

Newcastle United Football Company Limited

Directors' report and financial statements

31 July 1996

Registered number 31014



Newcastle United Football Company Limited

Directors' report and financial statements

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Newcastle United Football Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 July 1996.

Principal activity

The principal activity of the company is that of a professional football club.

Business review

Turnover for the year was £28.4m which is an increase of £3.7m on the turnover of £24.7m for the previous fourteen month period.

Operating profit was £3.4m for the year compared to £5.3m in the previous fourteen month period.

The net investment in players continued to be substantial at £26.6m.

The directors consider the results of the company to be satisfactory and look forward to the continued growth of the business.

Transfer to reserves

The loss for the year, which has been added to the accumulated losses brought forward, is £25,117,000.

Market value of land and buildings

In the opinion of the directors there is no material difference between the book value and the market value of the company's land and buildings.

Directors

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

Sir John Hall
WF Shepherd
DS Hall
R Jones
TL Bennett

Subsequent to the year end TL Bennett resigned as a director on 6 August 1996.

Newcastle United Football Company Limited

Directors' report *(continued)*

Directors *(continued)*

None of the directors who held office at the end of the financial year had any disclosable interests in the ordinary shares of the company. The interests of the directors in the shares of the parent and ultimate parent undertakings are disclosed in the respective financial statements of those companies.

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

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £20,000.

Employees

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

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

Health and safety policy

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



R Cushing
Secretary

St James' Park
Newcastle upon Tyne
NE1 4ST

4 October 1996

Newcastle United Football Company Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures which are disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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



Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Auditors' report to the members of Newcastle United Football Company Limited.

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 company's state of affairs as at 31 July 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

4 October 1996



Newcastle United Football Company Limited

Profit and loss account for the year ended 31 July 1996

	<i>Note</i>	Year ended 31 July 1996 £000	14 months ended 31 July 1995 £000
Turnover - continuing operations	2	28,423	24,723
Operating expenses	3	(25,013)	(19,472)
		<hr/>	<hr/>
Operating profit - continuing operations		3,410	5,251
Interest receivable	6	235	260
Interest payable and similar charges	7	(2,203)	(1,479)
		<hr/>	<hr/>
Profit before transfer fees and signing on fees		1,442	4,032
Net transfer fees and signing on fees	8	(26,559)	(12,143)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4-5	(25,117)	(8,111)
Tax on loss on ordinary activities	15	-	-
		<hr/>	<hr/>
Loss for the financial year/period		(25,117)	(8,111)
Accumulated losses brought forward		(19,515)	(11,404)
		<hr/>	<hr/>
Accumulated losses carried forward		(44,632)	(19,515)
		<hr/>	<hr/>

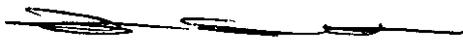
There is no material difference between the result disclosed above and the result as given on an unmodified historical cost basis.

Newcastle United Football Company Limited

Balance sheet at 31 July 1996

	Note	At 31 July 1996		At 31 July 1995	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		32,632		31,579
Investment	10		-		5,500
			<u>32,632</u>		<u>37,079</u>
Current assets					
Stocks	11	943		585	
Debtors	12	14,250		6,431	
Cash at bank and in hand		5		444	
		<u>15,198</u>		<u>7,460</u>	
Creditors: amounts falling due within one year	13	(51,786)		(26,553)	
Net current liabilities			(36,588)		(19,093)
Total assets less current liabilities			(3,956)		17,986
Creditors: amounts falling due after more than one year	14		(10,093)		(8,287)
Deferred income	16		(26,588)		(25,219)
Net liabilities			(40,637)		(15,520)
Capital and reserves					
Called up share capital	17		3,995		3,995
Profit and loss account			<u>(44,632)</u>		<u>(19,515)</u>
Shareholders' funds			(40,637)		(15,520)

These financial statements were approved by the board of directors on 4 October 1996 and were signed on its behalf by:


