THE LIVERPOOL FOOTBALL CLUB

AND ATHLETIC GROUNDS PLC

ANNUAL REPORT

YEAR ENDED 31 JULY 1999

COMPANY NUMBER: 00035668

Directors' Report

The directors submit their report and the audited accounts of The Liverpool Football Club and Athletic Grounds Plc for the year ended 31 July 1999.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Subsidiary undertakings
Details of the company's subsidiary undertakings are set out in note 14 to the accounts.

Results and dividend
The profit and loss account on page 8 shows a loss after taxation for the year of £5,109,000 (1998 15 months loss £2,535,000 as restated).

Your attention is also drawn to note 2 regarding a change in accounting policy in relation to transfer fees. Prior period figures have been restated where appropriate giving rise to a credit of £10,221,000 to accumulated reserves at 31 July 1998.

The directors do not recommend the payment of a dividend and the retained loss for the year of £5,109,000 has been transferred from reserves.

Review of the business
The principal activities of the company continued to be those of a professional football club and related activities.

A review of the company's business is contained in the Business Review.

Land and buildings
In the opinion of the directors a comparison between cost and market value of freehold and long leasehold land and buildings is of no real significance in the context of the company's operations.

Payment policy to creditors
With respect to the immediately following accounting period in relation to all its suppliers, it is the company's policy:

(i) to settle the terms of payment with those suppliers when agreeing the terms of each transaction;

(ii) to ensure that those suppliers are made aware of the terms of payment; and

(iii) to abide by the terms of payment.

For the financial year ended 31 July 1999 the company settled outstanding invoices on average in 29 days (1998 27 days). This figure excludes creditors in respect of player purchases and certain other suppliers to whom payment is made on the date it is contractually due.

Employees
The company operates an equal opportunities policy. The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability.

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the company become disabled whilst in employment, every step, where appropriate will be taken to assist with rehabilitation and suitable re-training.

The company maintains its own health, safety and environmental policies covering all aspects of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the company is responsive to the needs of the employees and the environment.

Corporate governance
The company is not required to comply with the principles recommended in the Code of Best Practice on the Financial Aspects of Corporate Governance. However the board supports the highest standards in corporate governance and has decided to follow certain provisions set out in the Code.

In addition to the board of directors, which is responsible for developing and implementing the company's strategy and policy, two committees have been established, namely a Remuneration Committee and an Audit Committee whose purpose and function is described below.

Remuneration committee
The committee consists of D R Moores and K E B Clayton. It considers and determines, on behalf of the board, the terms of engagement and remuneration of the company's executive directors.

Audit committee
The committee consists of K E B Clayton, T D Smith and N White.

It is responsible for reviewing the annual report and accounts, ensuring compliance with accounting policies and satisfying itself as to the adequacy of the company's internal financial control. The committee has met on a number of occasions during the year with the company's external auditors in attendance.

Internal financial control
The board has overall responsibility for the system of internal financial control which is designed to provide reasonable assurance against material misstatement or loss.

The key procedures which have been established that are designed to provide effective internal financial control are:-

- 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.
- the directors have put in place an organisation structure appropriate for the size of the company with defined lines of responsibility and delegation of authority where the board considers it necessary.

Year 2000 compliance
As is well known many computer and digital storage systems and much electronic equipment express dates using only the last two digits of the year and therefore may require modification or replacement to accommodate the year 2000 and beyond.

The directors have taken reasonable steps to ensure that the company is prepared for the transition from the year 1999 to the year 2000.

In the opinion of the directors, the costs associated with the transition are not material.

Shares
At the Annual General Meeting of the company held on 25 September 1997, shareholders approved a resolution giving authority to the directors to issue unallotted shares at any time up to 24 September 2002.

On 11 July 1999, the directors issued a further 3,482 ordinary shares of £5 each at a price of £6,318 per share. The issued share capital of the company is now 34,823 ordinary shares of £5 each with a total nominal value of £174,115.

