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Newcastle United PLC Annual Report and Accounts 1999



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Introduction and Contents

I am pleased to report that our results demonstrate the robustness of our underlying business after stripping out the impact of not participating in the UEFA Champions League. We have also qualified for the UEFA Cup this season again by virtue of reaching the final of the FA Cup for the second successive year.

The next step for Newcastle United is to deliver success on the pitch. Results on the pitch are the driver of the business. Over the past twelve months we have built up a strong squad and we believe that our new manager, Bobby Robson, will provide us with the stability and experience necessary to improve results on the pitch. With the strength of our loyal fans and the potential provided by a redeveloped St. James' Park, we aim to become one of the best clubs in Europe.

Freddie Fletcher, Chairman

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The new St. James' Park will be much more than just one of Europe's most impressive football stadia.

It will be a genuine 365-day-a-year facility. The complex will boast a number of excellent bars and restaurants and will provide unrivalled banqueting and conference facilities, catering for some 4,000 guests. We will also house an adult learning centre, media suite and study support centre which will offer local children exceptional educational opportunities.

St. James' Park will not only be a source of esteem to the people of Tyneside but also a stadium that can hold its own with the very best in the world.

Chairman's Statement

Newcastle United PLC is an established leisure business with significant potential for future success.

In the year to 31 July 1999, many changes have occurred in the football sector. Most notable is the investment by media companies in football clubs. I believe that this reflects the potential for football to further develop on a European and Worldwide stage using television as the primary medium.

In May 1998, we commenced the expansion of St. James' Park to increase capacity from 36,800 to over 51,000. The project is progressing to plan and we will start the 2000/2001 season in a stadium among the very best in the world.

I believe that Newcastle United, backed by a large and loyal supporter base, is in a strong position to capitalise on these changes.

Operating profit before player trading was £6.9m (1998: £10.8m). Other operating expenses have decreased by 1.5% to £37.8m, (1998: £38.4m). Payroll continues to be the most significant cost at £24.4m (1998: £22.3m), an increase of 9.4%.

Revenues in most principal activities in the comparable period last year, were boosted by our involvement in the UEFA Champions League where we played eight matches compared to the two matches in the UEFA Cup Winners Cup for this year. The figures for the previous year were enhanced by a £5.9m contribution in turnover and a £4.5m profit.

Branded product sales declined by 20% largely in line with experiences in the wider retail market. Our own 1892 brand, which accounts for over 50% of branded product sales held up very well. Our new home kit was launched in May, and we have been pleased by the sales achieved to date. We have recently appointed a Director of Branded Products, David Gosling, to ensure that we further develop our retail operations as the leisurewear market evolves.

The long term aim of this club is to develop our brand throughout Europe and the rest of the World.

Football Management and Playing Squad

The past year has not been as stable as we would have liked. Ruud Gullit was appointed as Manager in August 1998 to replace Kenny Dalglish, but subsequently resigned on 28 August 1999. However, we have built up a strong squad and we believe that our new Manager, Bobby Robson, has the experience and track record to bring success and stability to the Club. The Board has also asked Bobby Robson to undertake a thorough review of all football related activities within the Club to ensure that the playing side operates in the most effective manner to achieve long term success.

Player acquisitions comprised:

Ferguson (£7.0m), Dyer (£6.0m), Marcelino (£5.1m), Goma (£4.8m), Hamann (£4.5m), Maric (£3.6m), Domi (£3.3m), Solano (£2.8m) and Dumas (£0.5m).

Player sales comprised:

Hamann (£7.5m), Batty (£4.4m), Watson (£3.8m), Guivarc'h (£3.5m), Gillespie (£2.4m), Georgiadis (£0.3m) and P. Dalglish (£0.3m).

A major issue for all football clubs has been the Bosman ruling and the consequent impact on players freedom of contract and wage costs. I firmly believe that the steps we undertook helped to offset the impact of wage cost increases. For the year under review they increased by 9.4%.

Our response to the impact of Bosman has been to:

- extend contracts of players well before their expiry dates
- sell players who do not figure in our future plans
- create a younger squad, which now has an average age of 24

Newcastle United's ambitions demand footballing success and this must be our priority.

The average length of player contracts is now greater than three years, with no senior player's contract expiring in the 1999/2000 season.

By continuing to invest in youth development we hope to produce a higher proportion of home grown talent. Our youth team reached the semi-final stage of the FA Youth Cup. We are also in our first year of operating under FA Premier League Academy status. I am pleased to report that a number of younger players made first team debuts including Paul Robinson, David Beherall and Jamie McClen.

August 2000: The Redeveloped Stadium

The redeveloped stadium opens in August 2000 for the start of the 2000/2001 football season. It was an urgent priority at the time of flotation to deliver increased stadium capacity to meet the strong demand. I am pleased that we have made rapid progress in addressing this matter.

The development is on time and within budget. The expansion has achieved a unique milestone, being the first time that a stadium has been redeveloped without loss of capacity. Such an achievement does not come without a cost. Substantial disruption has been experienced by our loyal supporters and staff, for which we apologise and thank them for their patience.

Once completed it will give us one of the finest stadia in the world.

Facilities and features will include:

- increased capacity to over 51,000 seats
- improved corporate facilities
- improved bar facilities
- improved disabled, catering and toilet facilities
- improved press and media facilities
- improved family enclosure
- a translucent roof which will be the biggest in Europe

Behind the Scenes at Newcastle United PLC ...

Newcastle United

Will be catapulted into an
exclusive bracket of European
clubs by the redevelopment
of St James' Park.

The new stadium will provide a fitting home for one of Europe's fastest growing clubs.

Importantly, the redeveloped stadium should allow us to pass all of the quality tests for inclusion in any of the major national and international football competitions.

In common with other leading clubs we have sought to increase usage of the stadium on non match days. With the most advanced and comprehensive conference and banqueting facilities in the region, we anticipate significant demand. Through market research, both to our existing and a wider customer base we are confident that all our facilities will be extensively used. We see our market now expanding from the North of England to one embracing Scotland and the wider region.

Funding has been achieved through a successful private placement of £55 million fixed interest senior notes, announced on 20 September 1999. It replaced the £40 million term loan taken out to provide interim financing for the St. James' Park expansion. 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 from ticket sales and corporate hospitality receipts, it enables the business to fund the stadium redevelopment in a highly cost effective manner. This new funding also ensured that we did not dilute our resources from the playing side, which continually needs investment.

