

The Everton Football Club Company Limited

Registered Number: 36624

Annual Report and Statement of Accounts 1999



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DIRECTORS' REPORT

The directors present their report and the financial statements of the Company for the year ended 31st May 1999.

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be that of a professional football club.

REVIEW OF BUSINESS

The results of this year's trading are shown on page 4 of the financial statements.

A net loss of £10,768,941 arose in the year.

A review of the Company's business and future developments is set out in the Chairman's Report.

DIVIDEND

The directors do not recommend the payment of a dividend.

FIXED ASSETS

Information relating to changes in the fixed assets is given in note 12 to the financial statements.

DIRECTORS

The directors in office in the year and their beneficial interests in the share capital of the company at the end of the financial year and of the previous financial year (or date of appointment where later) were as follows:

	Number of Stock Units	
	31 May 1999	31 May 1998
P R Johnson (resigned as Chairman 30/11/98)	23,945	23,945
Sir Desmond H Pitcher DL (resigned with effect 26/09/98)	105	105
B C Finch (resigned with effect 17/05/99)	739	777
Sir Philip Carter CBE (appointed as Chairman 30/11/98)	721	721
K M Tamlin	119	119
W Kenwright	555	294
A J L Abercromby	105	105
Lord Grantchester	2,773	2,773

In accordance with the Articles of Association, Mr. A J L Abercromby and Mr. W Kenwright retire by rotation and, being eligible, offer themselves for re-election. Nominations have been received on behalf of Mr. G.H.E.Birch, Professor T. Cannon, K.B. Nolan and A.R.Tighe.

The board has determined that with effect from 17 May 1999 the maximum number of directors should be six.

TEAM MANAGEMENT

The contract of employment for the Team Manager, Mr. Howard Kendall, was terminated by mutual consent on 24 June 1998. Mr. Walter Smith was then appointed on 1 July 1998.

YEAR 2000 ISSUE

The directors are aware of the implications of the millenium issues for both our information and operating systems. Actions are ongoing to ensure that the business is not vulnerable to problems, either internally or through disruption caused by suppliers not being fully prepared.

As all the major information technology hardware and software has been replaced with new equipment and systems during the year. The related year 2000 costs are therefore not considered to be significant.

PREMIER LEAGUE: RESTRICTIVE PRACTICES CASE

On 28 July 1999, the Restrictive Practices Court gave its judgement in the proceedings relating to the FA Premier League's arrangements for the televising of League matches. The main effect of the judgement is to uphold the FA Premier League rule under which TV rights are sold collectively by the League and to uphold the exclusivity granted to BSkyB and the BBC under the 1996 TV agreements which run until the end of the 2000/01 season. If the Director General of Fair Trading seeks to appeal, he will notify this to the Restrictive Practices Court in October 1999.

DIRECTORS' RESPONSIBILITIES

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

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

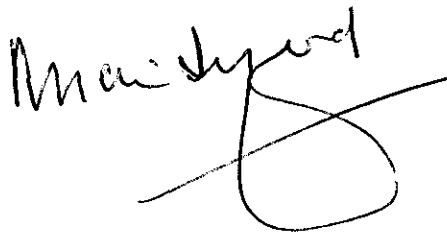
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such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

AUDITORS

The auditors, KPMG have signified their willingness to continue in office if re-appointed at the forthcoming annual general meeting at a remuneration to be fixed by the Directors.

Approved by the Board on 14th September 1999
and signed on its behalf by

M. J. Dunford, Secretary

A handwritten signature in black ink, appearing to read 'M. J. Dunford', with a large, stylized flourish underneath.

REPORT OF THE AUDITORS TO THE MEMBERS OF THE EVERTON FOOTBALL CLUB COMPANY LIMITED

We have audited the financial statements on pages 4 to 16.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

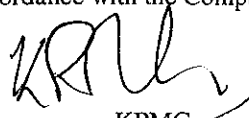
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st May 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Princes Parade
Liverpool L3 1QH


KPMG
Chartered Accountants
Registered Auditors

16 SEPTEMBER, 1999

PROFIT AND LOSS ACCOUNT
For the year ended 31 May 1999

	Notes	1999 £	1998 as restated £
Turnover	3	25,455,723	22,664,943
Cost of sales	4	<u>(23,259,055)</u>	<u>(16,861,041)</u>
Gross Profit		2,196,668	5,803,902
Other income	5	186,948	178,566
Other operating costs		<u>(5,427,550)</u>	<u>(4,127,429)</u>
Operating (Loss)/Profit before Amortisation of Players	6	(3,043,934)	1,855,039
Amortisation of Players		<u>(10,666,432)</u>	<u>(6,287,981)</u>
Operating Loss		(13,710,366)	(4,432,942)
Profit on disposal of players		3,975,825	7,660,441
(Loss)/Profit before interest and taxation		<u>(9,734,541)</u>	<u>3,227,499</u>
Interest receivable	7	1,492	-
Interest payable	8	<u>(1,035,892)</u>	<u>(930,609)</u>
(Loss)/Profit on ordinary activities before taxation		(10,768,941)	2,296,890
Taxation	10	<u>-</u>	<u>-</u>
(Loss)/Profit for the year	20	(10,768,941)	2,296,890

All amounts relate to continuing operations.

There is no material difference between reported losses and historical losses.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

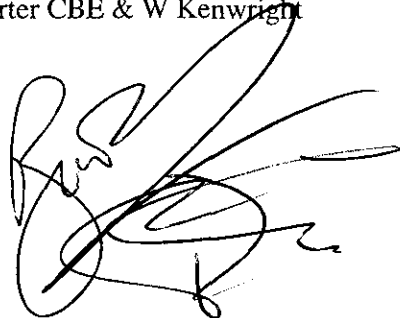
	1999 £	1998 as restated £
(Loss)/Profit for the Financial Year	(10,768,941)	2,296,890
Unrealised deficit on revaluation	(1,023,799)	-
Total recognised gains and losses during the year	<u>(11,792,740)</u>	<u>2,296,890</u>
Prior year adjustment (note 2)	20,714,315	
Total gains and losses recognised since last annual report	<u>8,921,575</u>	

BALANCE SHEET
At 31 May 1999

	Notes	1999		1998 as restated	
		£	£	£	£
Fixed Assets					
Intangible assets	11		29,402,324		21,667,131
Tangible assets	12		<u>15,827,119</u>		<u>15,627,374</u>
			45,229,443		37,294,505
Current Assets					
Stocks	14	410,545		252,875	
Debtors	15	2,497,010		4,583,042	
Cash at bank and in hand		<u>43,188</u>		<u>40,495</u>	
		2,950,743		4,876,412	
Creditors					
Amounts falling due within one year	16	<u>(25,994,418)</u>		<u>(8,897,893)</u>	
Net Current Liabilities			<u>(23,043,675)</u>		<u>(4,021,481)</u>
Total Assets Less Current Liabilities			<u>22,185,768</u>		<u>33,273,024</u>
Creditors					
Amounts falling due after more than one year	17		(1,815,178)		(477,128)
Provision for liabilities and charges	18		(320,250)		(952,816)
Net Assets			<u>20,050,340</u>		<u>31,843,080</u>
Capital and Reserves					
Called up share capital	19		35,000		35,000
Share premium account	20		24,967,500		24,967,500
Revaluation reserve	20		4,639,818		5,663,617
Profit and loss account	20		<u>(9,591,978)</u>		<u>1,176,963</u>
Equity shareholders' funds	21		<u>20,050,340</u>		<u>31,843,080</u>

The financial statements were approved by the Board on 14th September 1999 and signed on its behalf by

Sir Philip Carter CBE & W Kenwright
Directors



CASH FLOW STATEMENT
For the year ended 31 May 1999

		1999		1998 as restated	
	Notes	£	£	£	£
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	22a		(96,744)		839,652
Returns on investments and servicing of finance					
Interest received		1,492		-	
Interest paid		(763,911)		(507,718)	
Finance lease interest		(4,553)		(2,584)	
Net cash outflow from returns on investments and servicing of finance			(766,972)		(510,302)
Taxation					
Taxation			-		-
Capital Expenditure and Financial Investment					
Purchase of intangible fixed assets		(18,014,725)		(15,152,253)	
Purchase of tangible fixed assets		(1,950,251)		(854,175)	
Grants from The Football Association		-		10,000	
Proceeds from the disposal of tangible fixed assets		45,162		126,963	
Sale of intangible fixed assets		9,335,692		15,717,750	
Net cash outflow for capital expenditure and financial investment			(10,584,122)		(151,715)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(11,447,838)		177,635
Financing					
Finance charges arising on discounting of debt		(166,430)		(403,717)	
Capital element of hire purchase payments		(23,312)		(11,670)	
Net cash inflow/(outflow) from financing			(189,742)		(415,387)
(DECREASE)/INCREASE IN CASH	22b		(11,637,580)		(237,752)

NOTES TO THE ACCOUNTS
For year ended 31 May 1999

1. ACCOUNTING BASIS AND POLICIES

These accounts have been prepared on the historical cost basis of accounting as modified to include valuations of the Club's properties, and in accordance with applicable UK accounting standards and accounting policies consistent with those adopted previously. 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 2.

The principal accounting policies are as follows:

(i) Turnover

Turnover is stated exclusive of value added tax and match receipts are included net of percentage payments to visiting clubs, The F.A. Premier League and The Football Association.

