

Annual Report & Accounts 2003

**The Everton Football Club Company Limited
Goodison Park
Liverpool
L4 4EL**



Contents:

Directors and Advisors	3
Notice of the AGM	4
Chairman's Statement	5
Directors' Report	15
Independent Auditor's Report	17
Consolidated Profit and Loss Account	18
Historical Cost Profits and Losses	19
Group Balance Sheet	20
Company Balance Sheet	21
Consolidated Cash Flow Statement	22
Notes to the Accounts	23

Directors and Advisors

DIRECTORS

Sir Philip Carter CBE (Chairman)
W Kenwright CBE (Deputy Chairman)
K M Tamlin
A J L Abercromby
P R Gregg
J V Woods

CHIEF EXECUTIVE/COMPANY SECRETARY

M J Dunford
REGISTERED OFFICE
Goodison Park
Liverpool
L4 4EL

AUDITORS

Deloitte & Touche LLP
Martins Building
4 Water Street
Liverpool
L2 8UY

BANKERS

Barclays Bank plc
Liverpool

REGISTRARS

Independent Registrars Group Ltd
Balfour House
390/398 High Road
Ilford
Essex
IG1 1NQ

Notice of the AGM

Notice is hereby given that the one hundred and twenty fourth 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 30th October 2003 at 7.00pm for the purpose of considering the following ordinary business.

1. To receive the Directors' Report and Financial Statements for the year ended 31st May 2003.
2. To re-elect Directors – in accordance with the provisions of Article 18.2, K M Tamlin and P R Gregg retire by rotation and being eligible offer themselves for re-election.
3. To re-appoint Deloitte & Touche LLP 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.

By order of the Board

M J DUNFORD
Company Secretary
Goodison Park
Liverpool L4 4EL
Date : 1st September 2003

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 stock transfer books of the Company will be closed until 31st October 2003.

INFORMATION TO SHAREHOLDERS

Shares in Everton Football Club Co Ltd are "off-market". If you wish to buy or sell shares in the Club you should, in the first instance, contact your own stockbroker. If they decline to act "off-market" you can then deal in Everton Football Club Co Ltd shares through Blankstone Sington Limited, 91 Duke Street, Liverpool L1 5AA. Telephone no. 0151 707 1707, contact name Neil S Blankstone, who have indicated they will be happy to deal with the transfer of Everton Football Club Co Limited shares "off-market".

If you require any information in connection with share matters then in the first instance please contact our Registrar, Independent Registrars Group Ltd, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ.

Our Registrars or the stockbroker shown above will be able to advise any shareholder of the price at which Everton shares are being traded.

Chairman's Statement

Whilst I would concede that tempting fate by way of optimistic statements is a course of action best avoided by any football club Chairman, I suspect that I am not alone in believing that last season may, ultimately, come to represent something of a watershed in our Club's recent history.

After so many years of unfulfilled promise, it was refreshing to witness not just the name of Everton anchored in the upper echelons of the Premiership table but, perhaps more significantly, to see our team perform with style, flair and consistency.

This welcome return to what could be described as "traditional" values was sufficient to engender a feel-good factor, the like of which has not enveloped our Club for many years. Indeed, it is a measure of the progress we have made since the installation of David Moyes as manager less than two years ago that the over-riding emotion on the final day of last season was one of absolute disappointment.

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After such a sustained effort by David and his players, to miss out on qualification for the Uefa Cup by just one point was cruel in the extreme. However, I am sure that we all took welcome solace from the fact that en-route to our final League placing of seventh we had made much progress and turned several notable corners.

Whilst it would be foolish in the extreme to believe that we have now achieved our primary objective of returning our Club to the vanguard of English football the portents are good and I think it is fair to say that we do now have sturdy foundations upon which we can hopefully construct something of substance and durability.

Of course, much hard work does still lie ahead but in David we are fortunate to have a manager who is not only professional, passionate and driven but also realistic.

David is a man of almost limitless ambition and it is incumbent upon everyone else connected with the Club to strive tirelessly to ensure that he, along with his most able assistant, Alan Irvine, receives all the encouragement and guidance he will undoubtedly require as he bids to ensure we remain amongst the Premiership's elite grouping.

Not for the first time in recent years we were unable to reserve any real form for the major, domestic cup competitions, losing to Chelsea in the League Cup and, rather embarrassingly, to lowly Shrewsbury Town in the F.A. Cup.

The arrival of the highly-respected and much-coveted physiotherapist Mick Rathbone completed David's backroom team; we already seem to have benefited from his skills with a noticeable reduction in long-term injury casualties.

Our senior squad was again subjected to the familiar comings and goings. Despite working within the confines of a tight financial framework, we still brought in six new players, two on permanent deals – Richard Wright and Ian Turner – and four on loan deals, Brian McBride, Rodrigo, Li Tie and Joseph Yobo.

Li Tie and Yobo have since made permanent their moves to the Club.

Of course there were also departures and we wish Jesper Blomqvist, Keith Southern and Andrew Pettinger every success in the future.

I know that all supporters will wish me to record the magnificent achievement of Wayne Rooney in becoming the youngest-ever player to represent England at full, international level.

There was encouraging progress below first-team level, too, with the reserves finishing sixth in the Northern Section of the F.A. Premier Reserve League and both the Under-19 and Under-17 sides enjoying successful campaigns.

Once again, the level of support which our Club enjoyed both astonished and delighted me. Season ticket sales reached 24,200 – the second-highest figure in our history and only a few hundred short of the record figure set in the summer of 1997.

Our average home attendance rose to 38,468, just short of Goodison Park's capacity and a truly magnificent acknowledgement from our supporters of the team's vastly improved performances.

We changed the Club's bankers in February – Barclays plc replacing the Allied Irish Bank.

Barclays are an established and respected name in the football sector and we look forward to our association with their Relationship Director, Steve Walton, and his team.

Our main sponsors Kejian gave us sterling and highly valued support throughout the year as did our kit manufacturers, Puma.