DS Hall
Director

Newcastle United Football Company Limited

Statement of total recognised gains and losses for the year ended 31 July 1996

	Year ended 31 July 1996 £000	14 months ended 31 July 1995 £000
Loss for the financial year/period	(25,117)	(8,111)
Prior year adjustments	-	(12,542)
Total gains and losses recognised since last annual report	(25,117)	(20,653)

Reconciliation of movements in shareholders' funds for the year ended 31 July 1996

	Year ended 31 July 1996 £000	14 months ended 31 July 1995 £000
Loss for the financial year/period	(25,117)	(8,111)
Opening shareholders' funds	(15,520)	(7,409)
Closing shareholders' funds	(40,637)	(15,520)

Newcastle United Football Company Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Newcastle United Limited and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

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

Ground developments	-	Life of St James' Park lease
Fixtures, fittings and equipment	-	3-15 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

Deferred income

Deferred income is included in the balance sheet and credited to operating profit as follows:

Capital grants

Released over the estimated useful life of the assets to which they relate.

Sponsorship, bond, platinum club and season ticket income

Released on a straight line basis over the period to which they relate.

Newcastle United Football Company Limited

Notes *(continued)*

1 **Accounting policies** *(continued)*

Leases

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

Turnover

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

Transfer fees and signing on fees

Transfer fees and signing on fees payable are charged, and transfer fees receivable credited, in full to the profit and loss account in the year in which the transfer of the player takes place.

Taxation

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

2 **Turnover**

All turnover is derived from the company's principal activities and arises in the United Kingdom.

Newcastle United Football Company Limited

Notes (continued)

3 Operating expenses

	Year ended 31 July 1996 £000	14 months ended 31 July 1995 £000
Auditors' remuneration:		
Audit	24	24
Other services	226	105
Depreciation and other amounts written off tangible fixed assets:		
Owned	475	926
Leased	648	247
Hire of plant and machinery - rentals payable under operating leases	72	27
Hire of other assets - operating leases	35	35
Loss on sale of tangible fixed assets	59	42
Capital grants	(98)	(64)
Staff costs (note 5)	10,186	7,105
Other operating expenses	13,386	11,025
	<hr/>	<hr/>
	25,013	19,472
	<hr/>	<hr/>

The total amounts charged to revenue for the hire of plant and machinery amounted to £875,000 (1995:£485,000). This comprises rentals payable under operating leases as well as depreciation on plant and machinery held under finance leases together with the related finance charges.

4 Remuneration of directors

Directors' emoluments, which comprise solely benefits in kind, totalled £3,470 (1995: £nil). £1,945 (1995:£nil) related to the Chairman and £1,525 (1995:£nil) to one other director.

Newcastle United Football Company Limited

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	Year ended 31 July 1996	14 months ended 31 July 1995
Full-time	163	143
Part-time	845	81
	<hr/>	<hr/>
	1,008	224
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 July 1996	14 months ended 31 July 1995
	£000	£000
Wages and salaries	9,158	6,340
Social security costs	962	746
Other pension costs	66	19
	<hr/>	<hr/>
	10,186	7,105
	<hr/>	<hr/>

In addition to the above, signing on fees amounting to £4,182,000 (1995: £2,677,000) were charged during the year.

Newcastle United Football Company Limited

Notes (continued)

6 Interest receivable

	Year ended 31 July 1996 £000	14 months ended 31 July 1995 £000
Bank interest	2	174
Amounts receivable from group undertaking	216	83
Other interest	17	3
	<hr/>	<hr/>
	235	260
	<hr/>	<hr/>

7 Interest payable and similar charges

	Year ended 31 July 1996 £000	14 months ended 31 July 1995 £000
On bank loans, overdrafts and other loans wholly repayable within five years	1,461	286
On amounts owed to directors (note 20)	80	220
On amounts due to group undertaking	419	574
On all other loans	-	43
Other interest	-	141
Finance charges payable in respect of finance leases and hire purchase contracts	243	215
	<hr/>	<hr/>
	2,203	1,479
	<hr/>	<hr/>

