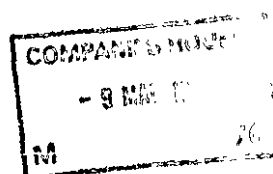


Newcastle United PLC  
Annual report  
for the year ended 31 May 1991

Registered no: 2529667

Coopers  
& Lybrand  
Deloitte



# Newcastle United PLC

## Annual report for the year ended 31 May 1991

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## Directors and advisers

### Directors

Sir J Hall (Chairman)  
G R Forbes (Vice Chairman)  
P C Mallinger  
R Young  
D S Hall  
W F Shepherd  
D McVickers

### General manager and secretary

R Cushing

### Registered office

St James' Park  
Newcastle upon Tyne  
NE1 4ST

### Team manager

K Keegan OBE

### Auditor

Coopers & Lybrand Deloitte  
Hadrian House  
Higham Place  
Newcastle upon Tyne  
NE1 8BP

### Solicitors

Wilkinson Maughan  
Sun Alliance House  
35 Mosley Street  
Newcastle upon Tyne  
NE1 1XX

### Bankers

Barclays Bank plc  
City Branch  
Percy House  
Percy Street  
Newcastle upon Tyne  
NE1 4QL

**Directors' report  
for the year ended 31 May 1991**

The directors present their report and the audited financial statements for the year ended 31 May 1991.

**Principal activities**

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

**Review of business and post balance sheet events**

The company was incorporated on 10 August 1990 as a private company limited by shares under the Companies Act 1985 with the name of Issuebonus Limited. The name of the company was changed to Newcastle United Limited on 24 September 1990. On 25 October 1990 the name of the company was further changed to Newcastle United PLC and the company was re-registered as a public limited company under the Companies Act 1985. In October 1991, the company acquired the active issued share capital of Newcastle United Football Company, Limited by way of share for share exchange.

The group incurred a significant loss for the year. As a result of this, and as more fully explained in note 24, the directors have addressed the financial position of the group subsequent to the year end by means of a rights issue and other initiatives. Subject to the successful outcome of certain current refinancing negotiations, the directors are confident of the future prospects of the group.

**Changes in share capital**

The changes in the company's share capital are shown in note 19.

**Results and dividends**

The loss after taxation for the year was £2,998,467 (1990: loss £1,311,884).

No dividend is proposed and the loss for the year will be deducted from reserves.

**Changes in fixed assets**

The movements in fixed assets are set out in note 11.

## Directors

The directors who served the company during the year were as follows:

G R Forbes	(Chairman from 6 December 1990)
W G McKeag BA	(Chairman until 6 December 1990)
S Seymour	(President)
P C Mallinger	
R Young	
R Cushing	
Sir J Hall	(resigned 6 December 1990)
D S Hall	(appointed 14 November 1990; resigned 22 May 1991)

The initial directors of Issuebonus Limited were N Calvert and A J Davison. Both directors resigned on 19 September 1990 at which date the above directors, unless otherwise stated, were appointed.

The following changes in directors occurred after the year end:

W G McKeag BA	(resigned 18 November 1991)
S Seymour	(resigned 18 November 1991)
R Cushing	(resigned 18 November 1991)
Sir J Hall	(appointed 18 November 1991)
D S Hall	(appointed 18 November 1991)
W F Shepherd	(appointed 18 November 1991)
D McVickers	(appointed 18 November 1991)

On 27 December 1991, G R Forbes resigned as Chairman and Sir J Hall was appointed to that position.

In accordance with the company's Articles of Association, the directors will offer themselves for re-election at the annual general meeting.

## Directors' interests

The directors interests in the share capital of the company at 31 May 1991 were as follows:

	Number of ordinary shares of 50p each	
	31 May 1991	31 May 1990
G R Forbes	331,325	231,325
W G McKeag BA	591,477	995,477
S Seymour	107,000	107,000
P C Mallinger	520,590	420,590
R Young	730,887	630,887
R Cushing	20,000	20,000

The directors' interests shown above at 31 May 1990 are in the shares of the company's subsidiary company Newcastle United Football Company, Limited, which was acquired by Newcastle United PLC during the year by means of a one for one share exchange.