The Kejian link has enabled us to research future sponsorship and retail opportunities within the Far East market.

The decision by Everton and the public sector not to proceed with the King's Waterfront development because of unsustainable rising costs brought to an end the vision of a new home on the banks of the Mersey; it was simply not to be.

The passing of each and every season brings with it change, and this summer we bade a collective farewell to a man for whom the phrase "Goodison Legend" may well have been coined.

In an Everton career which spanned 40 years of almost unbroken service, Colin Harvey moved from being a shy young footballer with the world at his feet into the Pantheon of the Club's all-time greats, a colossus of an individual whose love for the Club, its staff and its supporters never, for one second, diminished.

I suspect that Colin will now forever be able to lay claim to the wholly unique achievement of serving our great Club as player, youth team coach, first-team coach, assistant manager and then, finally, manager.

No-one connected with Everton Football Club will ever forget, or seek to minimise, the contribution made by Colin. He takes with him into what is a well-deserved retirement the very *best wishes of all of us*.

Last season was also memorable for the lavish and sustained celebrations to mark the Club's unique achievement of becoming the first, in the history of English football, to spend 100 seasons in the top flight.

From the magnificent branding of the stadium to the countless guests we welcomed back to Goodison Park on matchdays, the whole season was both a triumph and a joy.

The undoubted climax of the celebrations came in March with the Gala Dinner at Liverpool's famous St George's Hall – a fittingly historic setting for an event which will live long in the memories of all those who were fortunate enough to attend.

I must express my gratitude to our Chief Executive, Michael Dunford, for overcoming the many and diverse organizational and logistical problems which invariably surface during the organising of an event of such a scale.

Our thanks go out to each and every member of the Everton staff – be they full-time or part-time – who performed their respective duties with absolute professionalism throughout the course of the season.

As usual, on behalf of you all, my appreciation goes to our matchday staff and to members of the emergency services who continue to ensure the safety and comfort of all those who visit Goodison Park.

Our thanks also go to our Chief Executive for he, his immediate staff and the Club's Heads of Department have worked long and hard to ensure that the constant smooth-running of an operation which, invariably, is complex and demanding.

I feel certain that I speak for you all when I wish David Moyes, his staff and his players another hugely successful season.

Financial Review

Our financial results again demonstrate continued growth in turnover of 22%.

Since 1999/2000 our turnover has grown by over 66% – a creditable improvement in our performance. As in previous years this increase is mainly attributable to the improved payments we have received from the FA Premier League Broadcasting deals. Indeed, we are delighted with the recently negotiated new three-year deal, which will maintain the overall financial package for the Premier League. Although, all Premiership clubs must recognise the rapid growth in revenues from this source enjoyed over the last 10 years would appear to be over – being replaced by a period of consolidation.

We have continued to improve our operating performance, as demonstrated by an increase in operating profit to £5.6m (before player trading and exceptionals). We have now managed to improve operating profit from a loss of £3.2m in 2000/2001 to £5.6m this year, an increase of £8.8m. However, for the year ending 2003 we recorded a pre-tax loss of £13.0m, primarily due to the amortisation and impairment of players' registrations of £14.3m, together with the cost of servicing the club's debts.

You will recall that last year we generated a significant profit on disposal of players' registrations of £14.0m, mainly from the sale of home grown players, whilst this year we made an loss of £0.3m on player sales, reflecting minimal sales as we strove to keep the squad together.

Interest charges remain high and will remain so whilst we continue to service the securitisation debt. As forecast last year we were prudent to secure our £30m loan over 25 years as this type of financial instrument has subsequently become largely closed to football clubs – certainly in the foreseeable future.

Our pre-tax loss would have been £1.4m lower but for a number of exceptional items, mainly attributable to the King's Waterfront venture.

As a Board we must continue to be mindful of the Club's dependency on TV income and, with this in mind, we continue to look to develop new income streams whilst also keeping a tight control on costs. We experienced our best ever year in the merchandising sector and we have supplemented our existing corporate facilities during the close season. The sponsorship market continues to respond to success on the field and our relationship with Kejian, our Chinese sponsors, continues to flourish whilst we are now researching many other opportunities within the Chinese market.

Total wages have again risen – by 1.7% over last year's figures – although this increases to 9.8% if we take out exceptional management compensation in 2001/2002. We continue to monitor the ratio of wage costs to turnover and again a further reduction from 70.8% (excluding exceptional management compensation) to 63.6% has been achieved. It remains our target to reduce this figure still further with our aim to ultimately boast a wages bill, which represents no more than 50% of turnover. However, we must always be mindful of the fact that the strengthening of the Club's first team pool is not only an ever-evolving process but is of paramount importance as we seek to cement our place amongst the Premiership's elite. It is absolutely essential that we fully support our manager, David Moyes, whenever possible.

For the first time, we have recorded an overall deficit on the balance sheet – due to the pre-tax loss described above. Clearly such a balance sheet deficit should be avoided and the directors will work to return the club to a net asset position.

Of our £34m debts at 31 May 2003 almost £27m is not due for repayment for at least five years. Repayments to settle the loan will be made in equal instalments over its remaining duration of 24 years. The operating cashflows the club generated in 2002/03 (£8.6m cash inflow from operating activities – prior to capital spending and financing) are comfortably capable of servicing and repaying the club's debts. Furthermore, the balance sheet deficit does not reflect any value for

home grown players (FRS 10 does not permit this). Nonetheless we recognize that we have a relatively high level of debt level and the directors will seek to reduce this as the opportunity arises.

The decision by Everton and the Public Sector not to proceed with the King's Waterfront Development has eliminated the requirement of finding our proposed equity investment of £30m.

The transfer market and player valuation has changed fundamentally during the last two years. Player values are becoming more realistic, although top players will always command a premium. This situation highlights the value of home grown players and the importance we attach to the Youth Academy.