Player Trading and FRS10

The financial results reflect changes in accounting policies relating to acquired player registrations and signing on fees. Previously these were written off as net transfer fees and associated costs at the inception of the contract. They are now recognised in the balance sheet and amortised over the period of the players' contracts. Equity shareholders' funds have increased to £54.5m at 31 July 1999 from £16.6m reported at 31 July 1998, largely as a result of the change of accounting policies. FRS10 on accounting for intangible assets was introduced on 23 December 1998.

The City of Newcastle has aspirations to rank alongside and compete with all the major European cities.

In the last Budget the Inland Revenue indicated that corporation tax relief, previously obtained in respect of acquired player registrations, will be unaffected by the introduction of the new accounting policy required under FRS10. However, the resulting difference between accounting and tax treatment requires a provision for deferred tax which will be released as the remaining net book values are amortised.

Year 2000 Compliance

The Company has undertaken all necessary steps to ensure that all systems and equipment are year 2000 compliant. The associated costs were not significant and work is on track.

Dividend

The Board is recommending an unchanged final dividend of 1.16p per ordinary share for the year ended 31 July 1999 giving a total dividend for the year of 1.76p per ordinary share (1998: 1.76p) which, subject to approval at the Annual General Meeting, will be paid on 17 December 1999 to all shareholders on the register at the close of business on 22 October 1999. A scrip dividend alternative will be offered. Cameron Hall Developments Limited and Shepherd Offshore plc, which together hold 58.4% of the issued share capital, have indicated their intention to accept the scrip dividend rather than take a cash dividend given their commitment to the long term development and success of the Club.

Board Changes and NTL

On 8 December 1998, the Company announced the reappointment of Douglas Hall and Freddy Shepherd to the Board of Newcastle United PLC. The Company also announced that Denis Cassidy, John Josephs and Tom Fenton felt that they could not continue as Chairman and Non-Executive Directors respectively. Under these circumstances I agreed to assume the role of Chairman.

The reward for the continuing loyal support will be one of the best run and most successful clubs in Europe.

On 13 July 1999, we announced the appointment of Michael Winkell as Company Secretary and *Strategy Director*. On the same day we further announced that I would assume the role of Executive Chairman and that the Finance Director, Les Wheatley, would assume the role of Chief Operating Officer. I believe we have a very experienced Board, with extensive knowledge of the world of football.

On 17 December 1998 the Company announced that NTL had acquired 6.3% of the issued share capital of Newcastle United PLC from Cameron Hall Developments Limited (CHD). NTL held an irrevocable undertaking from CHD for their remaining shares (50.8%) for a period of sixteen weeks after the publication of the Monopolies and Mergers Commission report on the BSkyB acquisition of Manchester United Plc. NTL decided on 21 April 1999 that they did not intend to continue with their plans to purchase the remaining 50.8% of the shares held by CHD, following the decision of the Secretary of State for Trade and Industry that he would not permit BSkyB to proceed with its proposed acquisition of Manchester United.

Newcastle United and the Community

We take very seriously our role in the community, and have undertaken a number of initiatives during the past 12 months.

Our Football-In-The-Community programme has been very successful in bringing inner city children into closer contact with the club and helping to put something back into the community and in the past year has involved over 100,000 boys and girls. I am pleased that our efforts have been received favourably by both local and national government.

Our 'Scoring Goals for Success' programme, to encourage attendance at schools, currently involves 51 schools and over 25,000 pupils. There are a further 200 schools seeking participation.

We, like other big clubs, expect further revenue growth as the competition for securing TV rights intensifies.

Working with Newcastle City Council we continue to seek to regenerate the area around St. James' Park. In July 1999 the Council published its plans for the Gallowgate area, adjacent to our stadium. This includes proposals to develop hotel and leisure facilities on land acquired by Newcastle United in September 1998.

At this stage we have no firm proposals for redeveloping this land, but intend to look at a number of options in the coming months.

Outlook

The changes in the football sector will benefit all leading clubs and it is my belief that Newcastle United will be a major beneficiary of those changes. The principal driver of change is the relationship between media companies and football clubs.

The televising of games gives unparalleled opportunities for clubs such as Newcastle United. Our recent UEFA Cup games were televised in over 150 countries around the World. The deal that we have achieved this year for the television rights of UEFA Cup games is five times the equivalent amount of last year. We believe that there is significant scope for further growth. The existing BSkyB contract expires in 2001 and we, like other big clubs, expect further revenue growth as the competition for securing TV rights intensifies.

The next step for Newcastle United is to deliver success on the pitch. Results on the pitch are the driver of the business. With the strength of our loyal fans and the potential provided by a new St. James' Park, we aim to become one of the best clubs in Europe.

Alfred Olding Fletcher, Chairman

6 October 1999



Directors

Alfred Olding Fletcher, *Chairman*

Leslie Alan Wheatley FCA, *Chief Operating Officer*

Russell Jones, *Property Director*

William Frederick Shepherd, *Non-Executive Director*

Douglas Stuart Hall, *Non-Executive Director*

John Lawrence Fender, *Non-Executive Director*

Ian Michael Winskell, *Executive Director and Company Secretary*

Company Registration Number

2529667

Advisers

Secretary and Registered Office:

Ian Michael Winskell,

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

Dibb Lupton Alsop,

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

The Board of Directors

Alfred Olding Fletcher, *Chairman*

Appointed Chief Executive of the Football Company in 1992. Joint Chief Executive of Newcastle United PLC in December 1996, sole Chief Executive in July 1997 and Chairman in July 1999. Previously Commercial Director of Greenock Morton Football Club and Glasgow Rangers, Scottish League Treasurer and a Member of The International Football League Board. Age 58.

Leslie Alan Wheatley, *Chief Operating Officer*

Appointed Finance Director in May 1998 and Chief Operating Officer in July 1999. Led the employee buy out of Greater Manchester Buses South Limited and was Chief Executive of that company until its acquisition by Stagecoach Holdings plc in 1996. Age 47.

Russell Jones, *Property Director*

Appointed as a Director of the Company in 1992. He is also Managing Director of Cameron Hall Developments Limited. Age 54.

William Frederick Shepherd, *Non-Executive Director*

Reappointed as Chairman of the Football Club in July 1998 and Non-Executive Director of Newcastle United PLC in December 1998. Currently Chairman of Shepherd Offshore plc. Age 57.