(ii) Fixed Assets and Depreciation

Depreciation is not provided on freehold properties. It is the group's policy to maintain all its properties in such a condition that the estimated aggregate residual values are at least equal to their book values. Consequently, any element of depreciation would, in the opinion of the directors, be immaterial. Residual values are appraised each year by reference to the estimated depreciated replacement cost of the properties in aggregate, and the Goodison Park stadium in particular. Provision will be made against the cost of the properties in the event of any permanent diminution in their values. Depreciation on other fixed assets has been calculated at 25% on book value.

(iii) Stocks

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

(iv) Grants

Government grants towards freehold properties are deducted from the cost of these assets. Although this treatment is permitted by Statement of Standard Accounting Practice No 4, it is not in accordance with Schedule 4 to the Companies Act 1985 under which the freehold properties should be stated at their purchase price or production cost and the government grants treated as deferred income and released to profit and loss account over the useful life of the corresponding assets.

The directors are of the opinion that, as the freehold properties are not depreciated as explained above and the government grants would therefore remain in the balance sheet in perpetuity, the treatment otherwise required by the Companies Act 1985 would not present a true and fair view of the group's effective investment in non-depreciating assets.

(v) Deferred Taxation

Deferred tax is provided at current rates in respect of the tax effect of all material timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(vi) Intangible Fixed Assets

The cost of players' registrations is capitalised and amortised over the period of the respective players' contracts in accordance with Financial Reporting Standard 10 (accounting for goodwill and intangible assets). The transfer fee levy refund received during the year is credited against additions to intangible assets (see note 11).

(vii) Contingent Appearance Fees

Where the directors consider the likelihood of a player meeting future appearance criteria laid down in the transfer agreement of the player to be probable, provision for this cost is made (see note 18). If the likelihood of meeting these criteria is not probable, then no provision is made (see note 24).

(viii) Lease rentals

Where the company enters into a lease which entails substantially taking all the risks and rewards of ownership of an asset the lease is treated as a finance lease. Assets acquired under finance leases are capitalised and depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

(ix) Signing-on Fees and Loyalty Bonuses

The Board believe that signing-on fees represent a normal part of the employment cost of the player and as such should be charged to the profit and loss account in the period in which the payment is made. Those instalments due in the future on continued service are not provided for but are noted as contingent liabilities at note 24(a).

2. PRIOR PERIOD ADJUSTMENT

Following the issue of Financial Reporting Standard No. 10 "Goodwill and Intangible Assets", the company has changed its accounting policy for the cost of players' registrations.

Under the new policy the company capitalises as an intangible asset the element of a players' transfer fee which relates to his registration together with associated costs and amortises that element over the period of his contract including any subsequent agreed extensions. FRS 10 makes no provision for the value of players developed within the company.

The effect of this change in accounting policy upon the profit and loss reserves of the company is given below.

	1998 £
As previously reported	(19,537,352)
Prior period adjustment - intangible assets	20,714,315
As restated	<u>1,176,963</u>

Previously fees payable to and receivable from other football clubs on the transfer of players' registrations, together with associated costs were accounted for in the profit and loss account as "net player transfers" in the period in which the transfer took place. The amortisation of players' registrations is disclosed separately in the profit and loss account.

* The effect on the profit before taxation is shown below.

	1998 £
As previously reported	945,927
Add: Purchased players' registration costs now capitalised	10,383,503
Less: Amortisation of players' registration costs	(6,287,981)
Less: Net book value of players sold	(2,744,559)
As restated	<u>2,296,890</u>

In the year to 31 May 1998 the effect of the change in policy has been to increase profit before and after tax by £1,350,963.

In the year to 31 May 1999 the effect of the change in policy has been to increase profit before and after tax by £8,367,759.

3	TURNOVER	1999 £	1998 £
	Match receipts and income from related footballing activities	21,826,575	19,049,000
	Commercial and sundry income	3,629,148	3,615,943
		<u>25,455,723</u>	<u>22,664,943</u>
4	COST OF SALES	1999 £	1998 £
	Match related		
	-Professional costs	18,340,933	11,866,369
	-Catering expenses	1,605,525	1,476,940
	-Other costs	1,704,769	1,521,988
	Merchandising	1,607,828	1,995,744
		<u>23,259,055</u>	<u>16,861,041</u>
5	OTHER INCOME	1999 £	1998 £
	Donations from development associations	182,478	166,548
	Rents receivable	4,470	12,018
		<u>186,948</u>	<u>178,566</u>
6	OPERATING LOSS	1999 £	1998 £
	The operating loss is stated after charging:		
	Depreciation	673,822	325,321
	Loss on disposal of fixed assets	7,723	35,259
	Operating lease rentals - motor vehicles	16,522	-
	Auditors' remuneration - for audit	15,913	15,450
	for other services	30,869	6,600
		<u>30,869</u>	<u>6,600</u>
7	INTEREST RECEIVABLE	1999 £	1998 £
	Bank deposit interest	-	-
	Other interest	1,492	-
		<u>1,492</u>	<u>-</u>

8	INTEREST PAYABLE	1999	1998
		£	£
	On bank overdrafts	864,740	521,332
	On finance leases	4,553	2,584
	On other liabilities	166,599	406,693
		<u>1,035,892</u>	<u>930,609</u>

9	PARTICULARS OF EMPLOYEES	1999	1998
		Number	Number
	The average weekly number of employees during the year was as follows:		
	Playing, training and management	72	63
	Youth Academy	11	8
	Football in the Community	10	10
	Management and administration	57	64
	Catering and sales	49	50
		<u>199</u>	<u>195</u>

	Aggregate payroll costs were as follows:	1999	1998
		£	£
	Wages and salaries	18,019,049	12,590,391
	Social security costs	1,722,678	1,062,107
	Other pension costs	500,164	192,571
		<u>20,241,891</u>	<u>13,845,068</u>

Other pension costs comprise contributions made by the Company in respect of the majority of its permanent employees to pension schemes which are independently administered by the Football League Limited, together with contributions made to individual pension contracts with insurance companies under agreements with certain employees. With the exception of the Football League Pension Scheme (see Note 24(c)), all pension arrangements are defined contribution schemes. Contributions are charged to the profit and loss account in the year to which they relate.

The directors received no emoluments from the company during the year.

10 TAXATION

Any taxation arising during the current year will be offset against tax losses brought forward from earlier years.

In view of the continuing use of the freehold properties by the company in the future, no provision is considered necessary in respect of the potential tax liability which might arise in the event of the disposal of the properties at the amounts at which they are included in these accounts, and in the opinion of the directors it is impracticable and of no useful purpose to attempt to quantify it.

11 INTANGIBLE FIXED ASSETS

Year Ended 31 May 1999	Total £
Cost at 1 June 1998	31,552,066
Additions in year	22,462,301
Disposals in year	(7,095,100)
At 31 May 1999	46,919,267
Amortisation	
At 1 June 1998	9,884,935
Provided during year	10,666,432
Eliminated on disposals	(3,034,424)
At 31 May 1999	17,516,943
Net book value	
At 31 May 1999	29,402,324
At 31 May 1998	21,667,131

12 TANGIBLE FIXED ASSETS

	Properties £	Plant and equipment £	Vehicles £	Total £
Cost or valuation at 1 June 1998	14,910,165	2,087,708	245,535	17,243,408
Contributions Received	-	(20,000)	-	(20,000)
Additions	1,038,605	836,833	94,813	1,970,251
Disposals	(52,885)	(250)	(30,440)	(83,575)
Revaluation adjustment	(1,760,885)	(785,830)	-	(2,546,715)
At 31 May 1999	14,135,000	2,118,461	309,908	16,563,369
Depreciation				
At 1 June 1998	-	1,469,929	146,105	1,616,034
Provided during year	-	609,671	64,151	673,822
On disposals	-	(250)	(30,440)	(30,690)
Revaluation Adjustment	-	(1,522,916)	-	(1,522,916)
At 31 May 1999	-	556,434	179,816	736,250
Net book value				
At 31 May 1999	14,135,000	1,562,027	130,092	15,827,119
At 31 May 1998	14,910,165	617,779	99,430	15,627,374

The Club's properties are freehold, with the exception of minor residential properties which are long leasehold.

The Club's premises at Goodison Park (including the Megastore), the training grounds at Bellefield and Netherton, the equipment and contents (but not including computer equipment or motor vehicles), together with minor residential properties were revalued at £15,207,550 by John Foord & Company as at 31st May 1999. Their book value has been adjusted accordingly and the valuation adjustment of £1,023,799 has been debited to reserves.

The freehold buildings at Goodison Park (including the Megastore), together with the training grounds, were valued at depreciated replacement cost, and the land at open market value for its existing use.

The residential properties have been revalued at open market value basis with the benefit of full vacant possession or subject to and with the benefit of the various leases/agreements as appropriate.

The net book value of vehicles of £130,092 includes an amount of £48,032 of assets held under hire purchase agreements.

If the freehold properties had not been revalued regularly since 1983 they would have been included at the following amounts on the basis previously appertaining:

	1999 £	1998 £
Cost	10,133,591	9,147,871
Aggregate depreciation	(177,293)	(177,293)
Net book value	<u>9,956,298</u>	<u>8,970,578</u>

The Club's equipment and contents (but not including computer equipment or motor vehicles) were valued on the basis of Value of Plant and Machinery to the Business.