8 Net transfer fees and signing on fees

	Year ended 31 July 1996 £000	14 months ended 31 July 1995 £000
Transfer fees receivable	5,623	9,064
Transfer fees and signing on fees payable	(32,182)	(21,207)
	<hr/>	<hr/>
	(26,559)	(12,143)
	<hr/>	<hr/>

Newcastle United Football Company Limited

Notes (continued)

9 Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<i>Cost or valuation</i>				
At beginning of year	31,594	1,758	352	33,704
Additions	2,770	1,249	193	4,212
Disposals	(20)	(103)	(133)	(256)
Transfers to fellow subsidiary undertakings	(1,903)	(3)	-	(1,906)
At end of year	32,441	2,901	412	35,754
<i>Depreciation</i>				
At beginning of year	1,031	971	123	2,125
Charge for year	491	534	98	1,123
On disposals	-	(80)	(46)	(126)
At end of year	1,522	1,425	175	3,122
<i>Net book value</i>				
At 31 July 1996	30,919	1,476	237	32,632
At 31 July 1995	30,563	787	229	31,579

Included within the cost of land and buildings is £709,000 (1995:£9,783,000) representing assets in the course of construction. No depreciation has been charged on these assets.

Included within fixed assets are assets held under finance leases with the following net book values: land and buildings £3,314,000 (1995:£1,104,666), fixtures and fittings £278,000 (1995:£345,030) and motor vehicles £179,999 (1995:£298,062).

The net book value of land and buildings comprises:

	1996 £000	1995 £000
Freehold	203	1,622
Long leasehold	30,715	28,938
Short leasehold	1	3
	30,919	30,563

Newcastle United Football Company Limited

Notes (continued)

9 Tangible fixed assets (continued)

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

	1996 £000	1995 £000
<i>Land and buildings</i>		
At 1993 valuation	15,000	15,000
Aggregate depreciation thereon	(1,066)	(688)
	<hr/>	<hr/>
Net book value	13,934	14,312
	<hr/>	<hr/>
Historical cost of revalued assets	14,711	14,711
Aggregate depreciation based on historical cost	(2,776)	(2,421)
	<hr/>	<hr/>
Historical cost net book value	11,935	12,290
	<hr/>	<hr/>

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

10 Fixed asset investment

	Shares in subsidiary undertaking £000	Loan to subsidiary undertaking £000	Total £000
<i>Cost</i>			
At beginning of year	2,700	2,800	5,500
Disposal	(2,700)	-	(2,700)
Repayment	-	(2,800)	(2,800)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>

The investment represented 100% of the issued share capital and a loan to Courtlands (Shopping Centres) Limited. The investment was sold to Newcastle United Limited, the company's immediate parent undertaking, on 18 July 1996. There was no profit or loss on disposal.

Newcastle United Football Company Limited

Notes (continued)

11	Stocks	1996 £000	1995 £000
	Goods for resale	943	585
12	Debtors		
	Due within one year	1996 £000	1995 £000
	Trade debtors	2,690	4,134
	Amounts owed by immediate parent undertaking	9,320	-
	Amounts owed by fellow subsidiary undertakings	-	577
	Other debtors	1,098	834
	Prepayments and accrued income	1,142	886
		14,250	6,431
13	Creditors: amounts falling due within one year	1996 £000	1995 £000
	Bank overdraft	28,051	1,843
	Bank loans (note 14)	-	2,260
	Term loans (note 14)	264	665
	Obligations under finance leases and hire purchase contracts (note 14)	1,076	659
	Trade creditors	13,074	7,414
	Amounts owed to immediate parent undertaking	-	710
	Amounts owed to ultimate parent undertaking	4,376	4,298
	Amounts owed to fellow subsidiary undertakings	10	47
	Taxes and social security	633	383
	Other creditors	17	26
	Accruals	4,285	8,248
		51,786	26,553

Newcastle United Football Company Limited

Notes (continued)

14 Creditors: amounts falling due after more than one year

	1996 £000	1995 £000
Trade creditors	3,750	-
Bank loans	-	4,740
Term loans	1,386	1,650
Obligations under finance leases and hire purchase contracts	1,672	452
Accruals	3,285	1,445
	<u>10,093</u>	<u>8,287</u>

