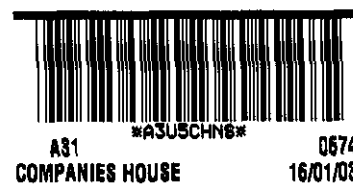


**THE LIVERPOOL FOOTBALL CLUB AND
ATHLETIC GROUNDS PLC**

ANNUAL REPORT

YEAR ENDED 31 JULY 2002

PKF



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 2002.

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.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

The Directors intend to publish these accounts on the website www.liverpoolfc.tv. The maintenance and integrity of this website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SUBSIDIARY UNDERTAKINGS AND JOINT VENTURE

Details of the company's subsidiary undertakings and joint venture are set out in note 13 to the accounts.

RESULTS AND DIVIDEND

The profit and loss account on page 24 shows a profit after taxation for the year of £6,041,000 (2001–loss £371,000 as restated).

Your attention is drawn to note 1.8 regarding a change in accounting policy in relation to deferred taxation. Prior year figures have been restated where appropriate giving rise to a reduction of £1,701,000 in accumulated reserves at 31 July 2001.

The Directors do not recommend the payment of a dividend and the retained profit for the year of £6,041,000 has been transferred to 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. However the Directors wish to draw your attention to note 11 to the accounts regarding the present value of the Anfield Stadium.

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 2002 the company settled outstanding invoices on average in 24 days (2001 22 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

Within the bounds of commercial confidentiality, the company endeavours to keep staff at all levels informed of matters that affect the progress of the company and are of interest to them as 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.

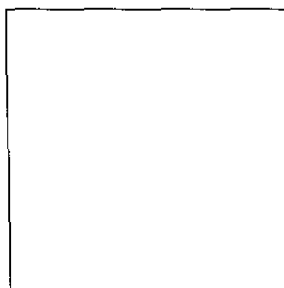
CORPORATE GOVERNANCE

The company is not required to comply with the principles recommended in the Combined Code on Corporate Governance. However the Board supports the highest standards in corporate governance and has decided to follow certain provisions set out in the Code.

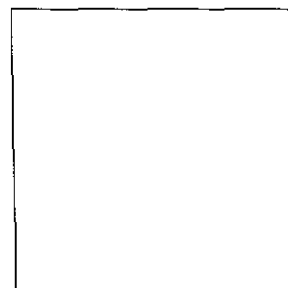
In addition to the Board of Directors, which is responsible for developing and implementing the company's strategy and policy, two committees have been established, namely a Remuneration Committee and an Audit Committee whose purpose and function is described thus:

REMUNERATION COMMITTEE

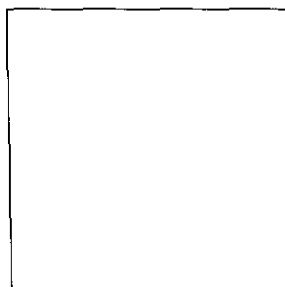
The committee consists of K E B Clayton, T D Smith and J D Burns. It considers and determines, on behalf of the Board, the terms of engagement and remuneration of the company's executive Directors.



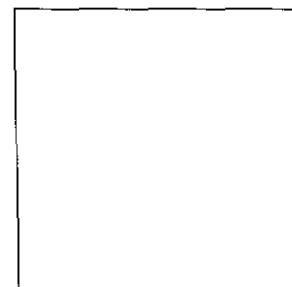
D R Moores Chairman



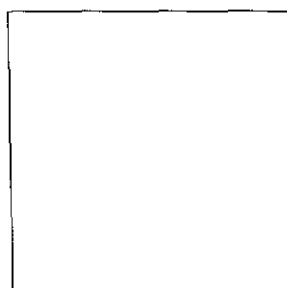
R N Parry BSc FCA Chief Executive



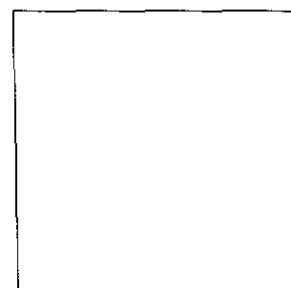
N White FSCA Director



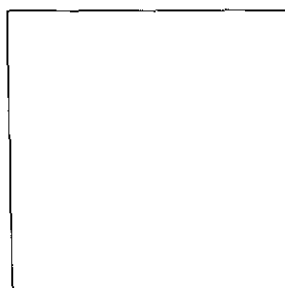
T D Smith Director



K E B Clayton FCA Director



J D Burns Director



L A Wheatley FCA Finance Director

DIRECTORS' REPORT



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.