If the plant and equipment (excluding computer equipment) had not been revalued at 31/05/99 they would have been included at the following amounts on the basis previously appertaining:

	1999 £	1998 £
Cost	2,001,318	1,846,662
Aggregate depreciation	1,665,609	1,304,211
Net book value	<u>335,709</u>	<u>542,451</u>

13. LEASE COMMITMENTS

The company has operating lease commitments to pay during the next year in respect of motor vehicle leases.

	1999 £	1998 £
Expiring within one year	-	-
Expiring between two and five years	22,615	-
	<u>22,615</u>	<u>-</u>

14	STOCKS	1999	1998
		£	£
	Refreshments, souvenirs and goods for resale	400,179	243,970
	Maintenance stocks	10,366	8,905
		<u>410,545</u>	<u>252,875</u>

15	DEBTORS	1999	1998
		£	£
	Trade debtors - within one year	2,178,269	3,296,507
	Other debtors	2,783	731,744
	Prepayments and accrued income	315,958	554,791
		<u>2,497,010</u>	<u>4,583,042</u>

16	CREDITORS	1999	1998
	Amounts falling due within one year	£	£
	Trade creditors	5,136,319	1,844,731
	Social security and other taxes	1,608,000	417,567
	Hire purchase	23,312	23,312
	Other creditors	62,180	56,165
	Accruals and deferred income	2,868,570	1,900,354
		<u>9,698,381</u>	<u>4,242,129</u>
	Bank overdraft	16,296,037	4,655,764
		<u>25,994,418</u>	<u>8,897,893</u>

The bank overdraft is secured by fixed and floating charges over all the company's assets and undertakings.

17	CREDITORS	1999	1998
	Amounts falling due after more than one year	£	£
	Trade Creditors	1,520,262	437,500
	Hire Purchase creditors due within five years	16,316	39,628
	Deferred Income	278,600	-
		<u>1,815,178</u>	<u>477,128</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	1999	1998 as restated
	£	£
Contingent appearance fees (see note 1)		
At 1 June 1998	952,816	-
Additions	57,750	952,816
Paid in the year	(690,316)	-
	<hr/>	<hr/>
At 31 May 1999	320,250	952,816
	<hr/>	<hr/>

These figures have been restated as a result of the prior year adjustment discussed in Note 2.

19 EQUITY SHARE CAPITAL

	1999	1998
	£	£
Authorised:		
35,000 stock units of £1 each	35,000	35,000
	<hr/>	<hr/>
Allotted, issued and fully paid:		
35,000 stock units of £1 each	35,000	35,000
	<hr/>	<hr/>

20 RESERVES

	Share Premium Account	Revaluation Reserve	Profit and Loss Account as restated
	£	£	£
Balance at 1 June 1998	24,967,500	5,663,617	(19,537,352)
Prior year adjustment	-	-	20,714,315
As restated	<hr/>	<hr/>	<hr/>
	24,967,500	5,663,617	1,176,963
Revaluation adjustment	-	(1,023,799)	-
Profit/Loss for the year	-	-	(10,768,941)
	<hr/>	<hr/>	<hr/>
Balance at 31 May 1999	24,967,500	4,639,818	(9,591,978)
	<hr/>	<hr/>	<hr/>

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1999	1998 as restated
	£	£
(Loss)/Profit for the year	(10,768,941)	2,296,890
Revaluation Reserve Adjustment	(1,023,799)	-
Net (subtraction from)/addition to shareholders' funds	<hr/>	<hr/>
	(11,792,740)	2,296,890
Opening Shareholders' funds (originally £11,128,765 before adding prior year adjustment of £20,714,315)	31,843,080	29,546,190
	<hr/>	<hr/>
Shareholders' funds at 31 May 1999	20,050,340	31,843,080
	<hr/>	<hr/>

22 CASH FLOW STATEMENT

(a) Reconciliation of operating loss to operating cash flows:	1999	1998 as restated
	£	£
(Loss)/profit before interest and tax	(9,734,541)	3,227,499
Profit on disposal of players	(3,975,825)	(7,660,441)
Operating loss	<u>(13,710,366)</u>	<u>(4,432,942)</u>
Depreciation charge	673,822	325,321
Loss on sale of tangible fixed assets	7,723	35,259
Amortisation of players	10,666,432	6,287,981
(Increase)/Decrease in stocks	(157,670)	85,964
Decrease/(Increase) in debtors	786,841	(1,610,210)
Increase in creditors	1,636,474	148,279
Cash flow from operating activities	<u>(96,744)</u>	<u>839,652</u>

(b) Analysis of changes in Net Debt

	At 1 June 1998	Cash flows	At 31 May 1999
	£	£	£
Cash at bank and in hand	40,495	2,693	43,188
Overdrafts	<u>(4,655,764)</u>	<u>(11,640,273)</u>	<u>(16,296,037)</u>
	(4,615,269)	(11,637,580)	(16,252,849)
Hire Purchase agreements	<u>(62,940)</u>	23,312	<u>(39,628)</u>
	<u>(4,678,209)</u>	<u>(11,614,268)</u>	<u>(16,292,477)</u>

(c) Reconciliation of movements in Net Debt

	1999	£
	£	£
Decrease in cash in the period	(11,637,580)	(237,752)
Cash outflow from decrease in hire purchase financing	23,312	11,670
New hire purchase agreements	-	(74,610)
Movement in Net Debt in the year	<u>(11,614,268)</u>	<u>(300,692)</u>
Net Debt as at 1 June 1998	(4,678,209)	(4,377,517)
Net Debt as at 31 May 1999	<u>(16,292,477)</u>	<u>(4,678,209)</u>

23 FUTURE CAPITAL EXPENDITURE

	1999	1998
	£	£
Capital expenditure contracted for but not provided for in these accounts amounted to	-	221,000

24 CONTINGENT LIABILITIES

- a) No provision is included in the accounts for transfer fees of £3,610,000 which are, as at 31 May 1999, contingent upon future appearances of certain players, and signing-on fees and loyalty bonuses, as at 31 May 1999 of £7,772,467 which will become due to certain players if they are still in the service of the Club on specific future dates.
- b) As at the 31 May 1999 the club has been obliged to contract with certain legal and professional advisors in connection with the possible offer for the company. Fees in relation to these are for the most part contingent on the completion of this transaction. No provision for any amounts which may fall due in relation to this have been included in these accounts as it is not practicable to do so.

- c) There are several members of The Football League Limited Pension & Life Assurance Scheme ("the Scheme") who are, or have been, employees of the Company. During the course of their employment the Company has made contributions to the scheme.

Recent adverse economic factors have led to the Scheme experiencing difficulties in meeting the minimum funding requirements as laid down in the Pensions Act 1995. In order to limit the possibility of the Scheme's minimum funding requirement deteriorating further, the Trustees of the Scheme have decided to wind-up the scheme with effect from 31 August 1999.

Section 75 of the Pensions Act 1995 states that where a final salary scheme winds-up with a deficit, that deficit becomes a statutory unsecured debt payable to the Scheme by its participating employer.

The contribution required from the Club towards the statutory debt as a result of this legislation cannot at present be quantified or even estimated with any reasonable certainty. No provision for any amounts which may fall due in relation to this have been included in the accounts as it is not practicable to do so.

25 POST BALANCE SHEET EVENT

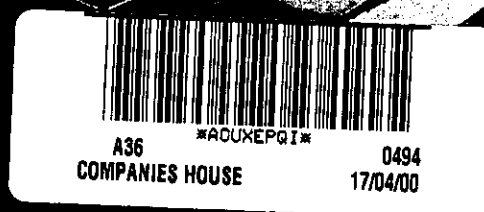
Since 31 May 1999, the Club has generated net transfer income receivable of £7,315,000.

26 FRS 8 RELATED PARTY TRANSACTIONS

At 31 May 1999 Mr. Peter Johnson was the major shareholder in Tranmere Rovers. In the period before he gained control of Tranmere Rovers, Everton Football Club purchased a goalkeeper, Steve Simonsen from Tranmere Rovers for £1million.



The Everton Football Club Company Limited



Annual Report and Statement of Accounts 1999

Directors

Sir Philip Carter CBE (Chairman)

W Kenwright (Deputy Chairman)

P R Johnson

K M Tamlin

A J L Abercromby

Lord Grantchester

Secretary

M J Dunford

Registered Office

Goodison Park

Liverpool

L4 4EL

Auditors

KPMG

Chartered Accountants

8 Princes Parade

Liverpool

L3 1QH

Bankers

The Co-operative Bank p.l.c.

1 Bold Street

Liverpool

L1 4NW

Registrars

Independent Registrars Group Ltd

Balfour House

390/398 High Road

Ilford

Essex

IG1 1NQ

CONTENTS

<i>Directors and Advisers</i>	2
<hr/>	
<i>Contents</i>	3
<hr/>	
<i>Notice of Meeting</i>	4
<hr/>	
<i>Chairman's Statement</i>	5
<hr/>	
<i>Directors' Report</i>	9
<hr/>	
<i>Profit and Loss Account</i>	11
<hr/>	
<i>Balance Sheet</i>	12
<hr/>	
<i>Cash Flow Statement</i>	13
<hr/>	
<i>Notes to the Accounts</i>	14
<hr/>	
<i>Auditors' Report</i>	24
<hr/>	
<i>Results and Attendances 1998-99</i>	25
<hr/>	
<i>League Placings 1998-99 & Fixtures 1999-2000</i>	26
<hr/>	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twentieth Annual General Meeting of The Everton Football Club Company Limited (The Company) will be held in the Alex Young Lounge, Goodison Park, Liverpool L4 4EL on Thursday 21 October 1999 at 7.00 pm for the purpose of considering the following ordinary business:

1. To receive the Directors' Report and Financial Statements for the year ended 31 May 1999.
2. To re-elect Directors. In accordance with the Articles of Association, A.J.L. Abercromby and W. Kenwright retire by rotation, and being eligible, offer themselves for re-election.
3. To re-appoint KPMG as Auditors to the Company and to authorise the Directors to fix their remuneration.
4. To transact any other business which may be transacted at the Annual General Meeting of the Company.