Douglas Stuart Hall, *Non-Executive Director*

Reappointed as Deputy Chairman of the Football Club in July 1998 and Non-Executive Director of Newcastle United PLC in December 1998. He is the Chairman of Cameron Hall Developments Limited. Age 41.

John Lawrence Fender, *Non-Executive Director*

John Fender, a Property Consultant, was appointed as Non-Executive Director in May 1998. He was employed as Property Fund Manager at NatWest Markets (part of National Westminster Bank plc) until 1997. A Director of Trust Property Shares plc, a quoted investment trust. Age 56.

Ian Michael Winskell, *Executive Director and Company Secretary*

Appointed July 1999. He is a Director of a number of private companies, many of which operate in the leisure industry. Most notable, is his Chairmanship of the Champneys Group of Companies, operator of Five Star health spa's and clubs. He is also senior partner of a local firm of solicitors. Age 41.

Financial Highlights

	1999	1998 as restated
	£'000	£'000
Turnover	44.7	49.2
Operating Profit before Player Trading	6.9	10.8
Shareholders' funds	54.5	56.1

Revenues in all principal activities in the comparable period last year were boosted by our involvement in the UEFA Champions League, where we played 8 matches compared to the 2 matches played in the UEFA Cup Winners Cup, for this year. The figures for the previous year were enhanced by a £5.9m contribution to turnover and £4.5m to profit.

Accounting Policies

The results for the year ended 31 July 1999 reflect a change in accounting policy for player transfers. In previous years transfer fees have been charged or credited to the profit and loss account in the period in which the transfer took place. The cost of players' registrations is now capitalised and amortised over the period of the respective players' contracts. The comparative figures for 1998 have also been adjusted to reflect this change.

Gate Receipts

Despite reaching the FA Cup Final for the second year running, there was a slight reduction in the gate receipts for season 1998/99, due mainly to the reduction in the number of games played as a result of non-participation in the UEFA Champions League. A total of 904,543 spectators attended 25 home games (1997/98: 1,019,250 attended 28 home games). Average FA Premier League attendances increased slightly to 36,691, compared to the previous year's average of 36,680. It is satisfying to note that the average has been upheld despite the fact that the redevelopment work has been underway for most of last season.

Turnover Analysis

Television

Television income includes FA Premier League contracts and income from the broadcast of FA Cup matches and European Cup Winners Cup matches. Television income fell 17.2%. In 1998/99 the Club appeared in 12 live matches compared to 17 in the previous season.

Sponsorship

Sponsorship fell 1.8% due mainly to the non-participation in the UEFA Champions League and a reduced number of home games.

Branded Products

Branded Products showed a decline of 25.7% due mainly to a general downturn in the retail industry and experience of replica kit sales reaching a plateau.

Player Trading

During the year £17.6m was added to the net book value of players' registrations. This resulted in an increase of £4.5m to the amortisation charge to £14.6m.

There was a profit on disposal of players registrations of £12.1m due mainly to sales of Watson, Hamann, Batty and Gillespie as these players' net book values had been written down at the time of sale.

Profit Before Tax and Dividends

	1999	1998 as restated
	£'m	£'m
Operating profit before player trading	6.9	10.8
Exceptional item	(0.5)	-
Interest receivable	0.5	1.6
	6.9	12.4
Amortisation of players	(14.6)	(10.1)
	(7.7)	2.3
Profit on disposal of players	12.1	5.7
	4.4	8.0
Amortisation of signing on fees	(3.0)	(3.0)
Profit on ordinary activities before taxation	1.4	5.0

Dividends and Retained Profits

The profit on ordinary activities before taxation of £1.4m (1998: 5.0m) was reduced by a tax charge of £0.5m (1998: £2.3m) which equates to 35%. Transitional provisions were introduced on the change in accounting policy for player transfers so that an immediate corporation tax liability did not arise on the value of players now capitalised. However, the transitional relief is only of a timing nature since future corporation tax charges are increased by disallowing subsequent related amortisation charges.

The Board has recommended a final net dividend of 1.16p per ordinary share which, subject to approval at the annual general meeting, will be paid on 17 December 1999 to all shareholders on the register at the close of business on 22 October 1999.



Financial Review

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. These policies have remained unchanged throughout the year.

Interest Rate Risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's main borrowings are in Sterling at floating rates of interest that are fixed on a quarterly basis.

Liquidity Risk

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

Short-term flexibility is achieved by using 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 currency contracts.

L A Wheatley, Chief Operating Officer

6 October 1999

The Directors of Newcastle United PLC present their Annual Report for the year ended 31 July 1999, together with the accounts of the Group and the auditors' report for the year. These will be laid before the shareholders at the annual general meeting to be held on Monday 29 November 1999.

Results and Dividends

The loss after taxation and dividends of £1.6m (1998 as restated: profit £0.2m) has been retained and transferred to reserves. The Board has recommended a final net dividend of 1.16p per ordinary share which, subject to approval at the annual general meeting, will be paid on 17 December 1999 to all shareholders on the register at the close of business on 22 October 1999.

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 14.

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 18 to 21. Brief biographical details of the directors are contained on page 11.

In accordance with the articles of association of the Company, each of A O Fletcher and L A Wheatley 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 6 October 1999 or any persons who, directly or indirectly, jointly or separately exercise or could exercise control over the Company.



Issued Share Capital of the Company

	No. of ordinary shares as at 6 October 1999	Percentage of issued share capital as at 6 October 1999
Cameron Hall Developments Limited	73,347,610	51.2%
Shepherd Offshore plc	11,619,370	8.1%
NTL (Premium TV Limited)	9,000,000	6.3%
L Hatton	5,168,260	3.6%
Legal and General	4,302,700	3.0%

Year 2000

The 'Millennium bug' or 'Year 2000 issue' refers to potential problems in the processing of data or the operation of electronic equipment affected by the transition from 1999 to 2000. The directors recognise the potential risks associated with the issue and are taking all reasonable steps to ensure that the Group is prepared for the transition. The costs associated with the transition are not considered significant and are being charged to the profit and loss account as they are incurred.

Political and Charitable Donations

The Group's charitable donations for the year amounted to £1,176 (1998: £1,368). There were no political contributions (1998: £Nil).