DIRECTORS' REPORT

Post balance sheet events

Since the year end the company has transferred three of its contracted playing staff generating receivable transfer receipts of £3,828,000

Directors

The directors in office in the year and their interests in the share capital of the company were:

	Ordinary Shares (Number Held)	
	31 July 1999	31 July 1998 (or date of appointment if later)
D R Moores	**17,898**	17,898
J T Cross	**116**	116
N White FSCA	**223**	223
T D Smith	**264**	264
P B Robinson (Executive)	**145**	145
T W Saunders	**25**	25
K E B Clayton FCA	**25**	25
D M A Chestnutt FCA (resigned 30 September 1999) (Executive)	**11**	11
R N Parry BSc FCA (Executive)	**12**	12
S L Cartwright (appointed 11 July 1999; resigned 4 November 1999)	**–**	–
J D Burns (appointed 4 November 1999)	**–**	–

The ordinary shares held by T W Saunders and K E B Clayton are held as nominees of D R Moores. The shareholding of R N Parry includes 10 shares held as nominee for D R Moores.

T D Smith and P B Robinson retire by rotation at the annual general meeting and are eligible for re-election.

The appointment of J D Burns on 4 November 1999 requires confirmation at the annual general meeting.

Auditors

Pannell Kerr Forster have agreed to offer themselves for re-election as auditors of the company.

By order of the board

W B Morrison

Secretary

4 November 1999

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 1999

	Notes	Year ended 31 July 1999 £'000	As restated 15 months ended 31 July 1998 £'000
Turnover	3	**45,265**	45,457
Direct operating costs		**(48,205)**	(41,509)
Gross (loss)/profit		**(2,940)**	3,948
Other income	4	**355**	879
Operating (loss)/profit before amortisation of players' registrations		**(2,585)**	4,827
Amortisation of players' registrations		**(7,590)**	(10,753)
Operating loss	5	**(10,175)**	(5,926)
Profit on players sold		**2,805**	1,827
Loss before interest, exceptional item and taxation		**(7,370)**	(4,099)
Profit on sale of land	6	–	320
Interest receivable and similar income	7	**162**	806
Interest payable and similar charges	8	**(853)**	(780)
***Loss on ordinary activities* before taxation**		**(8,061)**	(3,753)
Tax credit on loss on ordinary activities	10	**2,952**	1,218
Loss for the financial year/period	21	**(5,109)**	(2,535)

Movements on reserves are set out in note 21.

All amounts relate to continuing operations.

The company has no recognised gains or losses other than the loss for the year and prior period adjustments totalling £10,221,000 as explained in note 2.

BALANCE SHEET AS AT 31 JULY 1999

	Notes	31 July 1999 £'000		As restated 31 July 1998 £'000	
Fixed assets					
Intangible assets	11		**35,385**		14,812
Tangible assets	12		**38,986**		33,989
Investments in group undertakings	14		**2**		2
			74,373		48,803
Current assets					
Stock		**994**		543	
Debtors	15	**7,483**		5,346	
Cash at bank and in hand		**7,040**		6,566	
		15,517		12,455	
Creditors – amounts falling due within one year	16	**(21,944)**		(20,159)	
Net current liabilities			**(6,427)**		(7,704)
Total assets less current liabilities			**67,946**		41,099
Creditors – amounts falling due after more than one year	16		**(17,300)**		(4,200)
Provision for liabilities and charges	17		**(1,972)**		(4,591)
Deferred credits	18		**(2,527)**		(2,633)
Net assets			**46,147**		29,675
Capital and reserves					
Called up share capital	20		**174**		157
Share premium account	21		**32,882**		11,318
Profit and loss account	21		**13,091**		18,200
Shareholders' funds	22		**46,147**		29,675

Approved by the board on 4 November 1999

D R Moores Chairman

P B Robinson Executive Vice-Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 1999

	Notes	Year ended 31 July 1999 £'000	As restated 15 months ended 31 July 1998 £'000
Reconciliation of operating loss to net cash inflow from operating activities			
Operating loss		**(10,175)**	(5,926)
Depreciation charges		**2,042**	1,999
Transfer of deferred credits to profit and loss account		**(106)**	(145)
Loss on sale of tangible fixed assets		**157**	90
Amortisation of players' registrations		**7,590**	10,753
(Increase)/decrease in stocks		**(451)**	176
(Increase)/decrease in debtors		**(254)**	2,452
Increase in creditors		**1,986**	11,712
Net cash inflow from operating activities		***789***	*21,111*

CASH FLOW STATEMENT

	Notes	Year ended 31 July 1999 £'000	As restated 15 months ended 31 July 1998 £'000
Net cash inflow from operating activities		**789**	21,111
Returns on investments and servicing of finance	23	***(644)***	*174*
Taxation		**1,102**	(2,901)
Capital expenditure	23	**(35,954)**	(21,663)
		(34,707)	(3,279)
Financing	23	**35,181**	(1,400)
Increase/(decrease) in cash	24	**474**	(4,679)