And also for the purpose of considering the following special business:

5. To consider and if thought fit pass the following resolution as a special resolution:

That the Articles of Association of the Company be and are hereby amended by adding the following new article as article 17:

"17a The Rules and Regulations of the Football Association Limited for the time being shall be deemed to be incorporated herewith and shall prevail in the event of any conflict with the provisions set out herein.

17b No proposed alteration to the provisions of this article 17 shall be effective unless the proposed alteration has been approved in writing by the Football Association 14 days or more before the day on which the alteration is proposed to take place.

17c The office of a Director/Officer of the Company shall be vacated if the person holding such office is subject to a decision of the Football Association that such person be suspended from holding office or from taking part in any football activity relating to the administration or management of a Football Club."

The Stock transfer books of the Company will be closed until 22 October 1999.

By order of the Board
MJ Dunford
Secretary
Goodison Park
Liverpool
L4 4EL

14 September 1999.

Notes

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend, and on a poll, to vote in his/her place. A proxy need not be a member of the Company.

To be valid, a duly executed instrument of proxy must be lodged at the Registered Office of the Company at least 48 hours before the time appointed for holding the meeting.

The addition of article 17 to the Articles of Association is a requirement imposed by Rule 34 of the Rules and Regulations of the Football Association Limited.

CHAIRMAN'S STATEMENT



I was delighted to be asked to return to the position of Chairman last November following Mr Peter Johnson's decision to stand down. That decision allowed him time to consider his options, which ultimately led to offers being invited for his majority shareholding.

I was also very grateful that, on my return to the Chair, Bill Kenwright agreed to serve as Deputy Chairman. Bill, as everyone knows, has been in discussions with Peter Johnson in an attempt to acquire his majority shareholding. Maybe that issue will be resolved before the Annual General Meeting. The uncertainty of the situation is continuing to cause concern. Until the situation is clarified we cannot adequately address the areas of medium/long term financing, possible ground relocation, redevelopment within Goodison Park and completion of the Youth Academy Complex. Whoever takes overall control of the Club will inherit a team in the throes of transition, but a Club that, given its strong management team and equally strong supporter base, will still be capable of challenging the best.

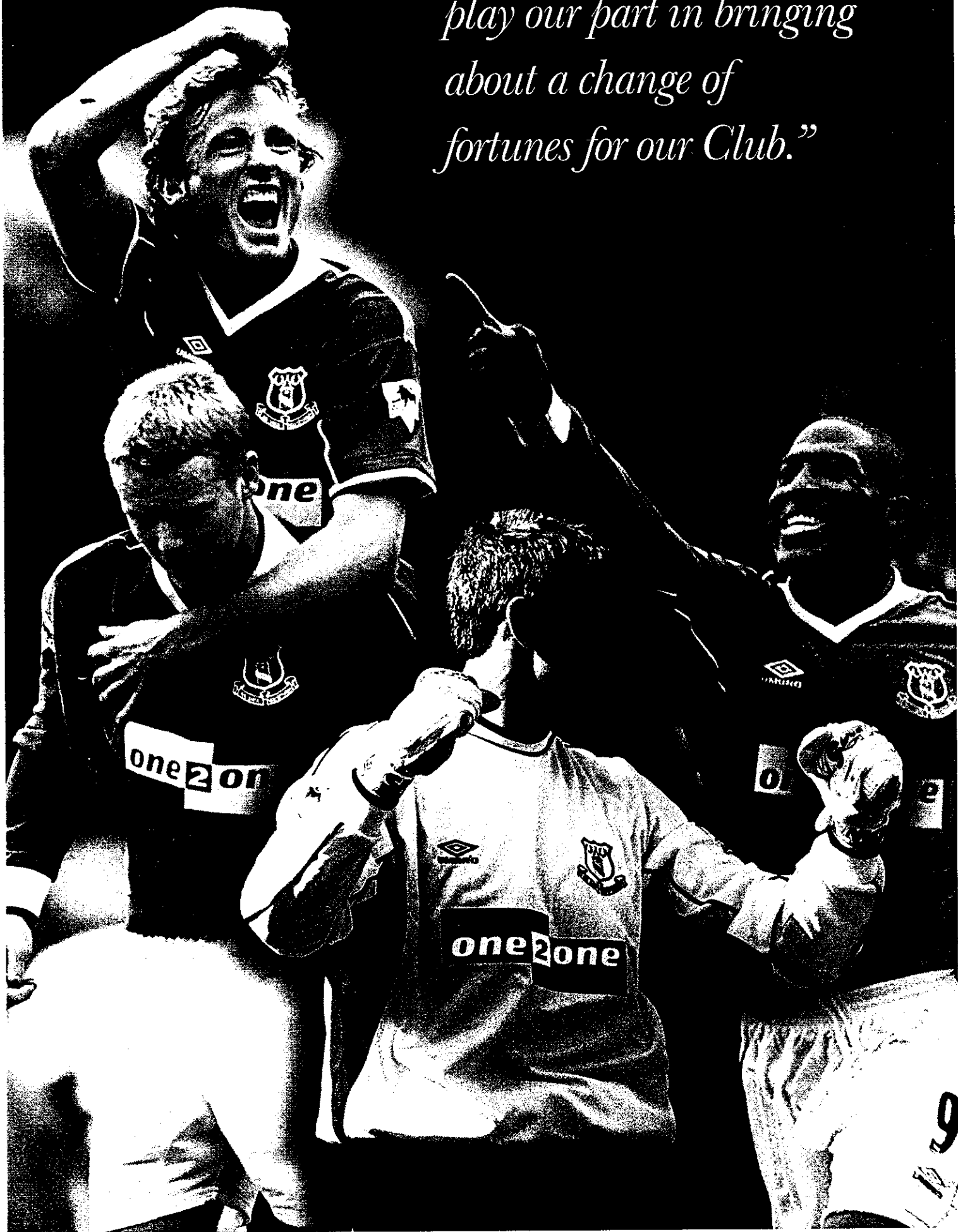
Anyone with more than a passing interest in our fortunes will certainly realise that last season was one of considerable turbulence. We entered the season on an optimistic note. A new management team had been put in place with substantial funds that had been made available to assist in rebuilding our squad, which it must be acknowledged was in desperate need of strengthening.

Defenders Alex Cleland, Marco Materazzi and midfielders John Collins and Olivier Dacourt arrived prior to the new campaign and were soon to be joined by striker Ibrahima Bakayoko, goalkeeper Steve Simonsen, and then defender David Unsworth returning to his beloved Goodison. A total transfer investment in excess of £22m was required to secure their services, plus a considerable addition to the wage bill. Given that only Duncan Ferguson, John Spencer, Tony Thomas and Gavin McCann were sold, you can readily appreciate how the Club's financial situation became extremely serious virtually overnight.

Peter Johnson's decision to relinquish the Chairmanship in November caused considerable comment from the media and supporters. His reasons for standing down were inevitably linked with the situation that centred around the sale of Duncan Ferguson to Newcastle. This is not an issue I wish to dwell on, but I think it is fair to state that we had over-stretched ourselves financially in bringing in new players and by November, after detailed discussion with our Bank, we agreed that the only course of action was to reduce our borrowings. Ideally, had it been possible to sell fringe players then that would have been the preferred option, but at that particular time there was no interest in those players and the potential money involved would have been inadequate. The only offer for the Club to consider was that received from Newcastle. The speed of the transfer on that night of November 23rd certainly caught many of us by surprise. In the eyes of many supporters the sale of Duncan was unthinkable, but it must be remembered that no one personality is bigger than the Club's future welfare and the best that can be said is that the sale assisted in stabilising the immediate financial crisis we faced. The publicity surrounding the circumstances leading to the sale was to be expected and it could and should have been handled better, but that is now for the history books and lessons must be learned from the whole unfortunate episode.

As the season progressed and the transfer deadline loomed in March we welcomed the further additions of Scottish Internationals David Weir and Scot Gemmill, together with Danish Under 21 midfielder Peter Degn. It was our opportune loan signing of Kevin Campbell from Trabzonspor that probably made the biggest impact of any of our new arrivals. Kevin's tally of 9 goals in 8 games was singularly the most important factor to our being able to break away from the relegation stranglehold and eventually secure 14th place in the Premier League. It is to be hoped his exciting partnership with the talented Francis Jeffers continues to flourish. Walter Smith will readily agree that he, as well as many of the new players, took time to adjust to their new surroundings. Walter's calm approach and professionalism however helped steady the ship in difficult circumstances and he soon became aware of the standards required for us to make progress. The management team firmly believe that the squad now being assembled is better equipped to cope with the demands of what is generally accepted as being the most competitive league in the world.

*“...together we can all
play our part in bringing
about a change of
fortunes for our Club.”*





We must also congratulate Ibrahima Bakayoko, Slaven Bilic, John Collins, Scot Gemmill, Don Hutchison, Thomas Myhre, John Oster and David Weir, all of whom represented their countries at full International level last season.