To conclude I wish to re-emphasise the positive elements supporting our Club's financial review and our financial goals for the future:-

- 1 The TV revenue continues to be the main source of income, hence the new broadcasting deal provides a solid basis on which to develop the club.
- 2 The management team continue to develop off field commercial revenue – your support will be invaluable in their efforts.
- 3 We will strengthen our efforts to obtain best value from player transfers and wages.
- 4 We will maintain our monitoring of expenditure levels.

We will maintain our monitoring of expenditure levels. We have grounds for continued optimism within a difficult environment.

Youth Academy

It is now three years since the Board commissioned a feasibility study on 12 sites which were deemed to boast sufficient potential for development. From that expansive provisional list, we ultimately settled on a site in Halewood. Although there are still one or two minor planning issues to be resolved over the next few months, we remain confident that the project is still very much on track and that we shall be in a position to commence construction work in the not-too-distant future.

The Board has, for some considerable time, been aware that our current Academy facilities do not compare favourably with those of many of our contemporaries, and the desire to create a top-class facility which will serve successive generations of aspiring Everton footballers has stood near the top of our priority list for several years now.

Having invested a considerable amount of money, effort and time in what is undoubtedly a worthy project, we are all determined that only the very best will now suffice.

The anticipated completion date for a project which is to be funded by the sale of our existing facility at Bellefield is late 2005.

Over the past 12 months, our Academy has unquestionably further embroidered and enhanced its already rich reputation as one of British football's major developers and nurturers of young talent.

The Academy's "conveyer belt" of quality young footballers is, without question, the envy of most of our Premiership rivals and the department can now claim to be a pioneer on many quite differing fronts.

As ever, Ray Hall and his enthusiastic and loyal staff have been more than content to work in what could best be described as the Goodison "shadows"; they remain unsung but not overlooked heroes.

Again, I feel that I must pay tribute to the continued dedication of director Keith Tamlin and his wife, Marian, whose enthusiasm for helping and encouraging our youth trainees has never shown any signs of wavering.

It proved to be another very successful season in the F.A. Premier Reserve and Academy Leagues (Under-19 and Under-17).

Both the Under-19 and Under-17 sides finished fourth in their Leagues with the latter finishing runners-up in a mini-League play-off. It did not go unnoticed that both teams finished above our great rivals from across Stanley Park!

The biggest disappointment was the perhaps unexpected defeat by Port Vale in the third round of the F.A. Youth Cup, an upset which was, to some extent at least, offset by tournament wins in Northern Ireland, Italy and France by sides made up of players born in specific years.

Several major new initiatives were introduced during the course of what was a typically frenetic year of diligence and endeavour.

Our Academy is now a frontrunner, a leading light, in many areas of youth development including the talent identification of 6–11 year-olds, the running of formation groups for 6–8 year-olds, the Schoolboy Initiative Programme (remember, Wayne Rooney's development began when he was just eight years old) and the video analysis of all young players to aid technical and tactical development.

In order that our Academy staff are fully-equipped to help give those youngsters in their care the best possible chance of success inside what remains a most competitive and, at times, quite ruthless sport, standards – both in terms of performance and qualifications – are constantly being assessed.

Over the past few years our Academy has produced players like Wayne Rooney, Tony Hibbert, Nick Chadwick, Leon Osman, Michael Ball, Francis Jeffers, Phil Jevons and Danny Cadamarteri. Clearly, we have much to thank Ray and his team for.

Communications

One of the more welcome prices to be paid for improved performances out on the pitch is a quite dramatic rise in the demands on the Club's Communications and Public Relations department.

Although the publicity which surrounded David Moyes' first, full season at the managerial helm was always going to result in a most welcome elevation of the Club's profile on a national basis, the year proved to be long and demanding for Ian Ross and his dedicated team as the exploits of our revitalised senior side filled column inches and broadcasting time throughout the course of the season.

The department's policy of aiding and abetting not only those newspaper and broadcast journalists who sought out assistance but actively courting hitherto untapped sections of the media paid handsome dividends in the form of a series of high-profile interview pieces.

Much of the year was spent preparing for, and then undertaking, the re-launch of the Club's official website – a difficult, timeconsuming task which was tackled with remarkable enthusiasm and dedication by Communications Officer, Mark Rowan.

Despite the inevitable "teething" troubles, I do now believe we have a website which we can all be proud of, a most valuable tool for both the Communications and Marketing departments.

There has also been the successful integration of the Club's ground-breaking Mandarin website – an absolutely essential development in the wake of the sponsorship deal with the leading Chinese company Kejian and the signing, on a permanent basis, of the Chinese international, Li Tie.

I would like to thank the Communications department for the professional manner in which it organised and presented the 100 Years celebrations; the sight of so many great former players being paraded on the pitch on matchdays was a timely reminder of our Club's enduring pedigree.

Marketing

It proved to be another busy year of realignment and pleasing progress for the Club's Marketing department.

We now have a solid platform in place from which to drive significant profit growth in the coming years – of the nine profit centres within the department, all but one showed growth across the year.

The Club's retail business enjoyed a record year in terms of both turnover and profit although, sadly, some problems were encountered during the crucial pre-Christmas period with some key products falling short on delivery deadlines.

Our mailorder and E-commerce businesses continue to grow strongly and it is pleasing to report that we now fulfil orders from every corner of the globe on an almost daily basis.

As we move forwards, one of our primary objectives is to ensure that we make it a relatively straightforward and simple process for each and every one of our Club's supporters to spend at least £50 on retail across a year.

In order that we are well-placed to capitalise on impulse purchasing of Everton products, we are currently evaluating several high-profile retail sites in Liverpool city centre.

Our sponsorship department is growing rapidly with many new and influential businesses seeking to tap into the ever-expanding and fast-developing Everton brand. Our main sponsor, Kejian, have expressed their delight at their working relationship with the Club. Indeed, we have worked hard to "land the Everton brand" in the Chinese market and we have several new revenue schemes in place for the coming year.