Post Balance Sheet Events

Details of significant Post Balance Sheet events are set out in note 31 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 Monday 29 November 1999 is set out on pages 49 and 50. Resolutions 7 and 8 are proposed as Ordinary Resolutions and will if passed give authority to the Directors until 31 March 2000 to allot 2,754,581 Ordinary Shares pursuant to a Scrip Dividend Alternative in connection with the final dividend for the year ended 31 July 1999.

By Order of the Board

I M Winskell, Company Secretary,

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

6 October 1999

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. Apart from the options granted to Mr L A Wheatley on 30 October 1998 and the salary awarded to Mr I M Winskell following his appointment, no changes have taken place to executive remuneration.

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 the performance of the Group. The service contract for Mr A O Fletcher provides that his annual bonus will not be less than 50% but not more than 100% of his basic salary.

(iii) Benefits

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

(iv) Share Options

The Company believes that share ownership strengthens the link between personal interests and those of shareholders and encourages long-term improvement 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. Mr L A Wheatley was granted the options, shown in the table opposite, on 30 October 1998.

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
<i>Unapproved Plan</i>				
A O Fletcher	711,111	–	135p	27.02.2000- 26.02.2004
R Jones	177,777	–	135p	27.02.2000- 26.02.2004
L A Wheatley	129,505	–	92.66p	23.10.2002- 22.10.2005
<i>ShareSave Scheme</i>				
A O Fletcher	7,048	–	138.33p	30.04.2000- 31.10.2000

The middle market price of the Company's shares on 1 August 1999 was 79p. The highest middle market price of the Company's shares during the period from 1 August 1998 to 31 July 1999 was 107p and the lowest was 56.5p.

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 1998 (or later date of appointment) and 31 July 1999 which have been notified by each director pursuant to Section 324 of the Companies Act 1985 were as follows:

	1999	1998
A O Fletcher	7,407	7,407
L A Wheatley	370	-
R Jones	58,037	58,037
J L Fender	-	-
W F Shepherd ¹	11,619,370	11,619,370
D S Hall ²	73,447,610	82,447,610
I M Winskell	1,110	-

The Company is not aware of any changes in these interests in the period to 19 October 1999.

Notes:

- (1) These shares include 10,878,630 shares owned by Shepherd Offshore plc, a Company connected with W F Shepherd.
- (2) These shares include 72,776,870 shares by Cameron Hall Developed Limited, a Company connected with D S Hall.

Service Contracts

The service contract for A O Fletcher is terminable upon two years notice to be given by the Company or six months notice by Mr Fletcher. The contract for Mr Fletcher replaced a previous contract which had a longer fixed term.

The service contracts for L A Wheatley, I M Winskell and R Jones are terminable upon 12 months notice to be given by the Company or the executive.

The Non-Executive Directors have been engaged for terms expiring on 30 April 2000.



Directors' Remuneration

The remuneration of the directors for the year ended 31 July 1999 was as follows:

	Salary/Fees	Taxable benefits	Annual bonuses	Money Purchase pension contributions	1999 Total	1998 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Executive						
A O Fletcher*	160,000	11,039	80,000	16,000	267,039	266,373
L A Wheatley	120,000	28,984	—	12,000	160,984	19,638
J Dixon	—	—	—	—	—	107,640
R Jones	60,000	—	—	6,000	66,000	66,000
I M Winskell	5,205	—	—	—	5,205	—
Non-Executive						
D P Cassidy	22,500	5,000	—	—	27,500	36,042
T Fenton	13,125	—	—	—	13,125	8,750
J L Fender	35,000	—	—	—	35,000	8,750
J I Josephs	12,504	—	—	—	12,504	1,346
Sir Terence Harrison	—	—	—	—	—	37,664
W F Shepherd	23,333	200	—	—	23,533	22,622
D S Hall	23,333	200	—	—	23,533	22,622
J C Mayo	—	—	—	—	—	29,167
Aggregate Emoluments	475,000	45,423	80,000	34,000	634,423	626,614

***Chairman**

Mr D P Cassidy, Mr J Josephs and Mr T Fenton resigned as directors of the Company on 8 December 1998. In addition to his emoluments above, Mr D P Cassidy was paid £80,000 by the Company following his resignation.

Mr A O Fletcher was appointed Chairman on 8 December 1998.

Mr W F Shepherd and Mr D S Hall were reappointed as directors on 8 December 1998.

Mr I M Winskell was appointed as director on 13 July 1999.

On Behalf of the Board,

A O Fletcher, Chairman,

6 October 1999

Compliance with the Code of Best Practice

This statement, together with the Directors' Remuneration report, set out on page 21, 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 one-third independent Non-Executive Directors following the resignations of D P Cassidy, J Josephs and T Fenton on 8 December 1998. The Company has not made appointments to fill these roles due to uncertainty regarding the future ownership of the Company.
- The Audit and Remuneration Committees do not comprise three independent Non-Executive Directors for the same reasons outlined above.
- A O Fletcher has undertaken the roles of Chairman and Chief Executive following the resignation of D P Cassidy on 8 December 1998. This was an interim measure and on 13 July 1999 the role of Chairman and Chief Executive Officer were split following the appointment of L A Wheatley as Chief Operating Officer.

Board of Directors

The Board comprises four Executive Directors and three 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 met twice during the year and is attended by the Chief Operating Officer and a representative 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. Up until 8 December 1998 it comprised all the Non-Executive Directors. Since 8 December 1998 the external auditors meet the full Board for the reasons outlined above.

Remuneration Committee

The Remuneration Committee met once during the year with D P Cassidy as Chairman. The Committee has written terms of reference and 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.

During the year activity was curtailed by the prolonged close periods caused by the NTL position, subjecting the Company to the rules of the Panel on Takeovers and Mergers. The appointment of Beeson Gregory as stockbrokers will facilitate a greater level of activity in that area.

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 Financial Controls

Code Provision D.2.1 requires directors, at least annually, to conduct a review of the effectiveness of the Group's system of internal control. The Directors have performed such a review. They limited their review to internal financial controls, as permitted by the London Stock Exchange, pending publication of guidance for directors on the broad aspects of internal control.

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.

The Directors are aware of the recently published recommendations of the Turnbull Committee and will be developing and introducing an appropriate risk management process during the financial year to 31 July 2000.



Auditors' Report

Auditors' Report to the Shareholders of Newcastle United PLC

We have audited the accounts on pages 26 to 48 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 30 and 31. 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 18 to 21.