Several of the directors have other directorships in companies or are partners in firms which trade with Newcastle United PLC and its subsidiary company. All the relevant transactions are undertaken at normal commercial rates and at arm's length.

## Charitable donations

Charitable donations during the year amounted to £10,291.

## Auditor

A resolution to reappoint the auditor, Coopers & Lybrand Deloitte, will be proposed at the annual general meeting.

By order of the board



General manager and secretary

3 March 1992

## Report of the auditor to the members of Newcastle United PLC

We have audited the financial statements on pages 6 to 22 in accordance with Auditing Standards.

As explained in note 1, the financial statements have been prepared on a going concern basis, and the validity of this depends upon the continuing support of the group's bankers and other providers of finance.

In the absence of such support this basis would be invalid. Provision would then have to be made for any loss that might arise when the group's assets were realised.

Subject to the group's bankers and its other financiers continuing to provide the group with adequate sources of finance, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 May 1991 and of the loss and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Cooper & Lybrand Deloitte*

Chartered Accountants and Registered Auditor  
Newcastle upon Tyne

*3 March 1992.*

# Consolidated profit and loss account for the year ended 31 May 1991

	Notes	1991 £	1990 £
Turnover	2	4,190,797	3,932,929
Other operating income		226,982	184,917
		<u>4,417,779</u>	<u>4,117,846</u>
Payroll costs	4	2,309,443	1,986,448
Signing on fees	4	444,887	618,283
Depreciation		387,277	383,863
Other operating costs		2,238,086	1,692,488
		<u>(961,914)</u>	<u>(563,236)</u>
Operating loss			
Investment income	5	5,085	1,279
Interest payable and similar charges	6	(622,129)	(700,815)
Net transfer fees	7	(669,461)	(49,112)
Share issue costs		(456,882)	-
Cost of change of team manager		(293,166)	-
		<u>(2,998,467)</u>	<u>(1,311,884)</u>
Loss on ordinary activities before taxation	8		
Taxation	9	-	-
		<u>(2,998,467)</u>	<u>(1,311,884)</u>
Retained loss for the year	20		
		<u>(2,998,467)</u>	<u>(1,311,884)</u>



# Balance sheets at 31 May 1991

		Group		Company
	Notes	1991	1990	1991
		£	£	£
<b>Fixed assets</b>				
Tangible assets	11	10,200,815	10,358,622	-
Investments	12	-	-	3,994,968
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Current assets</b>				
Stocks	13	193,727	105,244	-
Debtors	14	399,812	822,851	42,798
Cash at bank and in hand		21,787	5,201	-
		<u>          </u>	<u>          </u>	<u>          </u>
		615,326	933,296	42,798
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Creditors: amounts falling due within one year</b>	15	3,051,112	2,086,244	500,000
Season tickets and executive boxes sold in advance		334,883	4,210	-
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Net current liabilities</b>		(2,770,669)	(1,157,158)	(457,202)
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets less current liabilities</b>		7,430,146	9,201,464	3,537,766
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Creditors: amounts falling due after more than one year</b>	16	3,609,897	3,204,612	-
Deferred income	18	1,739,088	917,224	-
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Net assets</b>		2,081,161	5,079,628	3,537,766
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Capital and reserves</b>				
Called-up share capital	19	3,994,968	3,994,968	3,994,968
Revaluation reserve	20	1,268,624	1,268,624	-
Profit and loss account	20	(3,182,431)	(183,964)	(457,202)
		<u>          </u>	<u>          </u>	<u>          </u>
		2,081,161	5,079,628	3,537,766
		<u>          </u>	<u>          </u>	<u>          </u>