One of our prospective growth areas is the affinity department – the base concept being that we, as a Club, negotiate deals with a range of suppliers using the buying power of all our supporters on a world-wide basis.

I am delighted to report that membership of JBlue, our junior supporters club, has now exceeded 20,000, a tremendous achievement and, clearly, an investment for the future.

Football in the Community

The Club has made admirable progress on many fronts over the course of the last 12 months, no more so than in football in the Community department which is, once again, to be commended for both its vision and its sustained excellence.

The Club's Board of Directors has always taken a keen and positive interest in all aspects of a department which has come to represent a conduit between our Club and the local community.

I think it is fair to say that at many clubs those who work inside the tightly-knit world of Football in the Community are only occasionally lauded for their efforts – that is not the case at Everton where we have always taken every opportunity to recognise and applaud – both publicly and privately – the tireless endeavours of a most diligent group.

Arguably, the department's high-spot came at the end of last season with the most welcome news that an application for charitable status was being discussed and that official conformation was imminent.

The department's charitable work has been escalating in recent years and during the course of the last campaign one ton of old boots, shirts and equipment was shipped to Calcutta to benefit orphaned street-children, old first-team training kit was sent to Afghanistan through a Government co-ordinated scheme and six local teams from areas of recognised high deprivation received sufficient equipment to run a junior football team courtesy of the Club's FITC, and Barclaycard.

The annual Football Aid event was, if anything, even bigger and more grandiose with a total of £30,000 raised for charity with the help of former senior players Graeme Sharp, Ian Snodin and Joe Parkinson who joined with a group of more than 50 supporters who had pledged money for the privilege of gracing Goodison Park's famous turf.

The department continues to actively support what is now a hugely successful female football programme. In addition, we, as a club, continue to encourage and assist those football lovers who are either blind or partially sighted.

There have been many other notable events and achievements throughout what has been a busy and typically productive year.

Twenty youngsters from Thailand's junior Olympic squad spent ten days with the FITC coaches, a new relationship with Liverpool's Pagoda Chinese Community Centre was established and a major initiative designed to encourage groups of students from the Far East to improve their English language skills was launched.

The department's reputation for professionalism and integrity has, not too surprisingly, now spread beyond local boundaries with national recognition earned in the form of The Community Mark from Business in the Community – a highly-regarded award which reflects the quality and range of the FITC activities.

It should be noted that Everton have become the first Premiership club to receive this prestigious award.

FITC has also received a number of other awards including the Football Association's National Award for Disabled Football and the Big Issue's Big Difference Award.

A new and rapidly-growing relationship with the Football Foundation was launched after a successful application for sufficient funding to appoint a Disability Football Development Officer and a 12-month programme called "Shooting Forward" was undertaken to target and help "at risk" local youngsters.

As a Club, we shall continue to offer Ted Sutton and his most able colleagues every possible assistance for the relationship between Club and the local populous remains absolutely crucial; it must also represent an ever-evolving, ever-changing process which both parties are content to embrace.

Directors' Report

The directors present their report and the financial statements of the Group and Company for the year ended 31st May 2003.

Principal Activity

The principal activity of the Group continues to be that of a professional football club. The Group has continued to develop the Everton brand and associated media rights.

Review of Business

The results of the year's trading are shown on page 13 of the financial statements. A review of the Company's business and future developments is set out in the Chairman's Report and Financial Review.

Dividend and Transfers from Reserves

The loss for the year amounted to £13.0m (2002 profit – £ 1.6m) which has been withdrawn from/(transferred to) reserves.

The directors do not recommend the payment of a dividend (2002 – nil).

Post Balance Sheet Events

A full description of these events can be found in note 27 to the accounts.

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 were as follows:

Number of Shares	31st May 2003	31st May 2002
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Sir Philip Carter CBE	721	721
W Kenwright CBE	556	556
K M Tamlin	119	119
A J L Abercromby	105	105
P R Gregg	0	0
J V Woods	216	216

W Kenwright CBE, P R Gregg, J V Woods and A J L Abercromby are also directors of True Blue Holdings Limited, a company which holds 24,986 shares in Everton Football Club. Details of the directors' individual shareholdings in True Blue Holdings Limited can be found in their accounts.

In accordance with the Articles of Association, Mr K M Tamlin and Mr P R Gregg retire by rotation and being eligible offer themselves for re-election.

Directors' Responsibilities

United Kingdom 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.

Employment Policies

When recruiting and retaining disabled employees, the Group will be guided by the principles and duties set out in the Disability Discrimination Act and its associated Codes of Practice.

Auditors

On 1st August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1st August 2003 under the provisions of Section 26(5) of the Companies Act 1985. A resolution to reappoint Deloitte & Touche LLP as auditors of the Company and to authorise the directors to agree the terms of their remuneration will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 1st September 2003 and signed on its behalf by

M J Dunford

Company Secretary

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

Independent Auditor's Report to the Members of Everton Football Club Company Limited

We have audited the financial statements of Everton Football Club Company Limited for the year ended 31st May 2003 which comprised the consolidated profit and loss account, the consolidated Group and Company balance sheets, the Group cashflow statement, the statement of total recognised gains and losses and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 and other members of the Group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

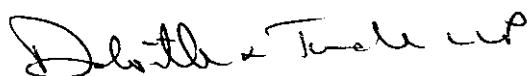
Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by 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 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 affairs of the Company and the Group as at 31st May 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
Liverpool

1st September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st May 2003

		2003		2002
	Notes	Operations excluding player trading and exceptional items £000	Player trading and exceptional items £000	Total £000
Turnover	1,2	46,781	-	46,781
Cost of sales	3	(32,500)	(14,276)	(46,776)
Gross Profit/(Loss)		<u>14,281</u>	<u>(14,276)</u>	<u>5</u>
Other income	4	161	-	161
Other operating costs	5	(8,867)	(504)	(9,371)
Operating Profit/(Loss)	6	<u>5,575</u>	<u>(14,780)</u>	<u>(9,205)</u>
(Loss)/Profit on disposal of players' registrations		-	(269)	(269)
Loss on disposal of tangible fixed assets	5	-	(882)	(882)
(Loss) / Profit before interest and taxation		<u>5,575</u>	<u>(15,931)</u>	<u>(10,356)</u>
Interest receivable	7			283
Interest payable	8			(2,907)
(Loss) / Profit on ordinary activities before taxation				<u>(12,980)</u>
Tax on (loss)/profit on ordinary activities	10			-
(Loss)/Profit transferred from reserves for the year after taxation	22			<u>(12,980)</u>

All the above amounts derive from continuing operations.