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.

POST BALANCE SHEET EVENTS

Since the year end, the company has acquired the registrations of Salif Diao and Patrice Luzi for approximately £6,500,000 including associated costs.

In addition, the company has transferred the registrations of Nick Barmby, Jari Litmanen and Stephen Wright for a total consideration, net of associated costs, of £3,800,000.

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 2002	31 July 2001
D R Moores	17,923	17,898
N White FSCA	223	223
T D Smith	264	264
K E B Clayton FCA	25	25
R N Parry BSc FCA (Executive)	12	12
J D Burns	—	—
L A Wheatley FCA (Executive)	—	—

The ordinary shares held by K E B Clayton are held as nominee for D R Moores.

The shareholding of R N Parry includes 10 shares held as nominee for D R Moores.

T D Smith and J D Burns retire by rotation at the Annual General Meeting and are eligible for re-election.

AUDITORS

PKF is eligible for re-appointment as auditor to the company and a resolution proposing its re-appointment will be proposed at the Annual General Meeting.

By order of the Board

W B Morrison
Secretary

15 November 2002

AUDITORS' REPORT



Independent auditors' report to the shareholders of
The Liverpool Football Club and Athletic Grounds Plc for the
year ended 31 July 2002.

We have audited the financial statements of The Liverpool
Football Club and Athletic Grounds Plc for the year ended
31 July 2002 which comprise the Profit and Loss Account, the
Balance Sheet, the Cash Flow Statement and the related notes.
These financial statements have been prepared under the
accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report
and the financial statements in accordance with applicable law
and United Kingdom Accounting Standards are set out in the
Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in
accordance with the relevant legal and regulatory requirements
and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial
statements give a true and fair view and are properly prepared
in accordance with the Companies Act 1985. We also report to
you if, in our opinion, the Directors' Report is not consistent
with the financial statements, if the company has not kept proper
accounting records, if we have not received all the information and
explanations we require for our audit, or if information specified
by law regarding Directors' remuneration and transactions with
the company is not disclosed.

We read the other information contained in the Annual Report
and consider the implications for our report if we become aware
of any apparent misstatements or material inconsistencies with
the financial statements. The other information comprises only the
Chairman's Statement, the Business Review and the Directors'
Report including the Statement of Directors' Responsibilities.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom
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 31 July 2002 and of
its profit for the year then ended and have been properly
prepared in accordance with the Companies Act 1985.

PKF

Registered Auditors
Liverpool, UK
15 November 2002

ACCOUNTS CONTENTS

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2002



	Notes	Operations excluding player amortisation and trading £'000	Player amortisation and trading £'000	2002 Total £'000	2001 Total as restated £'000
Turnover including joint venture		99,449	–	99,449	82,368
Share of turnover of joint venture		(781)	–	(781)	(213)
Company turnover	2	98,668	–	98,668	82,155
Cost of sales		(12,482)	–	(12,482)	(11,632)
Gross profit		86,186	–	86,186	70,523
Other income	3	328	–	328	238
		86,514	–	86,514	70,761
Administrative expenses before exceptional costs	4	(72,018)	(16,608)	(88,626)	(75,102)
Administrative expenses - exceptional costs	5	(654)	–	(654)	–
Total administrative expenses		(72,672)	(16,608)	(89,280)	(75,102)
Operating profit/(loss)		13,842	(16,608)	(2,766)	(4,341)
Profit on disposal of players' registrations		–	13,229	13,229	5,668
Profit/(loss) before interest and taxation		13,842	(3,379)	10,463	1,327
Interest receivable and similar income	6			246	250
Interest payable and similar charges	7			(1,617)	(1,171)
Profit on ordinary activities before taxation				9,092	406
Tax on profit on ordinary activities	9			(3,051)	(777)
Profit/(loss) for the financial year	21			6,041	(371)

Movements on reserves are set out in note 21.