	Notes	Year ended 31 July 1999 £'000	As restated 15 months ended 31 July 1998 £'000
Reconciliation of net cash flow to movement in net (debt)/funds	24		
Increase/(decrease) in cash		**474**	(4,679)
Cash (inflow)/outflow from (increase)/decrease in bank borrowings		**(13,600)**	1,400
Movement in net debt in year/period		**(13,126)**	(3,279)
Net funds at 31 July 1998		**966**	4,245
Net (debt)/funds at 31 July 1999		**(12,160)**	966

1. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are as follows:

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. Group accounts consolidating the accounts of The Liverpool Football Club and Athletic Grounds Plc and its subsidiary undertakings for the year ended 31 July 1999 have not been prepared. In the opinion of the directors preparation of group accounts is not material for the purpose of giving a true and fair view.

The result for the period ended 31 July 1998 has been restated following the adoption of Financial Reporting Standard 10 (accounting for goodwill and intangible assets). Further information is shown in note 2.

1.2 Turnover

Turnover is exclusive of value added tax. Match receipts are stated after percentage payments to The Football Association, The FA Premier League, UEFA and visiting clubs.

1.3 Depreciation

Depreciation is provided on the cost of fixed assets appropriate to their estimated useful lives as follows

Freehold/long leasehold buildings	2%	Seating, fixtures and fittings	10%
Youth Academy	2%	Motor vehicles	20%
Stadium construction costs	2%/4%	Computers	25%

Freehold and long leasehold land is not depreciated.

1.4 Intangible fixed assets

In accordance with the requirements of Financial Reporting Standard 10 (accounting for goodwill and intangible assets) the cost of players' registrations is now capitalised. Amortisation of registrations is made over the period of players' initial contracts.

1.5 Signing on fees

In the opinion of the directors, signing on fees are a normal part of a player's employment cost. Consequently, signing on fees are charged to the profit and loss account in the accounting period in which they are paid.

1.6 Stock

Stock represents goods for resale and is valued at the lower of invoice cost and net realisable value.

1.7 Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

1.8 Deferred taxation

Provision is made for deferred taxation, using the liability method, to the extent that it is probable that a liability will crystallise in the foreseeable future.

1.9 Pensions

The company operates its own contributory defined contribution scheme which is managed by The Commercial Union Life Assurance Company Limited. In addition, certain employees are members of The Football League Players' Retirement Income Scheme or The Football League Limited Pension and Life Assurance Scheme. Contributions are also paid to individuals' private pension schemes. Pension contributions are charged to the profit and loss account as they become payable. Certain employees are provided with pension benefits based on final pensionable pay. Contributions to the scheme are based on actuarial advice and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

1.10 Deferred credits

Deferred credits relate to grants receivable from The Football Trust in relation to stadium improvements. These are transferred to the profit and loss account over the life of the assets to which the grants relate. Grants are repayable to The Football Trust in certain exceptional circumstances. In the opinion of the directors such circumstances are unlikely to arise in the course of the company's normal operations.

1.11 Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at rates of exchange approximating to those ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling as at that date. Translation differences are dealt with in the profit and loss account.

2. Prior period adjustment

The company has changed its accounting policy in relation to the cost of player registrations following the issue of Financial Reporting Standard 10 'Goodwill and Intangible Assets'. In adopting the change in accounting policy that element of a player's transfer fee which relates to his registration together with any related costs is capitalised as an intangible asset. Provision is made for amortisation of the amount so capitalised over the period of the respective player's initial contract with the company. Financial Reporting Standard 10 makes no provision for the value of players developed within the company.

The previous policy adopted by the company was to account for fees payable and receivable on the transfer of players' registrations through the profit and loss account in the year in which the transfer was authorised.

The effect of the change in accounting policy on the profit and loss reserves of the company is as shown below:-

	31 July 1998 £'000
As previously stated	7,979
Prior period adjustment – intangible assets	14,812
– deferred taxation (note 17)	(4,591)
As restated	**18,200**

The effect on the prior period profit before taxation is as below:-	15 months ended 31 July 1998 £'000
As previously stated	654
Players' registration costs now capitalised	12,402
Amortisation of players' registration costs	(10,753)
Net book value of players sold	(6,056)
As restated	**(3,753)**

The effect of the change in accounting policy for the period ended 31 July 1998 has been to reduce profits both before and after taxation by £4,407,000.