There are no recognised gains and losses for the year ended 31 May 2003 and the prior year other than as stated in the profit and loss account, accordingly no statement of total recognised gains and losses is given.

HISTORICAL COST PROFITS AND LOSSES

	2003	2002
	£000	£000
(Loss) /Profit on ordinary activities before taxation	(12,980)	1,555
Difference between the historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued	<u>260</u>	<u>280</u>
Historical cost (loss)/profit on ordinary activities before taxatic	(12,720)	1,835
Historical cost (loss)/profit for the year retained after taxation	(12,720)	1,835

GROUP BALANCE SHEET
At 31st May 2003

		2003		2002	
	Notes	£000	£000	£000	£000
Fixed Assets					
Intangible Assets	12		25,147		26,847
Tangible Assets	13		13,733		14,843
Investments	14		-		-
			<u>38,880</u>		<u>41,690</u>
Current Assets					
Stocks	16	622		282	
Debtors	17	6,220		4,335	
Cash at bank and in hand		<u>5,511</u>		<u>8,949</u>	
		<u>12,353</u>		<u>13,566</u>	
Creditors - Amounts falling due within one year	18	<u>(23,829)</u>		<u>(12,025)</u>	
Net Current (Liabilities) / Assets			<u>(11,476)</u>		<u>1,541</u>
Total Assets Less Current (Liabilities) / Assets			<u>27,404</u>		<u>43,231</u>
Creditors - Amounts falling due after more than one year	19		(33,217)		(36,329)
Provision for liabilities and charges	20		(1,886)		(1,621)
Net (Liabilities)/Assets			<u>(7,699)</u>		<u>5,281</u>
Capital and Reserves					
Called up share capital	21		35		35
Share premium account	22		24,968		24,968
Revaluation reserve	22		3,137		3,137
Profit and loss account - deficit	22		(35,839)		(22,859)
Equity shareholders' (deficit) / funds	23		<u>(7,699)</u>		<u>5,281</u>

The financial statements were approved by the Board on 1st September 2003 and signed on its behalf by

Sir Philip Carter CBE & W Kenwright CBE
Directors




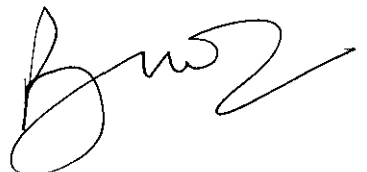

COMPANY BALANCE SHEET

At 31st May 2003

		2003		2002	
	Notes	£000	£000	£000	£000
Fixed Assets					
Intangible Assets	12		25,147		26,847
Tangible Assets	13		4,620		5,184
Investments	14		-		-
			<u>29,767</u>		<u>32,031</u>
Current Assets					
Stocks	16	622		282	
Debtors	17	8,103		5,044	
Cash at bank and in hand		61		8,155	
		<u>8,786</u>		<u>13,481</u>	
Creditors - Amounts falling due within one year	18	<u>(39,469)</u>		<u>(29,620)</u>	
Net Current Liabilities			<u>(30,683)</u>		<u>(16,139)</u>
Total Assets Less Current Liabilities			<u>(916)</u>		<u>15,892</u>
Creditors - Amounts falling due after more than one year	19		(3,365)		(7,362)
Provision for liabilities and charges	20		(1,886)		(1,621)
Net (Liabilities) / Assets			<u>(6,167)</u>		<u>6,909</u>
Capital and Reserves					
Called up share capital	21		35		35
Share premium account	22		24,968		24,968
Revaluation reserve	22		1,253		1,253
Profit and loss account - deficit	22		(32,423)		(19,347)
Equity shareholders' (deficit) / funds			<u>(6,167)</u>		<u>6,909</u>

The financial statements were approved by the Board on 1st September 2003 and signed on its behalf by

Sir Philip Carter CBE & W Kenwright CBE
Directors

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31st May 2003

		2003		2002	
	Notes	£000	£000	£000	£000
Cash inflow/(outflow) from operating activities	24a		8,569		(2,286)
Returns on investment and servicing of finance					
Interest received		359		76	
Interest paid		(1,671)		(1,673)	
Finance lease interest		<u>-</u>		<u>(3)</u>	
Net cash outflow from returns on investments and servicing of finance			(1,312)		(1,600)
Taxation			-		-
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(10,497)		(11,216)	
Purchase of tangible fixed assets		(963)		(1,262)	
Proceeds from the disposal of tangible fixed assets		-		25	
Proceeds from the disposal of intangible fixed assets		<u>449</u>		<u>18,387</u>	
Net cash (outflow)/inflow from capital expenditure and financial investment			<u>(11,011)</u>		<u>5,934</u>
Net cash (outflow)/inflow before financing			(3,754)		2,048
Financing					
Increase in borrowings		-		29,313	
Repayment of factored amounts		-		(11,893)	
Repayment of loans		(2,630)		(1,824)	
Capital element of hire purchase payments		<u>(9)</u>		<u>34</u>	
Net cash (outflow)/inflow from financing			(2,639)		15,630
(Decrease)/Increase in cash	24b		<u>(6,393)</u>		<u>17,678</u>

NOTES TO THE ACCOUNTS

For year ended 31st May 2003

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below:

(i) Accounting Convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties and plant equipment.

(ii) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiary undertakings. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up until the date of their disposal. Intra-group trading is eliminated on consolidation.