The financial statements on pages 6 to 22 were approved by the board of directors on 3 March 1992 and were signed on its behalf by:

*M. Hall*

} Directors

*G. R. F. L.*

## Consolidated statement of source and application of funds for the year ended 31 May 1991

	1991 £	1990 £
<b>Funds absorbed by operations</b>		
Loss on ordinary activities before taxation	(2,998,467)	(1,311,884)
Adjustment for items not involving the movement of funds:		
Depreciation and amounts written off tangible fixed assets	387,277	383,863
Profit on disposal of tangible fixed assets	(2,428)	(67,013)
Release of deferred income	(39,247)	(67,628)
Release of sponsorship income	(138,889)	-
<b>Total funds absorbed by operations</b>	<b>(2,791,754)</b>	<b>(1,062,662)</b>
<b>Funds from other sources</b>		
Proceeds on disposal of tangible fixed assets	23,916	131,365
Receipt of deferred income	-	252,822
Proceeds of rights issue	-	1,994,968
Loans raised	1,450,000	-
Receipt of sponsorship income	1,000,000	-
Finance lease capital raised	95,622	15,924
<b>Total source of funds</b>	<b>2,569,538</b>	<b>2,395,079</b>
<b>Application of funds</b>		
Purchase of tangible fixed assets	250,958	563,818
Repayment of bank loans	161,496	147,826
Repayment of other loans	288,378	9,167
Repayment of finance lease capital	78,240	33,836
<b>Total application of funds</b>	<b>(779,072)</b>	<b>(754,647)</b>
<b>Net (application)/source of funds</b>	<b>(1,001,288)</b>	<b>577,770</b>
The net (application)/source of funds is represented by the following (decrease)/increase in working capital:		
Stocks	88,483	93,342
Debtors	(423,039)	(388,269)
Creditors	113,358	707,228
Season ticket and executive box creditors	(330,673)	30,912
	<b>(551,871)</b>	<b>443,213</b>
<b>Movements in net liquid funds:</b>		
Cash at bank and in hand	16,586	19,462
Bank overdraft	(466,003)	115,095
<b>(Decrease)/increase in working capital</b>	<b>(1,001,288)</b>	<b>577,770</b>

## Notes to the financial statements for the year ended 31 May 1991

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

#### Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost basis of accounting, as modified by the revaluation of certain fixed assets. The validity of the going concern basis is dependent on the continued support of the group's bankers and other providers of finance and in particular is dependent upon the successful conclusion of the refinancing negotiations outlined in note 24.

Should the going concern basis of preparation no longer be appropriate, adjustments would have to be made to reduce the value of the group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

#### Turnover

Turnover represents all income arising from the activities of the Football Club, all gross income from games and lotteries run by the Club's Development Association, and gross income from the Club Shop. Transfer fees received are excluded.

#### Depreciation

The rates of depreciation applied are calculated to write off tangible fixed assets by equal annual instalments over the following estimated useful lives:

Residential properties and Benwell Sports Hall	-	60 years
Ground erections and equipment	-	6 years
East stand executive boxes	-	20 years
Ground development	-	over the period of lease of St James' Park
Fixtures and fittings	-	6 years
Motor vehicles	-	4 years

No depreciation is provided on the freehold sports ground.

#### Expenditure under the Safety of Sports Grounds Act, 1975

Expenditure required under the Safety of Sports Grounds Act, 1975 and related grants from the Football Grounds Improvement Trust are dealt with in the profit and loss account as and when incurred.

**Stocks**

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

**Transfer fees, signing-on fees and loyalty bonuses**

Transfer fees payable and receivable are charged or credited in full to the profit and loss account at the time at which the transfer takes place. Signing-on fees and loyalty bonuses paid to players are charged to the profit and loss account according to the due date for payment. Transfer fees contingent on future appearances and signing-on fees due in the future on continued service are not provided for but are noted as contingent liabilities.