All amounts relate to continuing operations.

There were no gains and losses other than as stated above and the prior year adjustment of £1,701,000 as explained in note 1.8

BALANCE SHEET

AS AT 31 JULY 2002



	Notes	2002 £'000	2001 as restated £'000
Fixed assets			
Intangible assets	10	61,232	41,237
Tangible assets	11	40,937	41,217
Investments	13	3	3
		102,172	82,457
Current assets			
Stock	14	1,407	1,221
Debtors	15	18,016	11,251
Cash at bank and in hand		4,272	4,074
		23,695	16,546
Creditors – amounts falling due within one year	16	(52,245)	(37,323)
Net current liabilities		(28,550)	(20,777)
Total assets less current liabilities		73,622	61,680
Creditors – amounts falling due after more than one year	16	(17,657)	(11,769)
Provision for liabilities and charges	17	(2,177)	(2,081)
Deferred credits	18	(2,266)	(2,349)
Net assets		51,522	45,481
Capital and reserves			
Called up share capital	20	174	174
Share premium account	21	32,882	32,882
Profit and loss account	21	18,466	12,425
Shareholders' funds	22	51,522	45,481

Approved by the Board on 15 November 2002

and signed on its behalf by:

D R Moores Chairman

R N Parry Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2002



	2002	2001
Notes	£'000	£'000
Reconciliation of operating loss to net cash inflow from operating activities		
Operating loss	(2,766)	(4,341)
Depreciation charges	2,707	2,359
Transfer of deferred credits to profit and loss account	(117)	(120)
(Profit)/loss on disposal of tangible fixed assets	(146)	600
Transfer of expenditure from fixed assets	367	-
Amortisation and impairments of players' registrations	16,608	14,764
Increase in stocks	(186)	(158)
(Increase)/decrease in debtors	(2,789)	252
Increase in creditors	964	3,564
Net cash inflow from operating activities	14,642	16,920

CASH FLOW STATEMENT

Net cash inflow from operating activities	14,642	16,920
Returns on investments and servicing of finance	(1,236)	(908)
Taxation	(4,853)	-
Capital expenditure	(18,305)	(22,699)
	(9,752)	(6,687)
Financing	9950	(3,400)
Increase/(decrease) in cash	198	(10,087)
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash	198	(10,087)
Cash (inflow)/outflow from (increase)/decrease in bank borrowings	(10,100)	3,400
Repayment of finance leases and hire purchase contracts	150	-
New finance leases and hire purchase contracts	(1,000)	-
Movement in net debt in year	(10,752)	(6,687)
Net debt at 31 July 2001	(9,826)	(3,139)
Net debt at 31 July 2002	(20,578)	(9,826)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are as follows. These policies have been consistently applied, except for the adoption of Financial Reporting Standard 19 "Deferred Tax" and a change in the basis of calculation of the amortisation charge relating to extensions of players' contracts, as described below.

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 2002 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.

Information relating to the company's joint venture investment is shown separately in note 13. The company's share of the joint venture's operating loss is excluded from the company's own operating loss as the company is not required to prepare consolidated accounts.

1.2 Turnover

Turnover represents income receivable from the company's principal activities and is exclusive of value added tax and transfer fees. 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

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised in equal instalments over the period of players' initial contracts. Where a player's contract is extended beyond its initial period, amortisation is now calculated over the period of the extended contract from the date on which it is signed which is considered more appropriate by the Directors. Previously, the period over which the amortisation charge on extended contracts was measured began from the commencement of the accounting period in which such contracts were signed. The effect of this change on the amortisation charge for the year is shown in note 10. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

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 Finance leases and hire purchase

Assets acquired under finance leases or hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease on a straight line basis. Operating lease rentals are charged to the profit and loss account as incurred.

1.8 Deferred taxation

Financial Reporting Standard 19 (Deferred Tax) requires full provision to be made for deferred tax assets and liabilities arising from differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Previously, provision for deferred tax, using the liability method, was made only to the extent that it was probable that a liability would crystallise in the foreseeable future. The effect of the adoption of FRS19 on the deferred tax charge for the year is shown in note 17. The prior year adjustment arising results in a cumulative debit to reserves at 31 July 2001 of £1,701,000 of which £1,053,000 relates to prior years. Comparative figures for 2001 have been restated in accordance with the new accounting policy giving rise to a reduction in profits for that year of £648,000. Deferred tax is measured on a non-discounted basis.