(iii) 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, the Football Association and the Football League.

(iv) Tangible Fixed Assets and Depreciation

Depreciation is not provided on freehold land. On properties it is provided to write off the costs or revalued amounts less estimated residual value (based on prices prevailing at the date of acquisition or revaluation) in equal annual instalments over the estimated useful economic lives of the assets which are considered to be between 10 and 40 years.

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

Depreciation on other fixed assets has been calculated at 25% on net book value on a reducing balance basis.

(v) Stocks

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

(vi) Grants

Grants of a capital nature are credited to deferred income and amortised to the profit and loss account on a systematic basis over the useful economic life of the asset to which they relate.

(vii) Deferred Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(viii) Intangible Fixed Assets - Players' Registrations

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.

(ix) 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 20). If the likelihood of meeting these criteria is not probable, then no provision is made but the potential obligations are disclosed as contingent liabilities (see note 25).

(x) Signing-on Fees and Loyalty Bonuses

Signing-on fees represent a normal part of the employment cost of the player and as such are charged to the profit and loss account in the period in which the payment is made, except in the circumstances of a player disposal. In that case any remaining signing-on fees due are allocated in full against profit on disposal of players' registrations in the year in which the player disposal is made. Those instalments due in the future on continued service are not provided for but are noted as contingent liabilities (see note 25).

(xi) Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

(xii) 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 the shorter of their lease term or 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.

(xiii) Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

2	TURNOVER	2003	2002
		£000	£000
	Gate receipts and programme sales	14,697	13,390
	Broadcasting	25,165	18,885
	Sponsorship and advertising	2,439	2,945
	Merchandising	3,329	1,884
	Other commercial activities	1,151	1,127
		<u>46,781</u>	<u>38,231</u>

3	COST OF SALES	2003			2002
		Operations excluding player trading and exceptional items £000	Player trading items £000	Total £000	£000
	Professional costs	25,600	-	25,600	23,457
	Other costs	3,986	-	3,986	3,752
	Merchandising	2,914	-	2,914	1,800
	Team Management Compensation	-	-	-	2,207
	Amortisation of players' registrations (note 12)	-	12,513	12,513	8,913
	Impairment of players' registrations	-	1,763	1,763	-
		<u>32,500</u>	<u>14,276</u>	<u>46,776</u>	<u>40,129</u>

4	OTHER INCOME	2003	2002
		£000	£000
	Donations from development associations	159	207
	Rents receivable	2	2
		<u>161</u>	<u>209</u>

5	OTHER OPERATING COSTS	2003	2002
		£000	£000
	Other operating costs included the following exceptional costs relating to the company:		
	Provision for doubtful debts	-	500
	Write-off of professional fees in relation to the King's Waterfront project	315	-
	Pension provision for obligations arising from the deficit in the Football League Limited Pension and Life Assurance Scheme (see note 26)	189	-
		<u>504</u>	<u>500</u>

In addition to the professional fees of £315,000 shown above, a further £882,000 previously shown as assets under the course of construction (see note 13) has also been written off in the year.

Related parties - Houston Securities is a company controlled by the Gregg family. Mr P R Gregg is a director of the company. Over the period October 2001 to May 2003 £664,000 was paid to Houston Securities by Everton Football Club Company Limited in relation to the King's Waterfront project - £564,000 of which related to amounts where Houston Securities acted as a collection agent for the club's share of drawdown payable to Waterfront Stadium and Arena Limited in respect of costs incurred on the project.

6	OPERATING PROFIT/(LOSS)	2003	2002
		£000	£000
	The operating profit/(loss) is stated after charging:		
	Depreciation - Property	678	521
	Depreciation - Other	513	541
	Loss on disposal of fixed assets	-	51
	Operating lease rentals		
	Motor vehicles	108	102
	Office Equipment	14	13
	Auditor's remuneration		
	For audit (including Company of £18,000 / 2001: £17,000)	25	27
	For other services	68	61
		<u>68</u>	<u>61</u>

7	INTEREST RECEIVABLE	2003	2002
		£000	£000
	Bank Interest Receivable	<u>283</u>	<u>76</u>

INTEREST PAYABLE

	2003 £000	2002 £000
On bank overdrafts	3	328
On finance leases	4	3
On other loans	2,900	1,857
	<u>2,907</u>	<u>2,188</u>

9 PARTICULARS OF EMPLOYEES

	2003 Number	2002 Number
--	----------------	----------------

The average weekly number of employees during the year was as follows:

Playing, training and management	69	60
Youth Academy	22	22
Football in the Community	10	10
Marketing and Media	19	24
Management and Administration	41	41
Maintenance, Security, Pitch and Ground Safety	22	24
Catering and Retail	39	35
	<u>222</u>	<u>216</u>

Part-Time employees on matchdays	777	759
	<u>999</u>	<u>975</u>

Aggregate payroll costs were as follows:

	2003 £000	2002 £000
Wages and salaries	26,237	26,109
Social security costs	2,946	2,640
Other pension costs	552	498
	<u>29,735</u>	<u>29,247</u>

Wages and salaries for 2002 include compensation of £2,162,000 paid as a result of the termination of Team Management contracts.

The directors received no emoluments from the Group during the year (2002 - nil).

10 TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Factors affecting tax charge for the current period

The tax assessed for the period is disproportionate to that resulting from applying the standard rate of corporation tax in the UK: 30% (2002 : 30%).

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	(12,980)	1,555
Tax on (loss)/profit on ordinary activities at the standard rate	3,894	(467)
Expenses not deductible for tax purposes	(580)	(166)
Capital allowances in excess of depreciation	100	46
Utilisation of tax losses	(3,363)	729
Movement in short term timing differences	(33)	25
Other deferred tax movements	(18)	(169)
Creation of capital losses	-	2
Current tax charge for period	-	-

11 COMPANY PROFIT AND LOSS ACCOUNT

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The Company's (loss)/profit for the year and the previous year were £(13,076,000), (2002 profit - £3,183,000).