**Deferred taxation**

Deferred taxation is provided at current rates under the liability method on all material timing differences to the extent that it is likely that a liability will crystallise in the foreseeable future.

**Capital grants**

Grants received from the Football Grounds Improvement Trust towards the construction of the Milburn Stand have been treated as deferred income and are released to income over the life of the asset.

**Assets acquired for non cash consideration**

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

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

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

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

**Leased assets**

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation is charged to the profit and loss account. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account.

All other leases are "operating leases", and the rental payments are charged directly to the profit and loss account on a straight line basis over the lease term.

**Pension costs**

Certain of the group's eligible administrative staff are members of the Football League Limited Pensions and Life Assurance Scheme. This is a defined benefit scheme based on final pensionable salary with both the company and staff making contributions into the Fund. Contributions are accounted for as they fall due.

Players and other employees are responsible for providing their own pensions, and the company makes no contributions in respect of these.

**Basis of consolidation**

The results for the year of the subsidiary company, Newcastle United Football Company, Limited, have been consolidated using merger accounting. The subsidiary company made a loss after tax in the year ended 31 May 1991 of £2,541,265 (1990: £1,311,884), of which £1,471,000 was incurred after the date of acquisition. The results of Newcastle United Football Company, Limited in the year ended 31 May 1991 and in the previous year did not include any extraordinary items.

No material accounting adjustments were required by either company to achieve consistency of accounting policies.

No comparative figures have been included for the company as it was incorporated during the year.

**2 Turnover**

	1991 £	1990 £
<b>Class of business</b>		
Income arising from the activities of the Football Club	3,482,790	3,403,972
Development Association income	269,540	285,719
Shop income	438,467	243,238
	<u>4,190,797</u>	<u>3,932,929</u>

### 3 Directors' emoluments

The remuneration paid to the directors of Newcastle United PLC was:

	1991	1990
Aggregate emoluments (including pension contributions and benefits in kind)	<u>£47,185</u>	<u>£22,583</u>

Aggregate emoluments (excluding pension contributions) included amounts paid to:

	1991	1990
The highest paid director	<u>£39,913</u>	<u>£18,168</u>

The emoluments of the chairman in the period to 6 December 1990 were £600 (1990: £1,237). The emoluments of the chairman in the period from 6 December 1990 were £450.

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1991 Number	1990 Number
£0 to £5,001	7	8
£15,001 to £20,000	-	1
£35,001 to £40,000	1	-
	=	=

### 4 Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	1991 Number	1990 Number
Full time employees	96	82
Part time employees	50	24
	<u>146</u>	<u>106</u>

	1991 £	1990 £
Staff costs including signing on fees (for the above persons):		
Wages and salaries	2,639,522	2,371,931
Social security costs	217,900	203,258
Other pension costs	30,074	29,542
	<u>2,887,496</u>	<u>2,604,731</u>
Less: staff costs attributable to change of team manager	(133,166)	-
	<u><u>2,754,330</u></u>	<u><u>2,604,731</u></u>

## 5 Investment income

	1991 £	1990 £
Bank deposit interest	5,039	1,226
Other interest receivable	46	53
	<u>5,085</u>	<u>1,279</u>

## 6 Interest payable and similar charges

	1991 £	1990 £
On bank loans and overdrafts:		
Repayable within 5 years, not by instalments	110,251	122,638
Repayable within 5 years, by instalments	86,959	-
Repayable wholly or partly in more than 5 years	401,234	506,129
	<u>598,444</u>	<u>628,767</u>
On finance leases and hire purchase contracts	22,110	22,947
Other interest	1,575	49,101
	<u>622,129</u>	<u>700,815</u>

## 7 Net transfer fees

	1991 £	1990 £
Transfer fees receivable	445,122	2,169,388
Transfer fees payable	(1,114,583)	(2,218,500)
	<u>(669,461)</u>	<u>(49,112)</u>