We enjoyed a slightly healthier league position than that of the previous year, but our financial results were alarming. Turnover of £25m was an increase of 12% on the previous year but with an operating loss, before amortisation of players, in excess of £3m and a transfer deficit of over £15m we recorded the heaviest overall loss in our history. Shareholders must be made aware, however, that within the trading loss there were a considerable number of non-recurring expenses and indeed substantial termination payments due to players under the terms of their contracts when they left the Club, and also settlements due to the former Management team.

The main thrust of these accounts will reveal the financial problems that the Club has experienced, namely high transfer fees with associated increasing wage levels. This year alone our professional playing costs have increased by nearly 50%. Concern is being echoed throughout football regarding spiralling wage costs, although it is the responsibility of each club to live within its means. The effect of Bosman has firmly taken hold and it must be controlled, or it will be to the long-term detriment of the professional game including the majority of players.

Shareholders will note that the balance sheet this year reflects the introduction of the new accounting standard FRS10, which provides for the capitalisation of player transfer costs and brings shareholder funds back into a positive position. I will also make the point that as at 1st June our professional playing staff was insured for a total value of £41m, an indication that our major assets are still to be seen on the field of play.

Your Board has put in place a vigorous plan to redress the financial position. There is no quick-fit solution, difficult decisions have and will continue to be taken to address these problems but the early forecasts appear to indicate we may at least look towards achieving a small operating profit, before amortisation of players, during the 1999/2000 season.

I must at this point place on record my thanks to the Co-operative Bank plc who have worked with us closely during this most difficult period. They have at all times remained eager to assist and advise but, most importantly, their understanding of the football industry allowed them to deal with our problems in a professional but sympathetic manner.

Commercially, turnover has remained static, but again we have to take into account the difficult climate surrounding the Club during the year. We are deeply grateful for the continued support of our main sponsors One-2-One and our official kit suppliers Umbro together with all those companies and individuals who have secured commercial opportunities at Goodison Park.

We are finding it increasingly difficult to maintain the levels of commercial income generated by many of our competitors within the Premier League, many of whom enjoy the benefits of new stadia. The lack of corporate facilities is proving to be a major obstacle. For instance, on match day we dine a maximum 700 customers, whereas most clubs with the benefit of new facilities can achieve in cases many times those levels. It is imperative, therefore, that in the near future the Club revisit the issue of whether to move to a new stadium or to redevelop Goodison Park. We shall need to strike a happy balance between producing first class facilities for our general supporters and having a full range of facilities to accommodate our corporate clients.

Our retail and merchandising operation has seen steady growth albeit against the background of a general fall in high street sales. We must continue to improve our marketing of the Everton brand, not only on Merseyside but also nationally and globally.

I know it is the wish of every Everton supporter to see the Club retain its mantle as one of Britain's biggest Clubs, but previous performances, whilst pleasing, count for nothing if we are unable to maintain that standard both on and off the field. This point brings me to the support we attracted last season. Throughout all the traumas and difficulties the level and quality of the support we have received both at home and away has been a constant source of encouragement to us all. 23,000 Season Tickets Holders and the sixth highest average home league attendance of 36,202 was testimony, if any was needed, that our support ranks amongst the most loyal in the country.

Heaven knows the blind faith of our supporters has been tested to the limits of late, and whilst I can offer no guarantee of an immediate improvement, you can be assured that everyone is working steadfastly behind the scenes to stabilise the structure and control within the Club. Appreciation must be extended to the Police, Ambulance Service, St John Ambulance and our own matchday staff who ensure the safety and comfort of those supporters entering Goodison Park.

The Youth Academy at Netherton has seen the first phase of works completed, but due to the financial constraints faced by the Club the final phase of works were understandably put on hold, and that remains the current position. As defending FA Youth Cup winners the team performed creditably and it was no disgrace that we were defeated by the eventual winners West Ham United at the semi-final stages. Our youngsters also gave a good account of themselves in the new FA Premier Youth Leagues. Our congratulations go to all the youth players who progressed through to Reserve Team and First Team levels.

The Shareholders' Association has, as always, been constructive in their dialogue with the Club. Our supporters clubs including the independent groups have continued to fly the Everton banner. Whilst no one can predict with certainty what the future holds there is however a thread that unites us all and that is the future prosperity and welfare of this great Club.

I wish to thank my fellow Board members for their tremendous support and my gratitude goes to all members of staff who have performed their duties so conscientiously under difficult circumstances. I must mention Michael Dunford in particular who has worked tirelessly within the restructuring of the Club and has assumed additional responsibility for many key areas of the operation.

The Box Office and Retail staff in particular often have to suffer our supporters venting their frustrations, but I ask them to remember that those very same staff members are all Evertonians and often equally share those frustrations.

The Board has reduced in size during the year following the resignations of Sir D Pitcher and Mr B C Finch. It was with great sadness that we also record the death in March of our former Director Mr D Newton.

Given the adversity we have faced recently my experience tells me that together we can all play our part in bringing about a change of fortunes for our Club. We wish Walter Smith and the team every success in the millennium season.

Sir Philip Carter CBE

DIRECTORS' REPORT

The directors present their report and the financial statements of the Company for the year ended 31st May 1999.

Principal Activity

The principal activity of the Company continues to be that of a professional football club.

Review of Business

The results of the year's trading are shown on page 11 of the financial statements.

A net loss of £10,768,941 arose in the year.

A review of the Company's business and future developments is set out in the Chairman's Report.

Dividend

The directors do not recommend the payment of a dividend.

Fixed Assets

Information relating to changes in the fixed assets is given in note 12 to the financial statements.

Directors

The directors in office in the year and their beneficial interests in the share capital of the company at the end of the financial year and of the previous financial year (or date of appointment where later) were as follows:

	Number of Stock Units	
	31 May 1999	31 May 1998
Sir Philip Carter CBE (appointed as Chairman 30/11/98)	721	721
W Kenwright	555	294
P R Johnson (resigned as Chairman 30/11/98)	23,945	23,945
K M Tamlin	119	119
A J L Abercromby	105	105
Lord Grantchester	2,773	2,773
Sir Desmond H Pitcher DL (resigned with effect 26/09/98)	105	105
B C Finch (resigned with effect 17/05/99)	739	777

In accordance with the Articles of Association, Mr A J L Abercromby and Mr W Kenwright retire by rotation and, being eligible, offer themselves for re-election. Nominations have been received on behalf of Mr G H E Birch, Professor T Cannon, K B Nolan and A R Tighe.

The Board has determined that with effect from 17 May 1999 the maximum number of directors should be six.

Team Management

The contract of employment for the Team Manager, Mr. Howard Kendall, was terminated by mutual consent on 24 June 1998. Mr. Walter Smith was then appointed on 1 July 1998.

Year 2000 Issue

The directors are aware of the implications of the millenium issues for both our information and operating systems. Actions are ongoing to ensure that the business is not vulnerable to problems, either internally or through disruption caused by suppliers not being fully prepared.

All the major information technology hardware and software has been replaced with new equipment and systems during the year. The related year 2000 costs are not therefore considered to be significant.

Premier League: Restrictive Practices Case

On 28 July 1999, the Restrictive Practices Court gave its judgement in the proceedings relating to the FA Premier League's arrangements for the televising of League matches. The main effect of the judgement is to uphold the FA Premier League rule under which TV rights are sold collectively by the League and to uphold the exclusivity granted to BSkyB and the BBC under the 1996 TV agreements which run until the end of the 2000/01 season. If the Director General of Fair Trading seeks to appeal, he will notify this to the Restrictive Practises Court in October 1999.

Directors' Responsibilities

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

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

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

Auditors

The auditors, KPMG have signified their willingness to continue in office if re-appointed at the forthcoming annual general meeting at a remuneration to be fixed by the Directors.

Approved by the Board on 14th September 1999 and signed on its behalf by

M. J. Dunford, Secretary



PROFIT AND LOSS ACCOUNT

For the year ended 31 May 1999

	Notes	1999 £	1998 as restated £
Turnover	3	25,455,723	22,664,943
Cost of sales	4	(23,259,055)	(16,861,041)
Gross Profit		2,196,668	5,803,902
Other income	5	186,948	178,566
Other operating costs		(5,427,550)	(4,127,429)
Operating (Loss)/Profit before Amortisation of Players	6	(3,043,934)	1,855,039
Amortisation of Players		(10,666,432)	(6,287,981)
Operating Loss		(13,710,366)	(4,432,942)
Profit on disposal of players		3,975,825	7,660,441
(Loss)/Profit before interest and taxation		(9,734,541)	3,227,499
Interest receivable	7	1,492	-
Interest payable	8	(1,035,892)	(930,609)
(Loss)/Profit on ordinary activities before taxation		(10,768,941)	2,296,890
Taxation	10	-	-
(Loss)/Profit for the year	20	(10,768,941)	2,296,890

All amounts relate to continuing operations.