(i) Bank loans

	1996 £000	1995 £000
Repayable within five years	-	4,200
Repayable after five years	-	2,800
	<u>-</u>	<u>7,000</u>
Due within one year (note 13)	-	(2,260)
	<u>-</u>	<u>4,740</u>

Newcastle United Football Company Limited

Notes (continued)

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

(ii) Term loans

	1996 £000	1995 £000
Repayable within five years	1,619	2,264
Repayable after five years	31	51
	<hr/>	<hr/>
Due within one year (note 13)	1,650 (264)	2,315 (665)
	<hr/>	<hr/>
	1,386	1,650
	<hr/>	<hr/>

One term loan falls partly due for repayment after more than five years. The outstanding balance of £135,000 is repayable in monthly instalments of £1,736. Interest is charged at the higher of 13% or 3% above base rate but is waived provided the company complies with certain conditions which it has done during the year.

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

	1996 £000	1995 £000
Within one year	1,076	659
In the second to fifth years	1,672	452
	<hr/>	<hr/>
	2,748	1,111
	<hr/>	<hr/>

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

15 Taxation

No tax charge arises on the result for the year. The company has unrelieved UK corporation tax losses of approximately £39,000,000 (1995:£17,500,000) at the end of the year.

Newcastle United Football Company Limited

Notes (continued)

15 Taxation (continued)

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

	1996		1995	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	235	-	195	-
Other timing differences	-	(1,569)	(195)	(430)
UK corporation tax losses	(235)	(12,870)	-	(5,775)
	<u>-</u>	<u>(14,439)</u>	<u>-</u>	<u>(6,205)</u>

16 Deferred income

	1996 £000	1995 £000
Total deferred income	<u>26,588</u>	<u>25,219</u>
Included within the above are capital grants as follows:		
	£000	
At beginning of year	3,277	
Received during year	<u>286</u>	
	3,563	
Credited to profit and loss account	<u>(98)</u>	
At end of year	<u>3,465</u>	

Deferred income comprises capital grants, sponsorship, bond, platinum club and season ticket income.

Newcastle United Football Company Limited

Notes (continued)

17 Called up share capital

	1996 £000	1995 £000
<i>Authorised</i>		
20,000,000 ordinary shares of 50p each	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
7,989,936 ordinary shares of 50p each	<u>3,995</u>	<u>3,995</u>

18 Contingent liabilities

During the year the company entered into an unlimited cross guarantee of the bank borrowings of its immediate parent undertaking which at 31 July 1996 amounted to £nil.

19 Commitments

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

	1996 £000	1995 £000
Contracted	<u>355</u>	<u>1,964</u>

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

	Land and buildings		Other	
	1996 £000	1995 £000	1996 £000	1995 £000
Expiring after five years	<u>35</u>	<u>35</u>	<u>-</u>	<u>15</u>

(iii) 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 this is £1,350,000 (1995:£925,000).

Newcastle United Football Company Limited

Notes (continued)

20 Transactions with directors

Interest payable for the period (note 7) includes £80,378 payable to Mr TL Bennett. Amounts owed to Mr TL Bennett at the beginning and end of the year were £1,534,000 and £1,390,000 respectively. Interest is charged at 2% above base rate.

The company paid certain expenditure on behalf of Mr DS Hall during the year by way of quasi-loan. The amount outstanding at the beginning of the year was £nil and the amount outstanding at the end of the year was £nil. The maximum outstanding during the year was £61,150. These amounts are unsecured and interest free with no fixed repayment date.

The company paid certain expenditure on behalf of Sir John Hall during the year by way of quasi-loan. The amount outstanding at the beginning of the year was £nil and the amount outstanding at the end of the year was £nil. The maximum outstanding during the year was £5,658. These amounts are unsecured and interest free with no fixed repayment date.

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

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

The largest group in which the results of the company are consolidated is that headed by Cameron Hall Developments Limited. The smallest group in which they are consolidated is that headed by Newcastle United Limited, a company registered in England and Wales.