1.9 Pensions

The company operates its own contributory defined contribution scheme which is managed by Norwich Union. 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.

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



	2002	2001
	£'000	as restated £'000
2. TURNOVER		
Turnover comprises:		
Media	42,638	32,965
Matchday	30,616	28,235
Commercial	24,131	20,061
Visitors' Centre and International Supporters' Club	1,283	894
	98,668	82,155
Analysis of turnover has been adjusted (and the prior year figures restated) in order to provide a more appropriate classification of the company's business activities.		
Turnover, all of which originates in the United Kingdom, can be analysed by destination as follows:		
United Kingdom	97,469	81,489
Rest of World	1,199	666
	98,668	82,155
Television income derived from European cup competitions is distributed by the Football Association. For the purposes of the above analysis such income is classified as being of United Kingdom origin and destination.		
3. OTHER INCOME	2002	2001
Other income comprises:	£'000	£'000
Donations from Development Associations	251	180
Rent receivable	77	58
	328	238
4. ADMINISTRATIVE EXPENSES BEFORE EXCEPTIONAL COSTS		
Operations excluding player amortisation and trading:		
Depreciation of tangible fixed assets		
– owned by the company	2,632	2,359
– held under finance leases and hire purchase contracts	75	–
(Profit)/loss on disposal of tangible fixed assets	(146)	600
Staff costs (note 8)	56,031	48,880
Grants released	(117)	(120)
Other operating charges	13,001	8,123
Operating lease rentals – land and buildings	275	276
– other	157	134
Auditors' remuneration – audit fee	19	18
– registration work – ordinary	16	13
– special	–	3
– other	75	52
	72,018	60,338
Player amortisation and trading:		
Amortisation of players' registrations	15,471	14,764
Impairment of players' registrations	1,137	–
	88,626	75,102

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



	2002 £'000	2001 £'000
5. ADMINISTRATIVE EXPENSES – EXCEPTIONAL COSTS		
Feasibility study costs and professional consultancy services in connection with proposed stadium relocation projects	654	–
The charge comprises amounts previously capitalised (£367,000) as explained in note 11 and further expenditure incurred in the year under review (£287,000)		
6. INTEREST RECEIVABLE AND SIMILAR INCOME		
Bank interest	231	250
Other	15	–
	246	250
7. INTEREST PAYABLE AND SIMILAR CHARGES		
On bank loans and overdrafts	1,392	1,171
Finance charges under finance leases and hire purchase contracts	32	–
Other	193	–
	1,617	1,171
8. DIRECTORS AND EMPLOYEES		
Aggregate amounts for both staff and Directors charged in respect of:		
Wages and salaries	50,095	43,606
Social security costs	5,675	5,021
Pension costs	261	253
	56,031	48,880
The Directors of the company received the following remuneration:		
Emoluments (excluding pension contributions)	638	424
Pension paid to former Director	–	29
Aggregate payments to defined contribution schemes	48	33
Highest paid Director's remuneration		
Emoluments	504	457
The Chairman and the non-executive Directors received no emoluments in the year (2001–£nil). At 31 July 2002, two Directors had retirement benefits accruing under defined contribution pension schemes (2001–1).		
	2002	2001
During the year the average number of full time employees was:	Number	Number
Players, manager and coaches	98	96
Ground and maintenance staff	45	44
Administration, commercial and other	122	128
	265	268

Full time employees are those employed for more than 20 hours per week. In addition, the company employed on matchdays on average 538 part time employees (2001–525).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



	2002	2001 as restated
	£'000	£'000
9. UK CORPORATION TAX		
Current tax on income for the year	3,351	601
Adjustments in respect of previous years	(396)	(75)
	2,955	526
Deferred taxation (note 17)		
– current year	96	251
Tax on profit on ordinary activities	3,051	777

Adoption of FRS 19 has necessitated a change in the method of accounting for deferred tax. Thus, the comparative figure for tax on profit on ordinary activities for the year ended 31 July 2001 has been restated from the previously reported figure of £129,000 to £777,000. The impact of adopting FRS 19 on the results for the year ended 31 July 2002 has been to increase the tax charge by £294,000.