There is no material difference between reported losses and historical losses.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999 £	1998 as restated £
(Loss)/Profit for the Financial Year	(10,768,941)	2,296,890
Unrealised deficit on revaluation	(1,023,799)	-
Total recognised gains and losses during the year	(11,792,740)	2,296,890
Prior year adjustment (note 2)	20,714,315	-
Total gains and losses recognised since last annual report	8,921,575	-

BALANCE SHEET

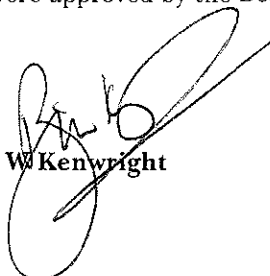
At 31 May 1999

		1999		1998 as restated	
	Notes	£	£	£	£
Fixed Assets					
Intangible assets	11		29,402,324		21,667,131
Tangible assets	12		15,827,119		15,627,374
			<hr/>		<hr/>
			45,229,443		37,294,505
Current Assets					
Stocks	14	410,545		252,875	
Debtors	15	2,497,010		4,583,042	
Cash at bank and in hand		43,188		40,495	
		<hr/>		<hr/>	
		2,950,743		4,876,412	
Creditors					
Amounts falling due within one year	16	(25,994,418)		(8,897,893)	
		<hr/>		<hr/>	
Net Current Liabilities			(23,043,675)		(4,021,481)
Total Assets Less Current Liabilities			<hr/>	<hr/>	
			22,185,768		33,273,024
Creditors					
Amounts falling due after more than one year	17		(1,815,178)		(477,128)
Provision for liabilities and charges	18		(320,250)		(952,816)
			<hr/>	<hr/>	
Net Assets			20,050,340		31,843,080
			<hr/>	<hr/>	
Capital and Reserves					
Called up share capital	19		35,000		35,000
Share premium account	20		24,967,500		24,967,500
Revaluation reserve	20		4,639,818		5,663,617
Profit and loss account	20		(9,591,978)		1,176,963
			<hr/>	<hr/>	
Equity shareholders' funds	21		20,050,340		31,843,080
			<hr/>	<hr/>	

The financial statements were approved by the Board on 14th September 1999 and signed on its behalf by



Sir Philip Carter CBE & W Kenwright
Directors



CASH FLOW STATEMENT

For the year ended 31 May 1999

		1999		1998 as restated	
	Notes	£	£	£	£
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	22a		(96,744)		839,652
<i>Returns on investments and servicing of finance</i>					
Interest received		1,492		-	
Interest paid		(763,911)		(507,718)	
Finance lease interest		(4,553)		(2,584)	
Net cash outflow from returns on investments and servicing of finance			(766,972)		(510,302)
<i>Taxation</i>					
Taxation			-		-
<i>Capital Expenditure and Financial Investment</i>					
Purchase of intangible fixed assets		(18,014,725)		(15,152,253)	
Purchase of tangible fixed assets		(1,950,251)		(854,175)	
Grants from The Football Association		-		10,000	
Proceeds from the disposal of tangible fixed assets		45,162		126,963	
Proceeds from the disposal of intangible fixed assets		9,335,692		15,717,750	
Net cash outflow for capital expenditure and financial investment			(10,584,122)		(415,715)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(11,447,838)		177,635
<i>Financing</i>					
Finance charges arising on discounting of debt		(166,430)		(403,717)	
Capital element of hire purchase payments		(23,312)		(11,670)	
Net cash outflow from financing			(189,742)		(415,387)
DECREASE IN CASH	22b		(11,637,580)		(237,752)

NOTES TO THE ACCOUNTS

For year ended 31 May 1999

ACCOUNTING BASIS AND POLICIES

These accounts have been prepared on the historical cost basis of accounting as modified to include valuations of the Club's properties, and in accordance with applicable UK accounting standards and accounting policies consistent with those adopted previously. 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 2.

The principal accounting policies are as follows:

(i) Turnover

Turnover is stated exclusive of value added tax and match receipts are included net of percentage payments to visiting clubs, The F.A. Premier League and The Football Association.

(ii) Fixed Assets and Depreciation

Depreciation is not provided on freehold properties. It is the group's policy to maintain all its properties in such a condition that the estimated aggregate residual values are at least equal to their book values. Consequently, any element of depreciation would, in the opinion of the directors, be immaterial. Residual values are appraised each year by reference to the estimated depreciated replacement cost of the properties in aggregate, and the Goodison Park stadium in particular. Provision will be made against the cost of the properties in the event of any permanent diminution in their values. Depreciation on other fixed assets has been calculated at 25% on book value.

(iii) Stocks

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

(iv) Grants

Government grants towards freehold properties are deducted from the cost of these assets. Although this treatment is permitted by Statement of Standard Accounting Practice No 4, it is not in accordance with Schedule 4 to the Companies Act 1985 under which the freehold properties should be stated at their purchase price or production cost and the government grants treated as deferred income and released to profit and loss account over the useful life of the corresponding assets.

The directors are of the opinion that, as the freehold properties are not depreciated as explained above and the government grants would therefore remain in the balance sheet in perpetuity, the treatment otherwise required by the Companies Act 1985 would not present a true and fair view of the group's effective investment in non-depreciating assets.

(v) Deferred Taxation

Deferred tax is provided at current rates in respect of the tax effect of all material timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(vi) Intangible Fixed Assets

The cost of players' registrations is capitalised and amortised over the period of the respective players' contracts in accordance with Financial Reporting Standard 10 (accounting for goodwill and intangible assets). The transfer fee levy refund received during the year is credited against additions to intangible assets (see note 11).

(vii) Contingent Appearance Fees

Where the directors consider the likelihood of a player meeting future appearance criteria laid down in the transfer agreement of the player to be probable, provision for this cost is made (see note 18). If the likelihood of meeting these criteria is not probable, then no provision is made (see note 24).

(viii) Lease rentals

Where the company enters into a lease which entails substantially taking all the risks and rewards of ownership of an asset the lease is treated as a finance lease. Assets acquired under finance leases are capitalised and depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

(ix) Signing-on Fees and Loyalty Bonuses

The Board believe that signing-on fees represent a normal part of the employment cost of the player and as such should be charged to the profit and loss account in the period in which the payment is made. Those instalments due in the future on continued service are not provided for but are noted as contingent liabilities at note 24(a).

PRIOR PERIOD ADJUSTMENT

Following the issue of Financial Reporting Standard No. 10 "Goodwill and Intangible Assets", the company has changed its accounting policy for the cost of players' registrations.

Under the new policy the company capitalises as an intangible asset the element of a player's transfer fee which relates to his registration together with associated costs and amortises that element over the period of his contract including any subsequent agreed extensions. FRS 10 makes no provision for the value of players developed within the company.

The effect of this change in accounting policy upon the profit and loss reserves of the company is given below.

	1998 £
<i>As previously reported</i>	(19,537,352)
Prior period adjustment - intangible assets	20,714,315
<i>As restated</i>	<u>1,176,963</u>

Previously fees payable to and receivable from other football clubs on the transfer of players' registrations, together with associated costs were accounted for in the profit and loss account as "net player transfers" in the period in which the transfer took place. The amortisation of players' registrations is disclosed separately in the profit and loss account.

The effect on the prior year profit before taxation is shown below.

	1998 £
<i>As previously reported</i>	945,927
Add: Purchased players' registration costs now capitalised	10,383,503
Less: Amortisation of players' registration costs	(6,287,981)
Less: Net book value of players sold	(2,744,559)
<i>As restated</i>	<u>2,296,890</u>

In the year to 31 May 1998 the effect of the change in policy has been to increase profit before and after tax by £1,350,963.

In the year to 31 May 1999 the effect of the change in policy has been to reduce the loss before and after tax by £8,367,759.

TURNOVER

	1999 £	1998 £
Match receipts and income from related footballing activities	21,826,575	19,049,000
Commercial and sundry income	3,629,148	3,615,943
	<u>25,455,723</u>	<u>22,664,943</u>

COST OF SALES

	1999 £	1998 £
Match related		
-Professional costs	18,340,933	11,866,369
-Catering expenses	1,605,525	1,476,940
-Other costs	1,704,769	1,521,988
Merchandising	1,607,828	1,995,744
	<u>23,259,055</u>	<u>16,861,041</u>

OTHER INCOME

	1999 £	1998 £
Donations from development associations	182,478	166,548
Rents receivable	4,470	12,018
	<u>186,948</u>	<u>178,566</u>

OPERATING LOSS

	1999 £	1998 £
The operating loss is stated after charging:		
Depreciation	673,822	325,321
Loss on disposal of fixed assets	7,723	35,259
Operating lease rentals - motor vehicles	16,522	-
Auditors' remuneration - for audit	15,913	15,450
- for other services	30,869	6,600
	<u></u>	<u></u>

INTEREST RECEIVABLE

	1999 £	1998 £
Bank deposit interest	-	-
Other interest	1,492	-
	<u>1,492</u>	<u>-</u>

INTEREST PAYABLE

	1999	1998
	£	£
On bank overdrafts	864,740	521,332
On finance leases	4,553	2,584
On other liabilities	166,599	406,693
	<u>1,035,892</u>	<u>930,609</u>

PARTICULARS OF EMPLOYEES

	1999	1998
	Number	Number
The average weekly number of employees during the year was as follows:		
Playing, training and management	72	63
Youth Academy	11	8
Football in the Community	10	10
Management and administration	57	64
Catering and sales	49	50
	<u>199</u>	<u>195</u>

Aggregate payroll costs were as follows:

	1999	1998
	£	£
Wages and salaries	18,019,049	12,590,391
Social security costs	1,722,678	1,062,107
Other pension costs	500,164	192,571
	<u>20,241,891</u>	<u>13,845,069</u>

Other pension costs comprise contributions made by the Company in respect of the majority of its permanent employees to pension schemes which are independently administered by the Football League Limited, together with contributions made to individual pension contracts with insurance companies under agreements with certain employees. With the exception of the Football League Pension Scheme, a final salary scheme (see Note 24(c)), all pension arrangements are defined contribution schemes. Contributions are charged to the profit and loss account in the year to which they relate.