For the year ended 31 July 1999 the loss before taxation has been reduced by £22,756,000 and the loss after taxation reduced by £25,375,000 as a result of the change in accounting policy.

		Year ended 31 July 1999 £'000	As restated 15 months ended 31 July 1998 £'000
3. Turnover			
Turnover comprises			
Match receipts (including television fees)		**29,599**	26,868
Sponsorship and commercial activities		**14,589**	17,521
Other		**1,077**	1,068
		45,265	45,457
4. Other income			
Other income comprises			
Donations from Development Associations		**273**	812
Rent receivable		**82**	67
		355	879
5. Operating loss			
Operating loss is stated after charging			
Depreciation		**2,042**	1,999
Amortisation of players' registrations		**7,590**	10,753
Operating lease rentals	– land and buildings	**69**	–
	– other	**49**	35
Auditors' remuneration	– audit fee	**15**	14
	– registration work – ordinary	**13**	19
	– special	**–**	7
	– other	**47**	48
6. Exceptional item			
Profit arising on the sale of freehold land at Knowsley.		**–**	320
7. Interest receivable and similar income			
Bank interest		**162**	806
8. Interest payable and similar charges			
On bank loans		**853**	780

	Year ended 31 July 1999 £'000	15 months ended 31 July 1998 £'000
9. *Directors and employees*		
Aggregate amounts for both staff and directors charged in respect of		
Wages and salaries	**32,799**	27,372
Social security costs	**3,208**	2,548
Pension costs	**266**	208
	36,273	30,128

	Year ended 31 July 1999 £'000	15 months ended 31 July 1998 £'000
The directors of the company received the following remuneration		
Emoluments (excluding pension contributions)	**663**	705
Pension paid to one director	**29**	29
Aggregate payments to defined contribution schemes	**42**	45

Highest paid director's remuneration	**£'000**	£'000
Emoluments	**248**	283

The Chairman and the non-executive directors received no emoluments in the year (1998 £nil).

At 31 July 1999, two directors had retirement benefits accruing under defined contribution pension schemes (1998 – 2) and one director had retirement benefits accruing under a defined benefit scheme and a defined contribution scheme (1998 – 1).

At 31 July 1999 the accrued pension entitlement (1998 £41,714 per annum) and the accrued lump sum (1998 £176,117) of the highest paid director cannot be determined. The trustees of The Football League Limited Pension and Life Assurance Scheme, of which the director was a member, have wound up the scheme with effect from 31 August 1999.

	Year ended 31 July 1999	15 months ended 31 July 1998
During the year the average number of full time employees was	**Number**	Number
Players, managers and coaches	**79**	62
Ground and maintenance staff	**42**	44
Administration, commercial and other	**130**	101
	251	207

Full time employees are those employed for more than 20 hours per week.

In addition, the company employed on match days on average 740 part time employees (1998 763).

	Year ended 31 July 1999 £'000	15 months ended 31 July 1998 £'000
10. Tax credit on loss on ordinary activities		
The credit for the year/period represented		
Corporation tax on the result for year/period (1998 32.85%)	–	(1,194)
Adjustment in respect of earlier years	**(333)**	(24)
Deferred taxation (note 17)	**(2,619)**	–
	(2,952)	(1,218)

11. Intangible fixed assets	**31 July 1999 £'000**
Cost	
At 31 July 1998 as restated	27,177
Additions in year	*32,152*
Disposals in year	(14,610)
At 31 July 1999	**44,719**
Amortisation	
At 31 July 1998 as restated	12,365
Charge for year	7,590
Disposals in year	(10,621)
At 31 July 1999	**9,334**
Net book amount	
At 31 July 1999	**35,385**
At 31 July 1998	14,812

12. Tangible fixed assets

	Land and buildings		Stands, fixtures, fittings and equipment	Motor vehicles	Total
	Freehold	Long leasehold			
Cost	£'000	£'000	£'000	£'000	£'000
At 31 July 1998	5,664	3	34,745	377	40,789
Additions	5,511	–	1,793	–	7,304
Disposals	–	–	(140)	(242)	(382)
At 31 July 1999	**11,175**	**3**	**36,398**	**135**	**47,711**
Depreciation					
At 31 July 1998	39	–	6,625	136	6,800
Charge for year	152	–	1,867	23	2,042
Disposals	–	–	(33)	(84)	(117)
At 31 July 1999	**191**	**–**	**8,459**	**75**	**8,725**
Net book amounts					
At 31 July 1999	**10,984**	**3**	**27,939**	**60**	**38,986**
At 31 July 1998	5,625	3	28,120	241	33,989

Contracted capital commitments at 31 July 1999 for which no provision has been made in these financial statements amount to £NIL (1998 £6,543,000).