Respective Responsibilities of Directors and Auditors

The Directors' are responsible for preparing the Annual Report including, as described on page 15, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to the 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 statement on pages 22 and 23 reflects the Company's Compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

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 1999 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen, Chartered Accountants and Registered Auditors,

Newcastle upon Tyne

6 October 1999

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For the year ended 31 July 1999

		1999	1998 as restated
	Note	£'000	£'000
Turnover	2	44,718	49,177
Operating expenses	3	(37,812)	(38,404)
Operating profit before player trading		6,906	10,773
Player trading	3	(5,534)	(7,353)
Operating profit after player trading		1,372	3,420
Exceptional item reported after operating profit	4	(491)	-
Interest receivable and similar charges, net	5	492	1,590
Profit on ordinary activities before taxation	6	1,373	5,010
Taxation	8	(486)	(2,298)
Profit on ordinary activities after taxation		887	2,712
Dividends	9	(2,521)	(2,521)
Retained (loss)/profit for the year	22	(1,634)	191

All trading resulted from continuing operations.

Earnings per share	10	0.6p	1.9p
Adjusted earnings per share	10	4.1p	7.0p

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 1999

	1999	1998 as restated
	£'000	£'000
Profit for the year attributable to shareholders	887	2,712
Effect of prior year adjustment		
Total recognised gains and losses relating to the year (as above)	887	
Prior year adjustment (note 22)	39,529	
Total gains and losses recognised since last annual report	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 1999



	Note	Group		Company	
		1999	1998 as restated	1999	1998
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11	53,184	35,622	–	–
Tangible assets	12	57,553	34,135	–	–
Investments	13	–	–	69,945	69,945
		110,737	69,757	69,945	69,945
Current assets					
Stocks	14	727	707	–	–
Debtors	15	19,617	18,767	92	307
Cash at bank and in hand		5,863	24,538	4,639	8,829
		26,207	44,012	4,731	9,136
Creditors: amounts falling due within one year	16	(31,120)	(22,498)	(16,271)	(21,993)
Net current (liabilities)/assets		(4,913)	21,514	(11,540)	(12,857)
Total assets less current liabilities		105,824	91,271	58,405	57,088
Creditors: amounts falling due after more than one year	17	(20,229)	(4,096)	–	–
Provisions for liabilities and charges	19	(3,379)	(2,686)	–	–
Deferred income	20	(27,707)	(28,346)	–	–
Net assets		54,509	56,143	58,405	57,088
Capital and reserves					
Called up share capital	21	7,162	7,162	7,162	7,162
Share premium account	22	47,961	47,961	47,961	47,961
Profit and loss account	22	(614)	1,020	3,282	1,965
Shareholders' funds		54,509	56,143	58,405	57,088

These accounts were approved by the Board of Directors on 6 October 1999 and were signed on its behalf by:

Alfred O'Shea, Chairman

Leslie Alan Wheatley, Chief Operating Officer

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



For the year ended 31 July 1999

		1999	1998 as restated
	Note	£'000	£'000
Net cash inflow from operating activities	25	5,097	6,319
Returns on investments and servicing of finance	26	321	1,457
Taxation – Advance Corporation Tax Paid		(416)	(394)
Capital expenditure and financial investment	26	(35,178)	(11,654)
Equity dividends paid		(2,520)	(1,575)
Cash outflow before use of liquid resources and financing		(32,696)	(5,847)
Financing			
Refunds of expenses of share issue		–	41
Increase/(decrease) in debt	26	14,021	(1,094)
Decrease in cash in the year	27	(18,675)	(6,900)

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

For the year ended 31 July 1999



	<i>Group</i>		<i>Company</i>	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Profit for the year	887	2,712	3,838	2,795
Dividends	(2,521)	(2,521)	(2,521)	(2,521)
Refund of expenses of share issue	-	41	-	41
Net movement in equity shareholders' funds	(1,634)	232	1,317	315
Opening equity shareholders' funds as previously reported	-	16,174	57,088	56,773
Prior year adjustments (note 22)	-	39,737	-	-
Opening equity shareholders' funds as restated	56,143	55,911	57,088	56,773
Closing equity shareholders' funds	54,509	56,143	58,405	57,088



1 Accounting policies

A summary of the principal accounting policies 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. The 1998 results have been restated to reflect the adoption of Financial Reporting Standard 10 (accounting for goodwill and intangible assets); additional information is given in note 22.

(b) Basis of consolidation

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

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

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

In accordance with Section 230(4) of the Companies Act 1985, Newcastle United PLC is exempt from the requirement to present its own profit and loss account. The Company's profit after taxation for the financial year, determined in accordance with the Act, was £3,838,000 (1998: £2,795,000).

(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 unexpired term of the lease
Fixtures and equipment	3-15 years
Motor vehicles	4 years

No depreciation is provided on freehold land or assets in the course of construction.

Interest incurred on borrowings to finance 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 and written off over the life of the contract.

(g) Signing on fees

Signing on fees payable to players are recognised in the balance sheet and amortised over the contract life. Any adjustment arising on the disposal of a players 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 life of the assets to which they relate. Other deferred income is released to the profit and loss account on a straight-line basis over the period to which it relates.

(i) Taxation

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

(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

The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.



2 Turnover

	1999 £'000	1998 £'000
Match	20,741	21,084
Television	8,972	10,842
Football	29,713	31,926
Sponsorship	8,979	9,142
Branded Products	6,026	8,109
Commercial	15,005	17,251
	44,718	49,177

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

Television and sponsorship income from the UEFA Champions League is distributed by the Football Association and is therefore classified as being of United Kingdom origin and destination.