The directors received no emoluments from the company during the year.

TAXATION

Any taxation arising during the current year will be offset against tax losses brought forward from earlier years.

In view of the continuing use of the freehold properties by the company in the future, no provision is considered necessary in respect of the potential tax liability which might arise in the event of the disposal of the properties at the amounts at which they are included in these accounts, and in the opinion of the directors it is impracticable and of no useful purpose to attempt to quantify it.

INTANGIBLE FIXED ASSETS

Year Ended 31 May 1999

	Total £
Cost at 1 June 1998	31,552,066
Additions in year	22,462,301
Disposals in year	(7,095,100)
At 31 May 1999	<u>46,919,267</u>
Amortisation	
At 1 June 1998	9,884,935
Provided during year	10,666,432
Eliminated on disposals	(3,034,424)
At 31 May 1999	<u>17,516,943</u>
Net book value	
At 31 May 1999	<u>29,402,324</u>
At 31 May 1998	<u>21,667,131</u>

TANGIBLE FIXED ASSETS

	Properties £	Plant and equipment £	Vehicles £	Total £
Cost or valuation				
at 1 June 1998	14,910,165	2,087,708	245,535	17,243,408
Contributions Received	-	(20,000)	-	(20,000)
Additions	1,038,605	836,833	94,813	1,970,251
Disposals	(52,885)	(250)	(30,440)	(83,575)
Revaluation adjustment	(1,760,885)	(785,830)	-	(2,546,715)
At 31 May 1999	<u>14,135,000</u>	<u>2,118,461</u>	<u>309,908</u>	<u>16,563,369</u>
Depreciation				
At 1 June 1998	-	1,469,929	146,105	1,616,034
Provided during year	-	609,671	64,151	673,822
On disposals	-	(250)	(30,440)	(30,690)
Revaluation Adjustment	-	(1,522,916)	-	(1,522,916)
At 31 May 1999	<u>-</u>	<u>556,434</u>	<u>179,816</u>	<u>736,250</u>
Net book value				
At 31 May 1999	<u>14,135,000</u>	<u>1,562,027</u>	<u>130,092</u>	<u>15,827,119</u>
At 31 May 1998	<u>14,910,165</u>	<u>617,779</u>	<u>99,430</u>	<u>15,627,374</u>

The Club's properties are freehold, with the exception of minor residential properties which are long leasehold.

The Club's premises at Goodison Park (including the Megastore), the training grounds at Bellefield and Netherton, the equipment and contents (but not including computer equipment or motor vehicles), together with minor residential properties were revalued at £15,207,550 by John Foord & Company as at 31st May 1999. Their book value has been adjusted accordingly and the valuation adjustment of £1,023,799 has been debited to reserves.

The freehold buildings at Goodison Park (including the Megastore), together with the training grounds, were valued at depreciated replacement cost, and the land at open market value for its existing use.

The residential properties have been revalued at open market value basis with the benefit of full vacant possession or subject to and with the benefit of the various leases/agreements as appropriate.

The net book value of vehicles of £130,092 includes an amount of £48,032 of assets held under hire purchase agreements.

If the freehold properties had not been revalued regularly since 1983 they would have been included at the following amounts on the basis previously appertaining:

	1999	1998
	£	£
Cost	10,133,591	9,147,871
Aggregate depreciation	(177,293)	(177,293)
Net book value	<u>9,956,298</u>	<u>8,970,578</u>

The Club's equipment and contents (but not including computer equipment or motor vehicles) were valued on the basis of Value of Plant and Machinery to the Business.

If the plant and equipment (excluding computer equipment) had not been revalued at 31/05/99 they would have been included at the following amounts on the basis previously appertaining:

	1999	1998
	£	£
Cost	2,001,318	1,846,662
Aggregate depreciation	(1,665,609)	(1,304,211)
Net book value	<u>335,709</u>	<u>542,451</u>

13 LEASE COMMITMENTS

The company has operating lease commitments to pay during the next year in respect of motor vehicle leases.

	1999	1998
	£	£
Expiring within one year	-	-
Expiring between two and five years	22,615	-
	<u>22,615</u>	<u>-</u>

14 STOCKS

	1999	1998
	£	£
Refreshments, souvenirs and goods for resale	400,179	243,970
Maintenance stocks	10,366	8,905
	<u>410,545</u>	<u>252,875</u>

DEBTORS

	1999	1998
	£	£
Trade debtors - within one year	2,178,269	3,296,507
Other debtors	2,783	731,744
Prepayments and accrued income	315,958	554,791
	<u>2,497,010</u>	<u>4,583,042</u>

CREDITORS*Amounts falling due within one year*

	1999	1998
	£	£
Trade creditors	5,136,319	1,844,731
Social security and other taxes	1,608,000	417,567
Hire purchase	23,312	23,312
Other creditors	62,180	56,165
Accruals and deferred income	2,868,570	1,900,354
	<u>9,698,381</u>	<u>4,242,129</u>
Bank overdraft	16,296,037	4,655,764
	<u>25,994,418</u>	<u>8,897,893</u>

The bank overdraft is secured by fixed and floating charges over all the company's assets and undertakings.

CREDITORS*Amounts falling due after more than one year*

	1999	1998
	£	£
Trade Creditors	1,520,262	437,500
Hire Purchase creditors due within five years	16,316	39,628
Deferred Income	278,600	-
	<u>1,815,178</u>	<u>477,128</u>

PROVISION FOR LIABILITIES AND CHARGES

	1999	1998
	£	as restated £
<i>Contingent appearance fees (see note 1)</i>		
At 1 June 1998	952,816	-
Additions	57,750	952,816
Paid in the year	(690,316)	-
At 31 May 1999	<u>320,250</u>	<u>952,816</u>

These figures have been restated as a result of the prior year adjustment discussed in Note 2.

EQUITY SHARE CAPITAL

	1999 £	1998 £
Authorised: 35,000 stock units of £1 each	35,000	35,000
Allotted, issued and fully paid: 35,000 stock units of £1 each	35,000	35,000

RESERVES

	Share Premium Account £	Revaluation Reserve £	Profit and Loss Account as restated £
Balance at 1 June 1998	24,967,500	5,663,617	(19,537,352)
Prior year adjustment	-	-	20,714,315
As restated	24,967,500	5,663,617	1,176,963
Revaluation adjustment	-	(1,023,799)	-
Profit/(Loss) for the year	-	-	(10,768,941)
Balance at 31 May 1999	24,967,500	4,639,818	(9,591,978)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1999 £	1998 as restated £
(Loss)/Profit for the year	(10,768,941)	2,296,890
Revaluation Reserve Adjustment	(1,023,799)	-
Net (subtraction from)/addition to shareholders' funds	(11,792,740)	2,296,890
Opening Shareholders' funds (originally £11,128,765 before adding prior year adjustment of £20,714,315)	31,843,080	29,546,190
Shareholders' funds at 31 May 1999	20,050,340	31,843,080

CASH FLOW STATEMENT

(a) Reconciliation of operating loss to operating cash flows:

	1999 £	1998 as restated £
(Loss)/profit before interest and tax	(9,734,541)	3,227,499
Profit on disposal of players	(3,975,825)	(7,660,441)
Operating loss	(13,710,366)	(4,432,942)
Depreciation charge	673,822	325,321
Loss on sale of tangible fixed assets	7,723	35,259
Amortisation of players	10,666,432	6,287,981
(Increase)/Decrease in stocks	(157,670)	85,964
Decrease/(Increase) in debtors	786,841	(1,610,210)
Increase in creditors	1,636,474	148,279
Cash flow from operating activities	(96,744)	839,652

(b) Analysis of changes in Net Debt

	At 1 June 1998	Cash flows	At 31 May 1999
	£	£	£
Cash at bank and in hand	40,495	2,693	43,188
Overdrafts	(4,655,764)	(11,640,273)	(16,296,037)
	(4,615,269)	(11,637,580)	(16,252,849)
Hire Purchase agreements	(62,940)	23,312	(39,628)
	(4,678,209)	(11,614,268)	(16,292,477)

(c) Reconciliation of movements in Net Debt

	1999	1998
	£	£
Decrease in cash in the period	(11,637,580)	(237,752)
Cash outflow from decrease in hire purchase financing	23,312	11,670
New hire purchase agreements	-	(74,610)
Movement in Net Debt in the year	(11,614,268)	(300,692)
Net Debt as at 1 June 1998	(4,678,209)	(4,377,517)
Net Debt as at 31 May 1999	(16,292,477)	(4,678,209)

FUTURE CAPITAL EXPENDITURE

	1999	1998
	£	£
Capital expenditure contracted for but not provided for in these accounts amounted to	-	221,000

CONTINGENT LIABILITIES

a) No provision is included in the accounts for transfer fees of £3,610,000 which are, as at 31 May 1999, contingent upon future appearances of certain players, and signing-on fees and loyalty bonuses, as at 31 May 1999 of £7,772,467 which will become due to certain players if they are still in the service of the Club on specific future dates.

b) As at the 31 May 1999 the club has been obliged to contract with certain legal and professional advisors in connection with the possible offer for the company. Fees in relation to these are for the most part contingent on the completion of this transaction. No provision for any amounts which may fall due in relation to this have been included in these accounts as it is not practicable to do so.

c) There are several members of The Football League Limited Pension & Life Assurance Scheme ("the Scheme") who are, or have been, employees of the Company. During the course of their employment the Company has made contributions to the scheme.