12 INTANGIBLE FIXED ASSETS - GROUP AND COMPANY

	Total £000
Cost at 1st June 2002	46,850
Additions in year	13,304
Disposals in year	(2,182)
At 31st May 2003	<u>57,972</u>
Amortisation	
At 1st June 2002	20,003
Provided during the year	12,513
Impairment	2,053
Eliminated on disposals	(1,744)
At 31st May 2003	<u>32,825</u>
Net Book Value	
At 31st May 2003	<u>25,147</u>
At 31st May 2002	<u>26,847</u>

13 TANGIBLE FIXED ASSETS

Group	Properties £000	Assets under course of construction £000	Plant and equipment £000	Vehicles £000	Total £000
Cost or valuation at 1st June 2002	14,160	882	3,602	32	18,676
Additions in the year	503	-	460	-	963
Disposals / write-offs in the year (note 5)	-	(882)	-	-	(882)
At 31st May 2003	14,663	-	4,062	32	18,757
Depreciation					
At 1st June 2002	1,792	-	2,019	22	3,833
Provided during the year	678	-	511	2	1,191
On disposals	-	-	-	-	-
At 31st May 2003	2,470	-	2,530	24	5,024
Net book value					
At 31st May 2003	12,193	-	1,532	8	13,733
At 31st May 2002	12,368	882	1,583	10	14,843
Company	Properties £000	Assets under course of construction £000	Plant and equipment £000	Vehicles £000	Total £000
Cost or valuation at 1st June 2002	3,060	882	3,602	32	7,576
Additions in the year	503	-	460	-	963
Disposals / write-offs in the year	-	(882)	-	-	(882)
At 31st May 2003	3,563	-	4,062	32	7,657
Depreciation					
At 1st June 2002	351	-	2,019	22	2,392
Provided during the year	132	-	511	2	645
On disposals	-	-	-	-	-
At 31st May 2003	483	-	2,530	24	3,037
Net book value					
At 31st May 2003	3,080	-	1,532	8	4,620
At 31st May 2002	2,709	882	1,583	10	5,184

The Club's properties are freehold, with the exception of an immaterial amount of 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 the residential properties were revalued at £15,207,550 by John Foord & Company as at 31st May 1999.

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 directors consider that the value of properties as at 31 May 2003 is not materially different to the valuation carried out as at 31 May 1999.

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:

	2003 £000	2002 £000
Cost	10,702	10,199
Aggregate depreciation	(1,988)	(1,490)
Net book value	8,714	8,709

14 INVESTMENTS

Group

The Group has no fixed asset investments (2002 - none).

Company	Subsidiary Undertakings £	Total £
Cost		
At 1 June 2002	4	4
Additions	-	-
At 31 May 2003	<u>4</u>	<u>4</u>
Net Book Value		
At 31 May 2003	<u>4</u>	<u>4</u>
At 31 May 2002	<u>4</u>	<u>4</u>

Details of the principal operating subsidiaries as at 31 May 2003, all registered in England and Wales, were as follows:-

Name of Company	% Owned	Nature of business
Goodison Park Stadium Limited	100	Provision of football entertainment facilities
Everton Investments Limited	100	Issuer of loan notes

15 LEASE COMMITMENTS

The company has operating lease commitments to pay during the next year in respect of motor vehicle and office equipment leases, as follows:

	2003 £000	2002 £000
Expiring within one year	14	8
Expiring between two and five years	<u>190</u>	<u>14</u>
	<u>204</u>	<u>22</u>

16 STOCKS

	2003 £000	2002 £000
Goods for resale	612	272
Maintenance stocks	<u>10</u>	<u>10</u>
	<u>622</u>	<u>282</u>

17 DEBTORS

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Trade debtors - within one year	3,486	2,955	3,486	2,955
Amounts owed by subsidiary companies	-	-	3,103	709
Other debtors	406	289	381	289
Prepayments and accrued income	<u>2,328</u>	<u>1,091</u>	<u>1,133</u>	<u>1,091</u>
	<u>6,220</u>	<u>4,335</u>	<u>8,103</u>	<u>5,044</u>

18 CREDITORS - Amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank overdraft (secured)	2,955	-	2,955	-
Other loans	2,926	2,630	2,469	2,283
Obligations under hire purchase agreements	31	17	31	17
Trade creditors	8,903	5,572	8,903	5,572
Amounts due to subsidiaries	-	-	19,342	18,356
Social security and other taxes	4,544	1,182	4,544	1,182
Other creditors	38	867	28	867
Accruals and deferred income	<u>4,432</u>	<u>1,757</u>	<u>1,197</u>	<u>1,343</u>
	<u>23,829</u>	<u>12,025</u>	<u>39,469</u>	<u>29,620</u>

19. CREDITORS - Amounts falling due after more than one year

	Group		Company	
	2003 £ £000	2002 £ £000	2003 £ £000	2002 £ £000
Other loans	31,075	33,834	2,536	4,867
Obligations under hire purchase agreements	5	28	5	28
Trade creditors	293	144	293	144
Accruals and deferred income	1,844	2,323	531	2,323
	<u>33,217</u>	<u>36,329</u>	<u>3,365</u>	<u>7,362</u>

BORROWINGS

Group	Bank loans and overdrafts		Other loans		Finance leases		Total	
	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000
Analysis of borrowings								
Payable by instalments								
Within one year	2,955	-	2,926	2,629	31	17	5,912	2,646
Between one and two years	-	-	3,147	2,926	5	28	3,152	2,954
Between two and five years	-	-	1,721	4,251	-	-	1,721	4,251
After more than five years	-	-	26,983	27,600	-	-	26,983	27,600
Prepaid finance costs	-	-	(776)	(942)	-	-	(776)	(942)
	<u>2,955</u>	<u>-</u>	<u>34,001</u>	<u>36,464</u>	<u>36</u>	<u>45</u>	<u>36,992</u>	<u>36,509</u>

Company	Bank loans and overdrafts		Other loans		Finance leases		Total	
	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000
Analysis of borrowings								
Payable by instalments								
Within one year	2,955	-	2,469	2,283	31	17	5,455	2,300
Between one and two years	-	-	2,653	2,469	5	28	2,658	2,497
Between two and five years	-	-	-	2,653	-	-	-	2,653
After more than five years	-	-	-	-	-	-	-	-
Prepaid finance costs	-	-	(117)	(255)	-	-	(117)	(255)
	<u>2,955</u>	<u>-</u>	<u>5,005</u>	<u>7,150</u>	<u>36</u>	<u>45</u>	<u>7,996</u>	<u>7,195</u>

The bank overdraft is principally secured via legal charges over a number of the company's properties and a lightweight floating charge over all the assets and undertakings (excluding Goodison Park Stadium) of the company.