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

3 Player trading

	1999 £'000	1998 as restated £'000
Amortisation of acquired player registrations	14,615	10,091
Transfer fees not capitalised	7	-
Amortisation of signing on fees	2,976	2,954
Profit on disposal of player registrations	(12,064)	(5,692)
	5,534	7,353
Other operating expenses	37,812	38,404
Total operating expenses	43,346	45,757

4 Exceptional item reported after operating profit

An exceptional loss on the disposal of fixed assets of £491,000 arose 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

	1999 £'000	1998 £'000
Interest receivable	563	1,760
Interest payable:		
On bank loans, overdrafts and other loans	(518)	(134)
Finance charges payable in respect of finance leases and hire purchase contracts	(50)	(155)
	(568)	(289)
Less amounts capitalised	497	119
	(71)	(170)
Net interest	492	1,590

6 Profit on ordinary activities before taxation

	1999 £'000	1998 as restated £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration:		
Audit	52	48
Other services	46	83
Professional fees associated with NTL bid and changes in Directors and Managers	682	—
Release of provisions no longer required	(832)	—
Depreciation and other amounts written off tangible fixed assets:		
Owned	641	617
Leased	449	607
Amortisation of intangible assets	14,615	10,091
Hire of plant and machinery – rentals payable under operating leases	332	297
Hire of other assets – operating leases	761	819
(Profit)/loss on disposal of tangible fixed assets	(4)	541
Profit on disposal of intangible fixed assets	(12,064)	(5,692)
Capital grants release	(79)	(94)
Exceptional item (note 4)	491	—

7 Directors and employees

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

	1999	1998
	Number of employees	
Full time	225	232
Part time	81	106
	306	338

The aggregate payroll costs of these employees were as follows:

	1999	1998
	£'000	£'000
Wages and salaries	21,973	20,151
Social security costs	2,298	1,967
Other pension costs	220	217
	24,491	22,335

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 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.

Contributions are also made into individuals private pension schemes.

8 Taxation

The Group had unrelieved UK corporation tax losses of approximately £8.3m at the end of the year.

	1999	1998
	£'000	as restated £'000
UK Corporation Tax	-	294
Deferred taxation	693	1,549
	693	1,843
ACT irrecoverable	189	455
	882	2,298
Adjustment in respect of prior year	(396)	-
	486	2,298

The Group has an effective tax rate of 35%. Losses brought forward in Newcastle United Football Company Limited have been offset against current year profits.

9 Dividends

	1999	1998
	£'000	£'000
Interim paid - 0.6 pence per share (1998 - 0.6 pence)	859	859
Final proposed - 1.16 pence per share (1998 - 1.16 pence)	1,662	1,662
	2,521	2,521

The Directors offer shareholders the option to receive new ordinary shares instead of the final cash dividend payable. This gives shareholders the ability to increase their shareholding without incurring dealing charges. Documentation will be sent to shareholders prior to payment of the final dividend.

10 Earnings per share

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

	1999	1998 as restated
Profit for the year (£'000)	887	2,712
Weighted average number of shares (000)	143,238	143,238

Adjusted Earnings per share

The calculation of adjusted earnings per share is based on the 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 profit for the year to the profit used in calculating the adjusted earnings per share is set out in the table below:

	1999 £'000	1998 as restated £'000
Profit for the year	887	2,712
Player trading	5,534	7,353
Net tax effect of adjustment	(1,025)	—
Exceptional item reported after operating profit	491	—
Profit for the year excluding player trading and exceptional item	5,887	10,065
Adjusted earnings per share	4.1p	7.0p

Prior Period Adjustments

Prior period adjustments have been made to the comparative accounts for the period ended 31 July 1998 as described in Note 22. The effect of the restatement on earnings per share is as follows:

	31 July 1998 pence per share
Earnings per share as previously reported	2.0
Net transfer fees & associated costs as previously reported	6.1
Adjustment in respect of acquired player registrations	(7.0)
Adjustment in respect of signing on fees	(2.2)
Adjustment in respect of profit on disposal	4.1
Deferred tax provision in respect of acquired player registrations	(1.1)
Earnings per share as restated	1.9

11 Intangible assets – acquired player registrations

£'000

<i>Group</i>	
<i>Cost</i>	
At beginning of year (as restated)	53,444
Additions	42,447
Disposals	(16,143)
Adjustment – league levy refund received	(440)
At 31 July 1999	79,308
<i>Amortisation</i>	
At beginning of year (as restated)	17,822
Charge for year	14,615
Disposals	(6,313)
At 31 July 1999	26,124
Net book value at 31 July 1999	53,184
Net book value at 31 July 1998 (as restated)	35,622

12 Tangible fixed assets

	Land & buildings £'000	Fixtures & equipment £'000	Motor vehicles £'000	Total £'000
<i>Group</i>				
<i>Cost or valuation</i>				
At beginning of year	35,249	3,816	82	39,147
Additions	24,689	304	13	25,006
Disposals	(535)	(171)	(61)	(767)
At end of year	59,403	3,949	34	63,386
<i>Depreciation</i>				
At beginning of year	2,561	2,386	65	5,012
Charge for year	485	586	19	1,090
On disposals	(46)	(164)	(59)	(269)
At end of year	3,000	2,808	25	5,833
Net book value at 31 July 1999	56,403	1,141	9	57,553
Net book value at 31 July 1998	32,688	1,430	17	34,135

Included within fixed assets are assets held under finance leases with the following net book values: land and buildings £796,000 (1998: £1,645,000), fixtures and fittings £155,000 (1998: £414,000).

Included within the cost of land and buildings at 31 July 1999 are costs of £24,053,000 associated with stadium redevelopment. These costs are treated as assets in the course of construction. At 31 July 1998 assets in the course of construction amounted to £1,996,000 also relating to stadium development. These assets have not been depreciated.

Interest capitalised on land and buildings included in additions during the year amounted to £497,000 (1998: £119,000).

12 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	1999 £'000	1998 £'000
Freehold	203	203
Long leasehold	56,200	32,485
	56,403	32,688

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

Land and buildings

At 1993 valuation	15,000	15,000
Aggregate depreciation thereon	(2,200)	(1,822)
Net book value	12,800	13,178
Historical cost of revalued assets	14,711	14,711
Aggregate depreciation based on historical cost	(3,842)	(3,487)
Historical cost net book value	10,869	11,224

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

13 Investments

Company

	1999	1998
	£'000	£'000
Shares in subsidiary undertakings at cost		
Cost at beginning of year	69,945	60,627
Shares acquired at cost	—	9,318
Cost at end of year	69,945	69,945

<i>Company</i>	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	Dormant
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

	1999	1998
	£'000	£'000
Goods for resale	727	707

15 Debtors

	<i>Group</i>		<i>Company</i>	
	1999	1998	1999	1998
	£'000	as restated £'000	£'000	£'000
Trade debtors	10,669	10,423	–	–
Other debtors	257	135	69	38
Prepayments and accrued income	8,452	7,878	23	80
Amounts owed by ultimate parent undertaking	1	9	–	–
Amounts owed by fellow subsidiary undertakings	238	133	–	–
ACT recoverable	–	189	–	189
	19,617	18,767	92	307

Included in trade debtors are transfer fees receivable of £150,000(1998: £3,000,000) due after more than one year.

