | 7,857 | 10,669 | – | – |
| Other debtors | 30 | 257 | 24 | 69 |
| Prepayments and accrued income: | | | | |
| – Other | 1,127 | 1,494 | 34 | 23 |
| – Unamortised balance of signing on fees | 4,850 | 6,958 | – | – |
| Amounts owed by related undertakings | 74 | 239 | – | – |
| Amounts owed by subsidiary undertakings | – | – | 5 | – |
| | 13,938 | 19,617 | 63 | 92 |

Included in trade debtors are transfer fees receivable of £1,100,000 (1999: £150,000) due after more than one year. Included in signing on fees are amounts of £2,051,000 (1999: £4,719,000) to be expensed after more than one year.

## 16 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Term loans | 21 | 21 | – | – |
| Obligations under finance leases and hire purchase contracts | 60 | 322 | – | – |
| Trade creditors | 12,277 | 16,625 | 3 | 20 |
| Amounts owed to related undertakings | 123 | 78 | – | 4 |
| Amounts owed to subsidiary undertakings | – | – | 11,262 | 14,379 |
| Taxation and social security | 1,138 | 1,208 | 15 | 18 |
| Other creditors | 2,765 | 2,350 | – | 1 |
| Proposed dividend | 2,964 | 1,662 | 2,964 | 1,662 |
| Accruals | 8,905 | 6,443 | 235 | 187 |
| Signing on fees | 2,320 | 2,411 | – | – |
| | 30,573 | 31,120 | 14,479 | 16,271 |

## 17 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Convertible loan | 9,520 | – | 9,520 | – |
| Bank loans and overdrafts | – | 14,765 | – | – |
| Other loans | 54,481 | 52 | – | – |
| Trade creditors | 1,333 | – | – | – |
| Obligations under finance leases and hire purchase contracts | – | 50 | – | – |
| Other creditors | – | 11 | – | – |
| Accruals | 2,328 | 709 | – | – |
| Signing on fees | 2,916 | 4,642 | – | – |
| | 70,578 | 20,229 | 9,520 | – |

Borrowings are analysed as follows:

*(i) Bank loans and overdrafts*

| | Group | |
|---|---|---|
| | 2000 | 1999 |
| | *£'000* | *£'000* |
| Repayable in the first to second year | – | – |
| Repayable in the second to fifth years | – | 14,765 |
| Repayable after five years | – | – |
| | – | 14,765 |

*(ii) Term loans*

| | Group | |
|---|---|---|
| | 2000 | 1999 |
| | *£'000* | *£'000* |
| Repayable within five years | 52 | 73 |
| Repayable after five years | – | – |
| | 52 | 73 |
| Due within one year | (21) | (21) |
| | 31 | 52 |

The term loan is repayable in monthly instalments of £1,736. Interest is charged at the higher of 13% or 3% above LIBOR 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 | |
|---|---|---|
| | 2000 | 1999 |
| | *£'000* | *£'000* |
| Amounts payable: | | |
| Within one year | 60 | 322 |
| In the second to fifth years | – | 50 |
| | 60 | 372 |

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

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

*(iv) Fixed interest senior notes*

| | *Group* 2000 £'000 | 1999 £'000 |
|---|---|---|
| Repayable in the first to second year | – | – |
| Repayable in the second to fifth years | 6,833 | – |
| Repayable after five years | 47,617 | – |
| | 54,450 | – |

The notes are securitised on future income from ticket sales and corporate hospitality receipts.

The securitisation has a fixed interest weighted average interest rate of 7.43% and is repayable in annual instalments between 2000 – 2016. The first repayment of capital is due in September 2002.

*(v) Convertible loan*

The convertible loan of £9,519,780 (£10,000,000 net of expenses) represents the first instalment of the interest free loan from Premium TV Limited, a subsidiary of NTL Inc. The second instalment of £15,000,000 is due in January 2001 and the total loan is repayable in January 2005 by the issue of new Newcastle United PLC ordinary share capital to Premium TV, representing 9.99% of the enlarged share capital of the Company.

18 Derivatives and other financial instruments

Page 16 of the Financial Review provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving these objectives that have been followed during the year.