**8 Loss on ordinary activities before taxation**

	1991 £	1990 £
Loss on ordinary activities before taxation is stated after crediting:		
Release of deferred income	39,247	67,628
Profit on disposal of tangible fixed assets	<u>2,428</u>	<u>67,013</u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	336,798	351,275
Assets held under finance leases	50,479	32,588
Auditor's remuneration	13,000	12,875
Hire of other assets - operating leases	<u>47,483</u>	<u>36,393</u>

**9 Taxation**

The group has accumulated tax losses of approximately £3,800,000 which are available for set-off against corporation tax on future profits of the same trade. Of this amount approximately £166,000 has been used to reduce the group's total potential liability to deferred tax (1990: £71,000).

**10 Holding company's profit and loss account**

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. Of the group's loss for the year, a loss of £457,202 has been dealt with in the profit and loss account of the holding company.



## 11 Tangible fixed assets

## Group

	Land and buildings £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>				
At 1 June 1990	10,244,640	65,391	466,841	10,776,872
Additions	30,615	79,466	140,877	250,958
Disposals	(22,822)	(29,951)	(1,975)	(54,748)
<b>At 31 May 1991</b>	<b>10,252,433</b>	<b>114,906</b>	<b>605,743</b>	<b>10,973,082</b>
<b>Depreciation</b>				
At 1 June 1990	140,920	40,636	236,694	418,250
Charge for year	274,441	27,475	85,361	387,277
Eliminated in respect of disposals	(9,000)	(23,602)	(658)	(33,260)
<b>At 31 May 1991</b>	<b>406,361</b>	<b>44,509</b>	<b>321,397</b>	<b>772,267</b>
<b>Net book value</b>				
At 31 May 1991	<u>9,846,072</u>	<u>70,397</u>	<u>284,346</u>	<u>10,200,815</u>
<b>Net book value</b>				
At 31 May 1990	<u>10,103,720</u>	<u>24,755</u>	<u>230,147</u>	<u>10,358,622</u>

The net book value of land and buildings can be analysed as follows:

	1991 £	1990 £
Freehold	208,321	211,180
Long leasehold	9,637,751	9,892,540
	<u>9,846,072</u>	<u>10,103,720</u>

Certain long leasehold land and buildings were revalued at 1 January 1990 on the basis of depreciated replacement cost.

If these assets had not been revalued, land and buildings would have been included at the following amounts:

	£
Historical cost at 31 May 1991	<u>7,772,929</u>
Accumulated depreciation based on historical cost at 31 May 1991	<u>1,216,530</u>
Net book value at 31 May 1991	<u>6,556,399</u>

Included within fixed assets are assets held under finance leases with the following net book values: land and buildings £34,448 (1990: £47,190), fixtures and fittings £44,828 (1990: £54,993) and motor vehicles £65,533 (1990: £20,089).

## 12 Investments

	Company 1991 £
Investment in subsidiary at cost	<u>3,994,968</u>

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

On 16 October 1990, 7,686,461 ordinary shares of 50p each in the capital of the company were allotted in consideration for 7,686,461 ordinary shares in Newcastle United Football Company, Limited ("NUFC") pursuant to an offer made by the company dated 24 September 1990 which became unconditional on 12 October 1990 (the effective date of acquisition). It was agreed that the 4 ordinary shares of 50p each in the capital of the company which were issued but not paid up should be treated as fully paid in consideration for the transfer to the company of 4 ordinary shares of 50p in the capital of NUFC. The remaining 303,471 issued shares in NUFC were acquired under Sections 429 and 430 of the Companies Act 1985 by compulsory purchase.

There was no active market in the shares of the company at the date of acquisition. As an approximation the fair value of the consideration for the acquisition has therefore been estimated to be equal to the book value of the net assets of NUFC at that date, which was approximately £4,009,000.