16 Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Term loans	21	21	–	–
Obligations under finance leases and hire purchase contracts	321	829	–	–
Trade creditors	16,626	6,398	20	104
Amounts owed to ultimate parent undertaking	7	–	–	–
Amounts owed to fellow subsidiary undertakings	71	88	4	4
Amounts owed to subsidiary undertakings	–	–	14,379	19,196
Taxation and social security	1,208	1,419	18	162
ACT on proposed dividend	–	416	–	416
Other creditors	2,350	2,794	1	–
Proposed dividend	1,662	1,662	1,662	1,662
Accruals	8,854	8,871	187	449
	31,120	22,498	16,271	21,993

17 Creditors: amounts falling due after more than one year

	<i>Group</i>	
	1999	1998
	£'000	£'000
Bank loans and overdrafts	14,765	—
Term loans	52	73
Obligations under finance leases and hire purchase contracts	50	383
Other creditors	11	45
Accruals	5,351	3,595
	20,229	4,096

Borrowings are analysed as follows:

(i) *Bank loans and overdrafts*

	<i>Group</i>	
	1999	1998
	£'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*

	<i>Group</i>	
	1999	1998
	£'000	£'000
Repayable within five years	73	94
Repayable after five years	—	—
	73	94
Due within one year	(21)	(21)
	52	73

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.

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

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

	<i>Group</i>	
	1999	1998
	£'000	£'000
Amounts payable:		
Within one year	321	829
In the second to fifth years	50	383
	371	1,212

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

18 *Derivatives and other financial instruments*

Page 14 of the Financial Review provide 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 those 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 £4,000,000 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

All of the Group's bank borrowings are at a floating rate, which is based on UK LIBOR plus 1%, that is fixed on a quarterly basis. 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 1999 in respect of which all conditions precedent had been met were as follows:

	£'000
Expiring in one year or less	5,000
Expiring in more than one year but not more than two years	25,235
Expiring in more than two years	-

Fair values of financial assets and financial liabilities

The directors consider that there is no material difference between the book value and the fair value of the primary financial instruments at 31 July 1999.

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 those transactions are undertaken.

18 Derivatives and other financial instruments (continued)

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 profit 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:

	1999		1998 as restated	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	(36)	–	(26)	–
Other timing differences	5,895	–	11,251	–
UK corporation tax losses	(2,480)	–	(8,539)	–
	3,379	–	2,686	–

The only movement in the provision in the year was £693,000 charged to the profit and loss account.

20 Deferred income

	1999 £'000	1998 £'000
Capital grants	3,194	3,273
Other deferred income	24,513	25,073
	27,707	28,346

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

The total movement on capital grants comprises:

	1999 £'000	1998 £'000
At 1 August 1998	3,273	3,367
Credited to profit and loss account	(79)	(94)
At 31 July 1999	3,194	3,273

21 Share capital

	1999		1998	
	Number	£'000	Number	£'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	143,238,250	7,162	143,238,250	7,162

22 Reserves

	Share Premium Account £'000	Profit & Loss Account £'000
<i>Group</i>		
At 1 August 1998 as previously reported	47,961	(38,509)
Prior year adjustment	–	39,529
At 1 August 1998 as restated	47,961	1,020
Loss for the year	–	(1,634)
At 31 July 1999	47,961	(614)
<i>Company</i>		
At 1 August 1998	47,961	1,965
Profit for the year	–	1,317
At 31 July 1999	47,961	3,282

Prior Year Adjustment

The Group's accounting policies for acquired player registrations and signing on fees were changed during the year.

The change in policy for acquired player registrations was adopted to ensure compliance with Financial Reporting Standard FRS 10 Goodwill and Intangible Assets. In previous accounts, transfer fees and associated costs were written off to the profit and loss account in full at the inception of a contract. The costs of acquired player registrations are now capitalised and amortised over the period of the contracts.

Signing on fees, which were also previously written off in full at the inception of a contract, are now recognised in the balance sheet and amortised over the contract life. Any adjustment arising on the disposal of player's registration is included as part of the profit or loss on disposal.

Prior period adjustments have been made to the comparative accounts for the year ended 31 July 1998, which have been restated to reflect the new policy.

22 Reserves (continued)

The effects of the change in policy are summarised below:

Profit and Loss Account

	12 months to 31 July 1998 £'000
Retained profit for the year as previously reported	399
Net transfer fees and associated costs as previously reported	8,694
Player trading (Note 3)	(7,353)
Movement in provision for deferred taxation (Note 8)	(1,549)
Retained profit for the year as restated	191

Balance Sheet

	31 July 1998 £'000
Net assets as previously reported	16,614
Net book value of acquired player registrations at 1 August 1998	35,622
Signing on fees prepaid at 1 August 1998	6,593
Provision for deferred taxation at 1 August 1998	(2,686)
Net assets as restated	56,143

23 Contingent liabilities

Under the terms of certain contracts for the signing of players, additional amounts may become payable to other football clubs. The maximum unprovided liability which may arise in respect of these players at 31 July 1999 is £5,536,666 (1998: £4,100,000).

24 Commitments

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

	1999 £'000	1998 £'000
Group		
Contracted for but not provided for	20,844	–
Approved but not contracted	–	43,600
	20,844	43,600

24 Commitments (continued)

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

	Land and Buildings	
	1999	1998
	£'000	£'000
Group		
Expiry date:		
– within one year	61	30
– after five years	692	692
	753	722

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

25 Reconciliation of operating profit after player trading and exceptional items to net cash inflow from operating activities

	1999	1998 as restated
	£'000	£'000
Operating profit after player trading and exceptional item	881	3,420
Depreciation	1,090	1,224
Amortisation of intangible assets	14,615	10,091
(Profit)/loss on disposal of tangible assets	(4)	541
Exceptional loss on disposal of fixed assets	491	–
Profit on disposal of intangible assets	(12,064)	(5,692)
Refund of League levy and signing on fee adjustment	(541)	(124)
Grants release	(79)	(94)
(Increase)/decrease in stocks	(20)	811
(Increase)/decrease in debtors	(362)	1,706
Increase/(decrease) in creditors	1,650	(3,940)
Decrease in deferred income	(560)	(1,624)
Net cash inflow from operating activities	5,097	6,319