Recent adverse economic factors have led to the Scheme experiencing difficulties in meeting the minimum funding requirements as laid down in the Pensions Act 1995. In order to limit the possibility of the Scheme's minimum funding requirement deteriorating further, the Trustees of the Scheme have decided to wind-up the scheme with effect from 31 August 1999.

Section 75 of the Pensions Act 1995 states that where a final salary scheme winds-up with a deficit, that deficit becomes a statutory unsecured debt payable to the Scheme by its participating employer.

The contribution required from the Club towards the statutory debt as a result of this legislation cannot at present be quantified or even estimated with any reasonable certainty. No provision for any amounts which may fall due in relation to this have been included in the accounts as it is not practicable to do so.

POST BALANCE SHEET EVENT

Since 31 May 1999, the Club has generated net transfer income receivable of £7,315,000.

FRS 8 RELATED PARTY TRANSACTIONS

At 31 May 1999 Mr. Peter Johnson was the major shareholder in Tranmere Rovers. In the period before he regained control of Tranmere Rovers, Everton Football Club purchased a goalkeeper, Steve Simonsen from Tranmere Rovers for £1million.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE EVERTON FOOTBALL CLUB COMPANY LIMITED**

We have audited the financial statements on pages 11 to 23.

Respective Responsibilities of Directors and Auditors

As described on page 10 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

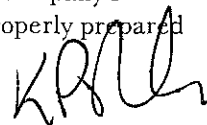
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st May 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Princes Parade
Liverpool L3 1QH


KPMG
Chartered Accountants
Registered Auditors

16th September 1999

FIRST TEAM RESULTS 1998-99

<i>Date</i>	<i>Venue</i>	<i>Opponent</i>	<i>Result</i>	<i>Attendance</i>	<i>Points</i>	<i>Position</i>	
August	15	H	Aston Villa	0-0	40,112	1	-
August	22	A	Leicester City	0-2	21,037	1	18
August	29	H	Tottenham Hotspur	0-1	39,378	1	19
September	8	A	Nottingham Forest	2-0	25,610	4	12
September	12	H	Leeds United	0-0	36,687	5	17
September	15	A	Huddersfield Town (WC)	1-1	15,395	-	-
September	19	A	Middlesbrough	2-2	34,563	6	15
September	23	H	Huddersfield Town (WC)	2-1	18,718	-	-
September	26	H	Blackburn Rovers	0-0	36,404	7	15
October	3	A	Wimbledon	2-1	16,054	10	14
October	17	H	Liverpool	0-0	40,185	11	12
October	24	A	Sheffield Wednesday	0-0	26,592	12	15
October	28	A	Middlesbrough (WC3)	3-2	20,748	-	-
October	31	H	Manchester United	1-4	40,079	12	15
November	8	A	Arsenal	0-1	38,088	12	15
November	11	H	Sunderland (WC4)	1-1	28,132	<i>Lost on pens 5-6</i>	
November	15	A	Coventry City	0-3	19,290	12	17
November	23	H	Newcastle United	1-0	30,357	15	16
November	28	A	Charlton Athletic	2-1	20,043	18	14
December	5	H	Chelsea	0-0	36,430	19	14
December	12	H	Southampton	1-0	32,073	22	14
December	19	A	West Ham United	1-2	25,998	22	15
December	26	H	Derby County	0-0	39,206	23	14
December	28	A	Tottenham Hotspur	1-4	36,053	23	14
January	2	A	Bristol City (FAC 3)	2-0	19,608	-	-
January	9	H	Leicester City	0-0	32,792	24	14
January	18	A	Aston Villa	0-3	32,488	24	15
January	23	H	Ipswich Town (FAC 4)	1-0	28,854	-	-
January	30	H	Nottingham Forest	0-1	34,175	24	15
February	7	A	Derby County	1-2	27,603	24	17
February	13	H	Coventry City (FAC 5)	2-1	33,907	-	-
February	17	H	Middlesbrough	5-0	31,606	27	15
February	20	A	Leeds United	0-1	36,344	27	15
February	27	H	Wimbledon	1-1	32,574	28	15
March	7	A	Newcastle United (FAC 6)	1-4	36,504	-	-
March	10	A	Blackburn Rovers	2-1	27,219	31	15
March	13	H	Arsenal	0-2	38,049	31	16
March	20	A	Manchester United	1-3	55,182	31	16
April	3	A	Liverpool	2-3	44,852	31	17
April	5	H	Sheffield Wednesday	1-2	35,270	31	18
April	11	H	Coventry City	2-0	32,341	34	16
April	17	A	Newcastle United	3-1	36,775	37	15
April	24	H	Charlton Athletic	4-1	40,089	40	14
May	1	A	Chelsea	1-3	34,909	40	15
May	8	H	West Ham United	6-0	40,029	43	14
May	16	A	Southampton	0-2	15,254	43	14

FAC = FA Cup WC = Worthington Cup

FA CARLING PREMIERSHIP FINAL LEAGUE PLACINGS 1998-99

	Ave Attendance	P	HOME					AWAY					Pts
			W	D	L	F	A	W	D	L	F	A	
Manchester United	55,188	38	14	4	1	45	18	8	9	2	35	19	79
Arsenal	38,024	38	14	5	0	34	5	8	7	4	25	12	78
Chelsea	34,754	38	12	6	1	29	13	8	9	2	28	17	75
Leeds United	35,773	38	12	5	2	32	9	6	8	5	30	25	67
West Ham United	25,639	38	11	3	5	32	26	5	6	8	14	27	57
Aston Villa	36,937	38	10	3	6	33	28	5	7	7	18	18	55
Liverpool	43,321	38	10	5	4	44	24	5	4	10	24	25	54
Derby County	29,193	38	8	7	4	22	19	5	6	8	18	26	52
Middlesbrough	34,386	38	7	9	3	25	18	5	6	8	23	36	51
Leicester City	20,469	38	7	6	6	25	25	5	7	7	15	21	49
Tottenham Hotspur	34,149	38	7	7	5	28	26	4	7	8	19	24	47
Sheffield Wednesday	26,745	38	7	5	7	20	15	6	2	11	21	27	46
Newcastle United	36,690	38	7	6	6	26	25	4	7	8	22	29	46
Everton	36,202	38	6	8	5	22	12	5	2	12	20	35	43
Coventry City	20,773	38	8	6	5	26	21	3	3	13	13	30	42
Wimbledon	18,207	38	7	7	5	22	21	3	5	11	18	42	42
Southampton	15,140	38	9	4	6	29	26	2	4	13	8	38	41
Charlton	19,816	38	4	7	8	20	20	4	5	10	21	36	36
Blackburn Rovers	25,773	38	6	5	8	21	24	1	9	9	17	28	35
Nottingham Forest	24,415	38	3	7	9	18	31	4	2	13	17	38	30

FA CARLING PREMIERSHIP FIXTURES 1999-2000

Date	Venue	Opponent	January	3	Home	Leicester City
August 8	Home	Manchester United	January	8		FA Cup 4
August 11	Away	Aston Villa	January	15	Home	Tottenham Hotspur
August 14	Away	Tottenham Hotspur	January	22	Away	Southampton
August 21	Home	Southampton	January	29		FA Cup 5
August 25	Home	Wimbledon	February	5	Away	Wimbledon
August 28	Away	Derby County	February	12	Home	Derby County
September 11	Away	Sheffield Wednesday	February	19		FA Cup 6
September 14	Away	Oxford United (WC 2/1)	February	26	Away	West Ham United
September 18	Home	West Ham United	March	4	Home	Sheffield Wednesday
September 22	Home	Oxford United (WC 2/2)	March	11	Away	Chelsea
September 27	Away	Liverpool	March	18	Home	Newcastle United
October 2	Home	Coventry City	March	25	Away	Sunderland
October 16	Away	Arsenal	April	1	Home	Watford
October 23	Home	Leeds United	April	8	Away	Leicester City
October 30	Away	Middlesbrough	April	15	Home	Bradford City
November 8	Away	Newcastle United	April	22	Home	Liverpool
November 20	Home	Chelsea	April	24	Away	Coventry City
November 27	Home	Aston Villa	April	29	Home	Arsenal
December 4	Away	Manchester United	May	6	Away	Leeds United
December 11		FA Cup 3	May	14	Home	Middlesbrough
December 18	Away	Watford	May	20		FA Cup Final
December 26	Home	Sunderland				
December 28	Away	Bradford City				

FAC = FA Cup WC = Worthington Cup

H o n o u r s

First Division Champions

**1890/91, 1914/15, 1927/28, 1931/32,
1938/39, 1962/63, 1969/70, 1984/85, 1986/87**

Runners-up

1889/90, 1894/95, 1901/02, 1904/05, 1908/09, 1911/12, 1985/86

Second Division Champions

1930/31

Runners-up

1953/54

FA Cup Winners

1906, 1933, 1966, 1984, 1995

Runners-up

1893, 1897, 1907, 1968, 1985, 1986, 1989

Football League Cup Runners-up

1976/77, 1983/84

FA Charity Shield Winners

1928, 1932, 1963, 1970, 1984, 1985, 1987, 1995, Shared: 1986

European Cup-Winners' Cup Holders

1984/85

FA Youth Cup Winners

1964/65, 1983/84, 1997/98

Runners-up

1960/61, 1976/77, 1982/83