## 13 Stocks

	Group	
	1991	1990
	£	£
Stocks comprise:		
Goods for resale in the club shops	174,469	82,928
Consumables	19,258	22,316
	<u>193,727</u>	<u>105,244</u>

## 14 Debtors

	Group		Company
	1991	1990	1991
	£	£	£
Amounts falling due within one year			
Trade debtors	328,232	742,879	-
Amounts owed by subsidiary company	-	-	42,798
Other debtors	27,063	53,831	-
Prepayments and accrued income	44,517	19,016	-
	<u>399,812</u>	<u>816,726</u>	<u>42,798</u>
Amounts falling due after more than one year			
Other debtors	-	6,125	-
	<u>399,812</u>	<u>822,851</u>	<u>42,798</u>

## 15 Creditors: amounts falling due within one year

	Group		Company
	1991	1990	1991
	£	£	£
Bank loans	296,795	194,688	-
Bank overdrafts	1,050,535	584,532	-
Other loans	449,233	10,000	-
Obligations under finance leases	58,356	37,106	-
Trade creditors	675,016	775,216	-
Other taxation and social security payable	134,609	127,240	-
Other creditors	125,505	49,998	-
Accruals and deferred income	261,063	307,464	500,000
	<u>3,051,112</u>	<u>2,086,244</u>	<u>500,000</u>

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

	Group	
	1991	1990
	£	£
Bank loans	2,540,600	2,804,203
Other loans	978,222	255,833
Obligations under finance leases	79,211	83,079
Trade creditors	5,263	39,367
Accruals and deferred income	6,601	22,130
	<u>3,609,897</u>	<u>3,204,612</u>

## Bank loans

	Group	
	1991	1990
	£	£
Bank loans are repayable by instalments		
Repayable within five years	1,300,820	1,292,491
Repayable after five years	1,536,575	1,706,400
	<u>2,837,395</u>	<u>2,998,891</u>
Due within one year	296,795	194,688
	<u>2,540,600</u>	<u>2,804,203</u>

The bank loans and bank overdraft are secured by a mortgage on freehold land and buildings, the net book value of which is £208,321 (1990: £211,180) and by a fixed and floating charge over all the assets of the company.

There are two medium term loans repayable by instalments after more than five years, one medium term loan, bearing interest at 2¼% above the London Inter Bank Offer Rate (LIBOR) which is repayable in sixty equal quarterly instalments commencing on 31 December 1990 and another medium term loan bearing interest at 2¼% above LIBOR which is repayable in equal quarterly instalments over seven years from 18 November 1988.

In addition there is a mortgage loan secured on property at Gretna Road, Benwell. This is repayable in equal monthly instalments of £624. Interest is charged at 3% above Barclays Bank base rate.

## Other loans

	Group	
	1991	1990
	£	£
Other loans are repayable by instalments		
Repayable within five years	1,116,167	50,000
Repayable after five years	311,288	215,833
	<hr/>	<hr/>
	1,427,455	265,833
Due within one year	449,233	10,000
	<hr/>	<hr/>
	978,222	255,833
	<hr/>	<hr/>

The group has two loans which are partly repayable after more than five years. The principal terms of these loans are as follows:

- (i) £243,055 repayable in equal monthly instalments over 12 years from 1 February 1991. Interest is charged at the higher of 13% or 3% above the Bank of Scotland base rate but is waived provided the group comply with certain conditions regarding the purchase of drinks.
- (ii) £488,400 repayable in equal monthly instalments over 8 years from 1 March 1991. Interest is charged at 1% per annum.

## Finance leases

The future minimum lease payments to which the group are committed under finance leases and hire purchase contracts are as follows:

	Group	
	1991	1990
	£	£
In one year or less	58,356	37,106
Between one and five years	79,211	83,079
In more than five years	-	-
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	137,567	120,185
	<hr/>	<hr/>

## 17 Deferred taxation

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

	Group Amount provided		Group Total potential liability	
	1991	1990	1991	1990
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	-	195,000	107,000
Other timing differences	-	-	(29,000)	(36,000)
Losses carried forward	-	-	(166,000)	(71,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In the opinion of the directors, no liability to deferred tax arises on the revaluation of ground developments.