As permitted by FRS13, short-term debtors and creditors have been excluded from the disclosures, other than currency disclosures.

*Financial assets*

The Group has no financial assets, other than sterling cash deposits of £17.5m which are part of the financing arrangements of the Group. The sterling cash deposits are placed on the money market on a short-term basis.

*Financial liabilities*

The Group has issued £55m of senior notes with a fixed interest rate of 7.43% and has an interest free loan of £10m. Other borrowings are at a rate linked to LIBOR. The maturity profile of the Group's financial liabilities is disclosed in note 17.

*Borrowing facilities*

The Group has various undrawn committed borrowing facilities. The facilities available at 31 July 2000 in respect of which all conditions precedent had been met were as follows:

| | £'000 |
|---|---|
| Expiring in one year or less | 10,000 |
| Expiring in more than one year but not more than two years | – |
| Expiring in more than two years | 15,000 |

## 18 Derivatives and other financial instruments (continued)

*Fair values of financial assets and financial liabilities*
Set out below is a comparison by category of book values and fair values of the Group's financial liabilities at 31 July 2000.

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | Book value £'000 | Fair value £'000 | Book value £'000 | Fair value £'000 |
| Primary financial instruments | | | | |
| Short term borrowings | 80 | 80 | 342 | 342 |
| Long term borrowings | 64,002 | 55,803 | 14,867 | 14,867 |
| | 64,082 | 55,883 | 15,209 | 15,209 |

The directors consider that there is no material difference between the book value and the fair value of the Group's financial assets at 31 July 2000.

*Gains and losses on hedges*
The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on transactions denominated in foreign currencies immediately as these transactions are undertaken.

*Market price risk*
The Group's exposure to market price risk comprises interest rate and currency risk exposures. It monitors these exposures primarily through a process known as sensitivity analysis. This involves estimating the effect on profit before tax over various periods of a range of possible changes in interest rates and exchange rates.

The Group's policy towards currency risk is to eliminate all exposures that will impact on reported results as soon as they arise.

## 19 Provisions for liabilities and charges

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

| | *Group* | | | |
|---|---|---|---|---|
| | 2000 | | 1999 | |
| | Provided £'000 | Unprovided £'000 | Provided £'000 | Unprovided £'000 |
| Difference between accumulated depreciation and capital allowances | 108 | – | (36) | – |
| Other timing differences | 3,979 | – | 5,895 | – |
| UK corporation tax losses | (4,087) | (1,584) | (2,480) | – |
| | – | (1,584) | 3,379 | – |

The only movement in the provision in the year was £3,379,000 credited to the profit and loss account.

## 20 Deferred income

| | Group 2000 £'000 | Group 1999 £'000 |
|---|---|---|
| Capital grants | 3,336 | 3,194 |
| Other deferred income | 26,032 | 24,513 |
| | 29,368 | 27,707 |

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

The total movement on capital grants comprises:

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| At 1 August 1999 | 3,194 | 3,273 |
| Received during the year | 300 | – |
| Credited to profit and loss account | (158) | (79) |
| At 31 July 2000 | 3,336 | 3,194 |

## 21 Share capital

| | 2000 Number | 2000 £'000 | 1999 Number | 1999 £'000 |
|---|---|---|---|---|
| Authorised | | | | |
| Ordinary shares of 5p each | 200,000,000 | 10,000 | 200,000,000 | 10,000 |
| Allotted, called-up and fully paid | | | | |
| Ordinary shares of 5p each | 145,277,792 | 7,264 | 143,238,250 | 7,162 |

A share alternative was offered in respect of the 1999 final dividend of 1.16p per ordinary share. The alternative comprised the issue of new ordinary shares with a market value of 60p per existing ordinary share. Holders of 74% of ordinary shares elected for the share alternative, resulting in the issue of 2,039,542 shares with a nominal value of £101,977.