	31 July 1999 £'000	31 July 1998 £'000
13. Lease commitments		
The company has operating lease commitments to pay during the next year as follows		
Land and buildings		
Expiring after five years	**222**	–
	222	–
Other		
Expiring within one year	–	7
Expiring between two and five years	**121**	–
	121	7

14. Investments

Investments in wholly owned group undertakings comprise

LFC Properties Limited	LFC Television Limited	LFC Financial Services Limited
LFC Leisure Limited	LFC TV Limited	LFC Travel Limited
LFC Services Limited	LFC Limited	Liverpool Football Club Limited
Liverpool Limited*		

The subsidiaries did not trade in the year. They are registered in England and Wales with issued share capital of 100 ordinary £1 shares except for LFC Services Limited and Liverpool Limited both of which have issued share capital of 1,000 ordinary £1 shares. None of the subsidiaries has reserves at the balance sheet date.

Amounts owed by The Liverpool Football Club and Athletic Grounds Plc to group undertakings are shown in note 16 to the accounts.

** Company formed during the year.*

	31 July 1999 £'000	31 July 1998 £'000
15. Debtors		
Trade debtors	**4,038**	2,852
Other debtors	**1,286**	148
Corporation tax recoverable	**425**	1,194
Prepayments and accrued income	**1,734**	1,152
	7,483	5,346

	31 July 1999	31 July 1998
	£'000	£'000
16. Creditors		
amounts falling due within one year		
Bank loans	**1,900**	1,400
Trade creditors	**3,808**	1,579
Amounts owed to group undertakings	**2**	2
Other taxation and social security	**3,261**	2,887
Other creditors	**723**	1,167
Accruals	**1,036**	1,554
Deferred income	**11,214**	11,570
	21,944	20,159
amounts falling due after more than one year		
Bank loans	**17,300**	4,200
The bank loans are repayable as follows:		
Within one year or less or on demand	**1,900**	1,400
In more than one year but not more than two years	**3,400**	1,400
In more than two years but not more than five years	**13,900**	2,800

A bank loan of £4,200,000 is repayable by twelve remaining quarterly instalments of £350,000 each. Interest on £2,100,000 is charged at a variable rate of 1%, together with associated costs, over the London Inter-Bank Offered Rate. The balance of the loan, £2,100,000, carries interest at the same rate but the underlying LIBOR is capped at 9.9%.

During the year a further bank loan of £15,000,000 was obtained. The loan is for a term of five years commencing in July 1999. Repayments of the loan, which are due to begin in July 2000, will be in sixteen equal quarterly instalments of £500,000 and a final instalment of £7,000,000. Interest on this loan is charged at a variable rate of 1%, together with associated costs, over the London Inter-Bank Offered Rate and is linked to a six month LIBOR which is due to mature on 31 January 2000.

Upon maturity, the terms of the bank's facility letter allow the company to rollover all existing loans at the prevailing LIBOR rate.

All bank loans are secured by a legal charge over the company's freehold and long leasehold land and buildings.

		As restated
	31 July 1999	31 July 1998
	£'000	£'000
17. Provision for liabilities and charges		
This comprises deferred taxation attributable to:		
Accelerated capital allowances	**–**	–
Intangible fixed assets	**1,972**	4,591
	1,972	4,591

No provision has been made for deferred taxation amounting to £1,026,000 (1998 £1,220,000) in respect of accelerated capital allowances as in the opinion of the directors a liability is unlikely to crystallise in the foreseeable future.

The movements in deferred tax balances during the year	**31 July 1999**
were as follows:	**£'000**
At 31 July 1998 (as restated)	4,591
Credited to profit and loss account	(2,619)
At 31 July 1999	**1,972**

	31 July 1999	31 July 1998
	£'000	£'000
18. Deferred credits		
The Football Trust – grants receivable		
At 31 July 1998	**2,633**	2,628
Receivable for year/period	**–**	150
Credited to profit and loss account	**(106)**	(145)
At 31 July 1999	**2,527**	2,633

19. Contingent liabilities

Additional transfer fees of £937,500 (1998 £1,403,000) will arise if certain conditions in transfer contracts at 31 July 1999 are fulfilled.