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation	9,092	406
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 30%)	2,728	122
Effects of:		
– Adjustment to tax in respect of previous years	(396)	(75)
– Expenses not deductible for tax purposes	286	506
– Depreciation in excess of capital allowances	337	321
– Utilisation of tax losses	–	(348)
	2,955	526

10. INTANGIBLE FIXED ASSETS

Cost

At 31 July 2001	66,738
Additions in year	38,824
Disposals in year	(5,410)
At 31 July 2002	100,152

Amortisation

At 31 July 2001	25,501
Charge for year	15,471
Impairments in year	1,137
Disposals in year	(3,189)
At 31 July 2002	38,920
Net book amount	
At 31 July 2002	61,232
At 31 July 2001	41,237

The amortisation charge for the year has been increased by £921,000 as a result of the change in the basis of calculation of amortisation of registrations of players who have extended their initial contracts during the year as explained in note 1.4.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



11. TANGIBLE FIXED ASSETS	Land and buildings		Stands, fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
	Freehold £'000	Long leasehold £'000			
Cost					
At 31 July 2001	12,716	3	41,483	52	54,254
Additions	952	–	2,821	–	3,773
Disposals	(1,031)	–	–	(16)	(1,047)
Transfer to profit & loss account	–	–	(367)	–	(367)
At 31 July 2002	12,637	3	43,937	36	56,613
Depreciation					
At 31 July 2001	667	–	12,337	33	13,037
Charge for year	245	–	2,452	10	2,707
Disposals	(53)	–	–	(15)	(68)
At 31 July 2002	859	–	14,789	28	15,676
Net book amounts					
At 31 July 2002	11,778	3	29,148	8	40,937
At 31 July 2001	12,049	3	29,146	19	41,217

The transfer to profit and loss account of £367,000 from stands, fixtures, fittings and equipment relates to expenditure incurred in the previous year in connection with stadium relocation projects as shown in note 5. The net book amount of stands, fixtures, fittings and equipment includes £1,051,000 (2001 £nil) in respect of assets held under finance leases or hire purchase contracts.

Contracted capital commitments at 31 July 2002 for which no provision has been made in these financial statements amount to £187,124 (2001 £1,346,875).

The Directors have reviewed the carrying value of the existing ground and surrounding properties owned by the company in the light of a possible move to a new stadium complex in Stanley Park. At this stage, only brief progress has been made towards such a move. There is still considerable work to be done merely to initiate the commencement of the planning process. Consequently, in the opinion of the Directors, any impairment in the value of the existing site would be inappropriate for the purposes of these accounts. The Directors will continue to monitor the carrying values of assets affected by any possible move as matters in relation to relocation to a new stadium progress.

12. LEASE COMMITMENTS

The company has operating lease commitments to pay during the next year as follows:

Land and buildings

Expiring after five years	249	222
	249	222
Other		
Expiring within one year	38	72
Expiring between two and five years	91	12
	129	84

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



13. INVESTMENTS

(a) 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 incorporated 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.

(b) Investments in joint ventures comprise:

Liverpoolfc.tv Limited, a company incorporated in England and Wales. The company was incorporated as Axelnote Limited on 10th July 2000 and changed its name to Liverpoolfc.com Limited on 18 August 2000. On 26 April 2001 the company changed its name to Liverpoolfc.tv Limited. The company's accounting reference date is 31 July and its principal activity is to own and operate a broadband affinity, entertainment and e-commerce portal.

It has an authorised, issued and fully paid up share capital of £1000 divided into 500 A shares of £1 each and 500 B shares of £1 each. Both classes of share rank pari passu and are equal in all respects.

Liverpool Football Club and Athletic Grounds plc holds the whole of the B class shares which represent 50% of the total issued share capital.

Liverpoolfc.tv Limited has prepared management accounts for the year ended 31 July 2002.