Options have been granted under the 1997 Unapproved Share Option Plan and the Sharesave Scheme to subscribe for ordinary shares of the Company as follows:

**Unapproved Share Option Plan**

| Number of shares under option | Subscription price per share | Exercise period |
|---|---|---|
| 1,199,998 | 135p | 27.02.2000 – 26.02.2004 |
| 793,651 | 63p | 01.06.2003 – 31.05.2007 |
| **Sharesave Scheme** | | |
| 18,591 | 93p | 30.06.2001 – 31.12.2001 |
| 9,225 | 138p | 30.06.2002 – 31.12.2002 |
| 47,312 | 93p | 30.06.2003 – 31.12.2003 |

## 22 Reserves

| | Share capital £'000 | Share premium account £'000 | Profit & loss account £'000 |
|---|---|---|---|
| *Group* | | | |
| At 1 August 1999 | 7,162 | 47,961 | (614) |
| Scrip dividend | 102 | 1,130 | – |
| Loss for the year | – | – | (19,380) |
| At 31 July 2000 | 7,264 | 49,091 | (19,994) |
| *Company* | | | |
| At 1 August 1999 | 7,162 | 47,961 | 3,282 |
| Scrip dividend | 102 | 1,130 | – |
| Profit for the year | – | – | 255 |
| At 31 July 2000 | 7,264 | 49,091 | 3,537 |

## 23 Contingencies

Under the terms of certain contracts for the signing of players, additional amounts may become payable to or from other football clubs. The maximum unprovided liability which may arise in respect of these players at 31 July 2000 is £4,580,000 (1999: £5,536,666). The unrecognised asset which may arise at 31 July 2000 is £1,000,000 (1999: £nil).

## 24 Commitments

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

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| *Group* | | |
| Contracted for but not provided for | 1,926 | 20,844 |

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

| | Land and buildings | |
|---|---|---|
| | 2000 £'000 | 1999 £'000 |
| *Group* | | |
| Expiry date: | | |
| – within one year | 135 | 61 |
| – after five years | 693 | 692 |
| | 828 | 753 |

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

## 25 Reconciliation of operating (loss)/profit after player trading and exceptional items to net cash inflow from operating activities

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Operating (loss)/profit after player trading and exceptional item | (19,108) | 881 |
| Depreciation | 1,340 | 1,090 |
| Amortisation of intangible fixed assets | 15,416 | 14,615 |
| Permanent diminution in value of intangible fixed assets | 4,086 | – |
| Loss/(profit) on disposal of tangible fixed assets | 302 | (4) |
| Exceptional loss on disposal of tangible fixed assets | – | 491 |
| Profit on disposal of intangible fixed assets | (2,256) | (12,064) |
| Refund of League levy and signing on fee adjustment | (61) | (541) |
| Capital grants release | (158) | (79) |
| Decrease/(increase) in stocks | 272 | (20) |
| Decrease/(increase) in debtors | 1,610 | (362) |
| Increase in creditors | 149 | 1,650 |
| Increase/(decrease) in deferred income | 1,519 | (560) |
| Net cash inflow from operating activities | 3,111 | 5,097 |

## 26 Analysis of cash flows for headings netted in the cash flow statement

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| *Returns on investments and servicing of finance* | | |
| Interest received | 358 | 629 |
| Interest paid | (220) | (191) |
| Interest element of finance leases and rental payments | (25) | (117) |
| Net cash inflow from returns on investments and servicing of finance | 113 | 321 |
| *Capital expenditure and financial investment* | | |
| Purchase of tangible fixed assets | (30,197) | (22,910) |
| Purchase of intangible fixed assets | (21,822) | (34,412) |
| Sale of tangible fixed assets | 7 | 11 |
| Sale of intangible fixed assets | 12,500 | 22,133 |
| Capital grant received | 300 | – |
| Net cash outflow from capital expenditure and financial investment | (39,212) | (35,178) |
| *Financing* | | |
| Decrease in short term borrowings | (21) | (21) |
| New loans (net of expenses) | 9,520 | 14,765 |
| Repayment of secured loans | (14,765) | – |
| Issue of fixed interest senior loan notes (net of expenses) | 54,450 | – |
| Capital element of finance lease rental payments | (287) | (723) |
| Increase in debt | 48,897 | 14,021 |
| Net cash inflow from financing | 48,897 | 14,021 |