As described in note 25 the trustees of The Football League Limited Pension and Life Assurance Scheme have wound up the scheme with effect from 31 August 1999. No provision has been made in these accounts for any contribution which the company may be called upon to make in respect of the statutory debt arising upon the winding up of the scheme as presently it is not practicable to determine the amount involved.

	Number	£
20. Called up share capital		
Authorised - ordinary shares of £5 each	**50,000**	**250,000**
Allotted, issued and fully paid - ordinary shares of £5 each	**34,823**	**174,115**

At the Annual General Meeting of the company held on 25 September 1997, shareholders approved a resolution giving authority to the directors to issue unallotted shares at any time up to 24 September 2002.

On 11 July 1999, the company issued 3,482 ordinary shares of £5 each with a total nominal value of £17,410 at a price of £6,318 per share including a premium of £6,313 per share

21. Reserves	**Share premium account**	**Profit and loss account**
	£'000	**£'000**
The movement on reserves during the year was as follows:		
At 31 July 1998 as previously stated	**11,318**	**7,979**
Prior period adjustment (note 2)	**–**	**10,221**
As restated	**11,318**	**18,200**
Premium on issue of shares, less issue costs	**21,564**	**–**
Loss for the year	**–**	**(5,109)**
At 31 July 1999	**32,882**	**13,091**

22. Shareholders' funds	**31 July 1999**	31 July 1998
	£'000	£'000
The reconciliation of movements in shareholders' funds was as follows:		
Proceeds of share issue	**21,581**	–
Loss for the year/period (1998 as restated)	**(5,109)**	(3,753)
Net addition to/(deduction from) shareholders' funds	**16,472**	(3,753)
Opening shareholders' funds (1998 as restated)	**29,675**	23,207
Prior period adjustment (note 2)	**–**	10,221
At 31 July 1999	**46,147**	29,675

	Year ended 31 July 1999 £'000		As restated 15 months ended 31 July 1998 £'000	
23. Gross cash flows				
Returns on investments and servicing of finance				
Grants received	**–**		150	
Interest received	**162**		806	
Interest paid	**(806)**		(782)	
		(644)		174
Capital expenditure				
Payments to acquire tangible fixed assets	**(7,304)**		(13,756)	
Proceeds from sale of tangible fixed assets	**108**		1,175	
	(7,196)		(12,581)	
Payments to acquire intangible fixed assets	**(32,902)**		(17,165)	
Proceeds from sale of intangible fixed assets	**4,144**		8,083	
	(28,758)		(9,082)	
		(35,954)		(21,663)
Financing				
Issue of ordinary shares	**21,581**			–
Bank loan received	**15,000**			–
Repayment of bank loans	**(1,400)**			(1,400)
		35,181		(1,400)

24. Analysis of changes in net funds/(debt)

	At 31 July 1998 £'000	**Cash Flows £'000**	**At 31 July 1999 £'000**
Cash at bank and in hand	6,566	**474**	**7,040**
Debt due within 1 year	(1,400)	**(500)**	**(1,900)**
Debt due after 1 year	(4,200)	**(13,100)**	**(17,300)**
	966	**(13,126)**	**(12,160)**

25. Pensions

Assets of defined benefit and defined contribution pension schemes are held separately from those of the company and are separately administered.

Total contributions charged to the profit and loss account during the year amounted to £265,727 (1998 – £208,249). This included defined benefit contributions at 10.4% of the member's pensionable salary.

Certain employees are members of The Football League Limited Pension and Life Assurance Scheme, a defined benefit scheme of which the company is one of a number of participating employers.

On 24 August 1999, the trustees advised members that they had decided to wind up the scheme with effect from 31 August 1999. The scheme has been wound up with a deficit and under Section 75 of the Pensions Act 1995, such deficit becomes a statutory unsecured debt payable to the scheme by participating employers. Every employer who has paid contributions to the scheme will therefore have to make a contribution towards the statutory debt arising.

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS PLC

We have audited the financial statements on pages 8 to 19 which have been prepared under the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 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 affairs of the company as at 31 July 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster

Pannell Kerr Forster
Chartered Accountants
Registered Auditors

Liverpool
4 November 1999