Amounts attributable to The Liverpool Football Club and Athletic Grounds plc based on those accounts and calculated by reference to the proportion of shares it holds in the joint venture company are as below:

	2002 £'000	2001 £'000
Share of operating loss	(1,334)	(1,541)
Less share of interest receivable	1	3
	(1,333)	(1,538)
Share of fixed assets	9,144	9,514
Share of current assets	253	245
	9,397	9,759
Share of liabilities due within one year	1,138	471
Share of liabilities due after more than one year	1,207	870
	2,345	1,341

The company's share of the joint venture's operating loss is excluded from the company's own operating loss as consolidated accounts are not required.

Amounts owed by The Liverpool Football Club and Athletic Grounds Plc to its joint venture company (£383,000) (2001 £97,000) are shown in note 16 to the accounts. Amounts owed to The Liverpool Football Club and Athletic Grounds plc by its joint venture company (£25,000) (2001 £10,000) are shown in note 15 to the accounts.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



	2002 £'000	2001 £'000
14. STOCKS		
Goods for resale	1,407	1,221
15. DEBTORS		
Trade debtors	12,014	6,340
Other debtors	361	312
Amounts owed by joint venture	25	10
Prepayments and accrued income	5,616	4,589
	18,016	11,251
Trade debtors includes an amount of £1,000,000 (2001 – £1,250,000) falling due after more than one year.		
16. CREDITORS		
amounts falling due within one year		
Bank loans	7,800	3,400
Trade creditors	14,709	6,455
Amounts owed to group undertakings and joint venture	386	100
Corporation tax	1,388	3,286
Other taxation and social security	6,101	5,185
Net obligations under finance lease and hire purchase contracts	200	-
Other creditors	1,587	1,795
Accruals	5,401	2,787
Deferred income	14,673	14,315
	52,245	37,323
Trade creditors of £14,709,000 include an amount of £2,062,000 relating to the balance of the acquisition cost of a player's registration. The company has entered into a forward exchange contract expiring 31 December 2002 to purchase €3,250,000 in respect of the above liability.		
Other creditors includes an amount of £425,527 (2001 £513,986) being the company's share of the deficit on The Football League Limited Pension and Life Assurance Scheme due within one year (see note 25).		
Finance leases and hire purchase creditors are secured on the assets concerned.		
amounts falling due after more than one year		
Bank loans	16,200	10,500
Net obligations under finance lease and hire purchase contracts	650	-
Other creditors	807	1,269
	17,657	11,769

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



	2002 £'000	2001 £'000
(a) The bank loans are repayable as follows:		
Within one year or less or on demand	7,800	3,400
In more than one year but not more than two years	6,133	2,000
In more than two years but not more than five years	10,067	8,500

In July 2002, the company renegotiated its banking arrangements in order to consolidate its borrowings into one loan. The loan is to be repaid by five equal and consecutive annual instalments of £2,800,000 commencing in July 2003. Interest will accrue during each period at the rate determined by the bank to be the aggregate of the bank's margin of 1.15% per annum above LIBOR and the mandatory cost rate. Under the terms of an interest rate swap agreement dated 21 March 2002, the maximum interest rate chargeable on the above loan is 5.79%. The agreement expires in 2007, being co-terminus with the maturity of the principal loan. The loan is secured by a legal charge over the company's freehold and long leasehold land and buildings.

In addition to the above borrowings, an additional loan was negotiated in December 2001 for a period of three years. The principal purpose of the loan was to assist in funding player acquisitions. Repayment of the loan, which begins in August 2002, is by way of six equal half-yearly instalments of £1,666,667. Interest on the loan is charged at 1.5% above the bank's base rate, together with associated costs and will be charged to the company in quarterly instalments. Should the company sell any of the named players within the term of the loan, the bank reserves the right to demand repayment of half or all of the principal sum, on 30 days notice.

(b) Other creditors, £807,000 (2001 £1,269,000) represents the proportion of the company's share of the deficit on The Football League Limited Pension and Life Assurance Scheme due after more than one year. An amount of £NIL (2001 £79,000) within this sum is due after more than five years from the balance sheet date (see note 25).

	2002 £'000	2001 as restated £'000
17. PROVISION FOR LIABILITIES AND CHARGES		
Deferred taxation		
This comprises deferred taxation attributable to:		
Accelerated capital allowances	1,995	1,701
Intangible fixed assets	182	380
	2,177	2,081
The movements in deferred tax balances during the year were as follows:		
At 31 July 2001 (as previously stated)	2,081	777
Prior year adjustment	—	1,053
Transfer to profit and loss account	96	251
At 31 July 2002	2,177	2,081

The transfer of £251,000 to profit and loss account in the year ended 31 July 2001 has been restated from the previously reported figure of £397,000 (credit).