**27 Analysis of net (debt)/funds**

| | At 1 August 1999 £'000 | Cash flow £'000 | At 31 July 2000 £'000 |
|---|---|---|---|
| Cash in hand, at bank | 5,863 | 11,608 | 17,471 |
| Debt due after 1 year | (14,817) | (49,184) | (64,001) |
| Debt due within 1 year | (21) | – | (21) |
| Finance leases | (372) | 312 | (60) |
| | (15,210) | (48,872) | (64,082) |
| Total | (9,347) | (37,264) | (46,611) |

**28 Reconciliation of net cash flow to movement in net debt**

| | 2000 £'000 | 1999 £'000 |
|---|---|---|
| Increase/(decrease) in cash in the year | **11,608** | (18,675) |
| Cash inflow from increase in debt and lease financing | (48,872) | (13,904) |
| Change in net debt resulting from cash flows | (37,264) | (32,579) |
| Net debt at 1 August 1999 | (9,347) | 23,232 |
| Net debt at 31 July 2000 | (46,611) | (9,347) |

**29 Major non-cash transaction**

During the year the company issued 2,039,542 ordinary shares of 5p each as a scrip dividend to shareholders.

**30 Post balance sheet events**

Subsequent to 31 July 2000, Newcastle United Football Company Limited transferred the registrations of Duncan Ferguson to Everton FC for £3,000,000, Temuri Ketsbaia to Wolverhampton Wanderers for £900,000, Steve Howey to Manchester City for £2,000,000 and Laurent Charvet to Manchester City for £1,000,000. The Club acquired the registrations of Lomana Lua Lua from Colchester United for £2,250,000 and Clarence Acuña for £954,000 from Universidad de Chile.

On 2 August 2000, Newcastle United Football Company Limited took out a five year £2,000,000 unsecured loan with Capital Bank PLC.

On 31 August 2000, Newcastle United Football Company Limited entered into a £2,000,000 hire purchase arrangement with Barclays Mercantile in respect of various catering assets.

The European Commission is currently reviewing the transfer system for European nationals between clubs in Europe, as more fully described in note 11, which may possibly lead to the abolition of the present transfer system.

### 31 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 2000 are summarised below:

| | Value of transactions with related parties in the year ended 31 July 2000 £'000 | Amounts owing to (owed by) the Group at 31 July 2000 £'000 |
|---|---|---|
| Significant shareholder – Cameron Hall Developments Limited (CHD) | | 5 |
| Sales to CHD on normal trading terms | 16 | |
| Purchases from CHD on normal trading terms | 11 | |
| Subsidiaries of the CHD undertaking: | | |
| Secondstand Limited | | (106) |
| Sportlands Limited | | (41) |
| Sales to subsidiaries of CHD on normal trading terms | 379 | |
| Purchases from subsidiaries of CHD on normal trading terms | 1,112 | |
| Sales to entities associated with Mr I M Winskell: | | |
| Winskell & Winskell Solicitors | 25 | |
| Touchline Event Management Limited | 4 | |
| St. James' Security Limited | 17 | |
| Purchases and balances from entities associated with Mr I M Winskell | | |
| Winskell & Winskell Solicitors | 371 | (6) |
| Touchline Event Management Limited | 412 | (8) |
| St. James' Security Limited | 107 | (5) |

*Related parties*

Shepherd Offshore plc is a company of which Mr W F Shepherd is a director and in which he has an interest. Sales of £56,037 were made by the Group to Shepherd Offshore plc during the year on normal trading terms. At the end of the year amounts owing to the Group from Shepherd Offshore plc was £2,692.

# Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of the Company will be held at Merchant Taylor's Hall, 30 Threadneedle Street, London EC2R 8JB on Friday 8 December 2000 at 11.30 am for the following purposes:

## Ordinary Business

1. To receive the financial statements for the year ended 31 July 2000 and the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 31 July 2000 of 2.04p per ordinary share, payable to shareholders on the register at the close of business on 27 October 2000.
3. To re-elect Mr D C Stonehouse as a director.
4. To re-elect Mr R Jones as a director.
5. To reappoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

## Special Business

1. To recognise and encourage the formation of a Newcastle United Shareholders' Trust.

By order of the Board

**R Cushing,**
*Company Secretary,*
Newcastle United PLC,
St. James' Park,
Newcastle upon Tyne NE1 4ST

8 November 2000

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 7 December 2000 and at the annual general meeting from 11.00 am until its conclusion.