## 18 Deferred income

	Group	
	1991	1990
	£	£
Football Grounds Improvement Trust Capital Grant		
At 1 June 1990	722,760	732,030
Released in year	(9,270)	(9,270)
At 31 May 1991	<u>713,490</u>	<u>722,760</u>
Assets received for non-cash consideration		
At 1 June 1990	194,464	-
Receivable in year	-	252,822
Released in year	(29,977)	(58,358)
At 31 May 1991	<u>164,487</u>	<u>194,464</u>
Sponsorship		
At 1 June 1990	-	-
Receivable in year	1,000,000	-
Released in year	(138,889)	-
	<u>861,111</u>	<u>-</u>
Total deferred income at 31 May 1991	<u>1,739,088</u>	<u>917,224</u>

## 19 Called-up share capital

	1991 £	1990 £
Authorised 20,000,000 ordinary shares of 50p each	10,000,000	10,000,000
Allotted, called up and fully paid 7,989,936 (1990: 7,989,936) ordinary shares of 50p each	3,994,968	3,994,968

On incorporation on 10 August 1990 the authorised share capital of the company was £1,000 divided into 1,000 ordinary shares of £1 each of which 2 ordinary shares of £1 each in the capital of the company were issued but not paid up.

On 5 September 1990 the authorised share capital of the company was increased from £1,000 to £10,000,000 by the creation of 9,999,000 additional ordinary shares of £1 each ranking pari passu in all respects with the existing ordinary shares of £1 each in the capital of the company, and the resulting 10,000,000 ordinary shares of £1 each were sub-divided into 20,000,000 ordinary shares of 50p each.

The purpose of increasing the share capital was to enable the company to acquire the entire issued share capital of Newcastle United Football Company, Limited.

## 20 Reserves

	Group Revaluation reserve £	Profit and loss account £	Company Profit and loss account £
At 1 June 1990	1,268,624	(183,964)	-
Retained loss for the year	-	(2,998,467)	(457,202)
At 31 May 1991	1,268,624	(3,182,431)	(457,202)

## 21 Capital commitments

At 31 May 1991, the group had contracted for capital expenditure of £89,638 (1990: £Nil), which is not provided for in the financial statements. A grant has been awarded to the group by the Football Trust in respect of part of this expenditure. This will not exceed £41,951 in value.

There are no capital commitments relating to the company.

## 22 Contingent liabilities

At 31 May 1991, the group had contingent liabilities in respect of signing-on fees and loyalty bonuses amounting to a maximum of £509,029 in relation to the 1991/92 season which may become payable immediately under Football League rules if the players concerned leave the company. Additional transfer fees of £107,917 are payable to former clubs of certain players contingent upon future appearances of those players.

The company has no contingent liabilities.

## 23 Financial commitments

At 31 May 1991 the group had annual commitments under non-cancellable operating leases as follows:

	1991		1990	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Expiring within one year	-	-	-	130
Expiring between two and five years inclusive	-	7,599	-	7,208
Expiring in over five years	27,500	-	27,500	395
	<u>27,500</u>	<u>7,599</u>	<u>27,500</u>	<u>7,733</u>

The company had no commitments under non-cancellable operating leases at 31 May 1991.

## 24 Post balance sheet events

On 20 November 1991, the company announced a rights issue offering 3,994,968 shares to the existing shareholders at par. The objective was to raise sufficient working capital for the group's foreseeable requirements. As a result of the issue, 2,333,889 ordinary shares of 50p each were allotted, raising a total of £1,166,945. The directors considered that this was insufficient to secure the group's long term financial stability, and hence subsequent negotiations regarding the arrangement of a refinancing package have been entered into between the company, its bankers and other providers of finance. These negotiations are currently continuing, and it is the intention that their successful resolution will provide the group with sufficient capital to fulfil its future requirements.