Deferred tax is measured on a non-discounted basis at the tax rates expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



	2002 £'000	2001 £'000
18. DEFERRED CREDITS		
The Football Trust – grants receivable		
At 31 July 2001	2,349	2,469
Receivable for year	34	–
Credited to profit and loss account	(117)	(120)
At 31 July 2002	2,266	2,349
19. CONTINGENT LIABILITIES		
Additional transfer fees payable of £2,632,000 (2001 £1,700,000) will arise if certain conditions in transfer contracts at 31 July 2002 are fulfilled.		
Under the terms of certain contracts for the sale of players' registrations, future payments may be received by the company. As at 31 July 2002, the maximum amount that could be received is £3,025,000 (2001 £2,475,000)		
	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
There has been no change in share capital in the year.		
21. RESERVES	Share premium account £'000	Profit and loss account £'000
The movement on reserves during the year was as follows:		
At 31 July 2001 as previously stated	32,882	14,126
Prior year adjustment	–	(1,701)
	32,882	12,425
Profit for the year	–	6,041
At 31 July 2002	32,882	18,466
	2002 £'000	2001 £'000
22. SHAREHOLDERS' FUNDS		
The reconciliation of movements in shareholders' funds was as follows:		
Profit/(loss) for the year (2001 as restated)	6,041	(371)
Prior year adjustment	–	(1,053)
Net addition/(reduction) to/(from) shareholders' funds	6,041	(1,424)
Opening shareholders' funds (2001 as previously stated)	45,481	46,905
At 31 July 2002	51,522	45,481

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2002



	2002 £'000	2001 £'000
23. GROSS CASH FLOWS		
Returns on investments and servicing of finance		
Grants received	34	-
Interest received	246	272
Interest paid	(1,484)	(1,180)
Interest element of finance leases and hire purchase contracts	(32)	-
	(1,236)	(908)
Capital expenditure		
Payments to acquire tangible fixed assets	(2,773)	(4,168)
Proceeds from sale of tangible fixed assets	1,125	-
	(1,648)	(4,168)
Payments to acquire intangible fixed assets	(28,132)	(27,938)
Proceeds from sale of intangible fixed assets	11,475	9,407
	(16,657) (18,305)	(18,531) (22,699)
Financing		
New bank loans	27,000	-
Repayment of bank loans	(16,900)	(3,400)
Capital element of finance leases and hire purchase contracts	(150)	-
	9,950	(3,400)

24. ANALYSIS OF CHANGES IN NET DEBT

	At 31 July 2001 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2002 £'000
Cash at bank and in hand	4,074	198	-	4,272
Debt due within 1 year	(3,400)	(4,400)	-	(7,800)
Debt due after 1 year	(10,500)	(5,700)	-	(16,200)
Finance leases	-	150	(1,000)	(850)
	(9,826)	(9,752)	(1,000)	(20,578)

Material non-cash transactions

During the year, the company entered into finance lease and hire purchase contracts in respect of assets with a total capital value at the date of inception of the contracts of £1,000,000.

25. PENSIONS

Assets of 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 £261,238 (2001 £252,934).

The Trustees of the Football League Limited Pension and Life Assurance Scheme (the "scheme") advised the company that its final share of the deficit on the defined benefit element of the scheme, which was suspended on 31 August 1999, was £1.84 million.

The deficit is being paid off over a period of six years commencing in July 2001, as permitted by the Pensions Act 1985.

At 31 July 2002, a provision of £1,233,000 (2001 £1,783,000) is included in creditors (see note 16).

26. RELATED PARTIES

During the year, the company sold goods and services with a value of £889,735 (2001 £334,146) to its joint venture company Liverpoolfc.tv Limited.

Amounts owed by the joint venture company to The Liverpool Football Club and Athletic Grounds Plc at 31 July 2002 are shown in note 15. Amounts owed to the joint venture company at 31 July 2002 are shown in note 16.