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

	1999	1998 as restated
	£'000	£'000
<i>Returns on investments and servicing of finance</i>		
Interest received	629	1,739
Interest paid	(191)	(127)
Interest element of finance leases and rental payments	(117)	(155)
Net cash inflow from returns on investments and servicing of finance	321	1,457
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(22,910)	(1,347)
Purchase of intangible assets	(34,412)	(21,552)
Sale of tangible fixed assets	11	135
Sale of intangible assets	22,133	11,110
Net cash outflow from capital expenditure and financial investment	(35,178)	(11,654)
<i>Financing</i>		
Refunds of expenses of share issue	–	41
Net inflow from issue of shares	–	41
Decrease in short term borrowings	(21)	(46)
New loans	14,765	–
Capital element of finance lease rental payments	(723)	(1,048)
Increase/(decrease) in debt	14,021	(1,094)
Net cash inflow/(outflow) from financing	14,021	(1,053)

27 Analysis of net (debt)/funds

	At 1 August 1998	Cash flow	At 31 July 1999
	£'000	£'000	£'000
Cash in hand, at bank	24,538	(18,675)	5,863
Debt due after 1 year	(73)	(14,744)	(14,817)
Debt due within 1 year	(21)	–	(21)
Finance leases	(1,212)	840	(372)
	(1,306)	(13,904)	(15,210)
Total	23,232	(32,579)	(9,347)

28 Reconciliation of net cash flow to movement in net (debt)/funds

	1999 £'000	1998 £'000
Decrease in cash in the year	(18,675)	(6,900)
Cash outflow from decrease in debt and lease financing	(13,904)	1,249
Change in net debt resulting from cash flows	(32,579)	(5,651)
New finance leases	-	-
Movement in net funds in the year	(32,579)	(5,651)
Net funds at 1 August 1998	23,232	28,883
Net (debt)/funds at 31 July 1999	(9,347)	23,232

29 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 1999 are summarised below:

	Value of transactions with related parties in the year ended 31 July 1999 £'000	Amounts owing to (owed by) the Group at 31 July 1999 £'000
Ultimate parent undertaking – Cameron Hall Developments Limited		(6)
<i>Sales to ultimate parent on normal trading terms</i>	11	
<i>Purchases from ultimate parent on normal trading terms</i>	18	
Fellow subsidiaries of the ultimate parent undertaking		
<i>The Sporting Club Limited</i>		11
<i>Courtlands (Shopping Centres) Limited</i>		201
<i>Sportlands Limited</i>		(43)
Sales to fellow subsidiaries on normal trading terms	381	
Purchases from fellow subsidiaries on normal trading terms	1,706	

Included within sales and purchases above are the sales and purchases with Newcastle Rugby Football Club Limited, St. James' Security Limited and Touchline Event Management Limited up to the dates when they ceased to be part of the Cameron Hall Group.

Related parties

Shepherd Offshore plc is a company of which Mr WF Shepherd is a director and in which he has an interest. Sales of £12,224 were made by the Group to Shepherd Offshore plc during the year on normal trading terms. Purchases of £2,834 were made by the Group from 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 were £1,670.

The Group made sales of £1,089 to John Fender Consultancy during the year.



30 Ultimate parent

The Company is a associate undertaking of Cameron Hall Developments Limited, a Company registered in England and Wales. The only other Group in which the results of the Company are included as an associate is that headed by Cameron Hall Developments Limited. The accounts of that company are available from Companies House.

31 Post balance sheet events

Subsequent to 31 July 1999, Newcastle United Football Company Limited transferred the registration of Andreas Andersson to AIK Solna for £1,500,000 and acquired the registrations of John Karelse from NEC Breda for £600,000 and Kevin Gallacher from Blackburn Rovers for £500,000.

On 28 August 1999 the Company announced that the Board of Newcastle United Football Company Limited had received and accepted Mr Ruud Guillit's resignation as team manager. Bobby Robson was appointed on 3 September 1999.

On 17 September 1998 Newcastle United Football Company Limited repaid the outstanding balance of £14.7 million on the Barclays Bank stadium development loan and cancelled the facility.

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

On 4 October 1999 compensation payable in respect of the resignation of Kenny Dalglish was settled. This amount does not materially differ from the Directors' best estimate of the liability included within these accounts.

Notice is hereby given that the annual general meeting of the Company will be held at the Banqueting Suite, Civic Centre, Newcastle upon Tyne, NE1 8QH on Monday 29 November 1999 at 12 noon for the following purposes:

Ordinary Business

1. To receive the financial statements for the year ended 31 July 1999 and the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 31 July 1999 of 1.16p (net) per ordinary share, payable to shareholders on the register at the close of business on 22 October 1999.
3. To re-elect Mr A O Fletcher as a director.
4. To re-elect Mr L A Wheatley as a director.
5. To re-elect Mr I M Winskill as a director.
6. To reappoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

7. THAT the directors be generally and unconditionally authorised pursuant to Article 132 of the Articles of Association of the Company to offer the holders of ordinary shares of 5p each in the capital of the Company the right to elect to receive further shares of that class, credited as fully paid, instead of cash in respect of the final dividend for the year ended 31 July 1999, on the terms and subject to the conditions set out in the circular to shareholders dated 1 November 1999 (including, without limitation, that for the purposes of Article 132.2.2 of the Articles of Association of the Company the "average quotation" of an ordinary share shall be the average of the middle market quotations for a fully paid ordinary share of the Company as derived from the Daily Official List of the London Stock Exchange on the day on which such shares were first quoted "ex" the relevant dividend and the four succeeding business days) (the "Scrip Dividend Alternative");
8. THAT, conditional on the passing of resolution 7 above, the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal value of £137,729.05 such authority to be limited to the issue of relevant securities in connection with the Scrip Dividend Alternative and provided that this authority shall expire on 31 March 2000 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.



Pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, only those shareholders registered at 9.00 am on 28 November 1999 will be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Subsequent changes to the register will be disregarded in determining the right of any person to attend and vote at the meeting.

By order of the Board

I M Winskell,
Company Secretary,
Newcastle United PLC,
St James' Park,
Newcastle upon Tyne NE1 4ST
6 November 1999

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 28 November 1999 and at the annual general meeting from 9.00 am until its conclusion.