Other loans include £29,654,010 of loan notes (2002 - £30,000,000) which are repayable in annual instalments over a 25 year period at a fixed interest rate of 7.79%. The first payment under the agreement was made on 30 September 2002 amounting to £1,588,000 with subsequent annual payments of £2,767,000 starting on 30 September 2003. The notes will be repaid in a securitisation agreement serviced by future season ticket sales and matchday ticket sales. The costs incurred in raising the finance, amounting to £710,000, have been offset against the £30,000,000 loan, and are contained within prepaid finance costs and charged to the profit and loss in line with the interest charge over a period of 25 years.

20. PROVISION FOR LIABILITIES AND CHARGES

	Group and Company		Total
	Pensions (note 26) £000	Contingent appearance fees (note 1) £000	
At 1st June 2002	273	1,348	1,621
Provided in the year	189	1,249	1,438
Utilised in the year	(88)	(865)	(953)
Released in the year	-	(220)	(220)
At 31st May 2003	<u>374</u>	<u>1,512</u>	<u>1,886</u>

There are no amounts provided for deferred tax at 31 May 2003 or 31 May 2002.

Factors that may affect the future tax charge

A deferred tax asset of £11.2m (2002:£7.9m) has not been recognised. The asset will be recovered when relevant profits are available against which the timing differences concerned can be set-off.

In view of the continuing use of 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 that provision.

21	EQUITY SHARE CAPITAL	2003 £000	2002 £000
	Authorised, allotted, issued and fully paid 35,000 stock units of £1 each	<u>35</u>	<u>35</u>

22	RESERVES			
	Group	Share Premium Account £000	Revaluation Reserve £000	Profit and Loss Account £000
	Balance at 1st June 2002	24,968	3,137	(22,859)
	Loss for the year	-	-	(12,980)
	Balance at 31st May 2003	<u>24,968</u>	<u>3,137</u>	<u>(35,839)</u>
	Company	Share Premium Account £000	Revaluation Reserve £000	Profit and Loss Account £000
	Balance at 1st June 2002	24,968	1,253	(19,347)
	Loss for the year	-	-	(13,076)
	Balance at 31st May 2003	<u>24,968</u>	<u>1,253</u>	<u>(32,423)</u>

23	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2003 £000	2002 £000
	(Loss)/Profit for the year and net (reduction)/increase in shareholders' funds	(12,980)	1,555
	Opening shareholders' funds	5,281	3,726
	Closing shareholders' funds	<u>(7,699)</u>	<u>5,281</u>

24	CASHFLOW STATEMENT		
	(a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities		
		2003 £000	2002 £000
	(Loss)/Profit before interest and tax	(10,356)	3,667
	Loss/(Profit) on disposal of player's registrations	269	(13,979)
	Exceptional loss on disposal of tangible fixed assets	882	-
	Operating Loss	<u>(9,205)</u>	<u>(10,312)</u>
	Depreciation charge	1,191	1,062
	Release of grants	(197)	(63)
	Loss on sale of tangible assets	-	51
	Amortisation of players' registrations	12,513	8,913
	Impairment of players' registrations	2,053	-
	Increase in stocks	(340)	(44)
	Increase in debtors	(2,462)	(512)
	Decrease/(Increase) in provisions	101	(123)
	Increase/(Decrease) in creditors	4,915	(1,258)
	Net cash (inflow)/outflow from operating activities	<u>8,569</u>	<u>(2,286)</u>

(b) Analysis of changes in net debt	At 1st June 2002 £000	Cash flows £000	Non Cash Movements £000	At 31st May 2003 £000
Cash at bank and in hand	8,949	(3,438)	-	5,511
Overdraft	-	(2,955)	-	(2,955)
	8,949	(6,393)	-	2,556
Debt due within one year	(2,630)	(296)	-	(2,926)
Debt due after one year	(33,834)	2,926	(167)	(31,075)
Hire Purchase agreements	(45)	9	-	(36)
	(27,560)	(3,754)	(167)	(31,481)

(c) Reconciliation of movements in Net Debt

	2003 £000	2002 £000
(Decrease)/Increase in cash in the period	(6,393)	17,678
Cash outflow/(inflow) from decrease/increase in net debt	2,630	(15,595)
Cash inflow/(outflow) from increase/decrease in hire purchase financing	9	(34)
Change in net debt resulting from cashflows in the year	(3,754)	2,049
Non cash movements	(167)	-
Net Debt as at 1st June	(27,560)	(29,609)
Net Debt as at 31st May	(31,481)	(27,560)

25 CONTINGENT LIABILITIES

No provision is included in the accounts for transfer fees of £2,819,000 (2002: £2,412,000) which are, as at 31 May 2003, contingent upon future appearances of certain players; or signing-on fees and loyalty bonuses, as at 31 May 2003, of £2,973,000 (2002: £3,073,000) which would become due to certain players if they are still in the service of the Club on specific future dates.

26 Pensions

Certain staff of the Group are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. As the group is one of a number of participating employers in the FLLPLAS, it is not possible to allocate any actuarial surplus or deficit on a meaningful basis and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the scheme are held separately from those of the group, being invested with insurance companies. At 1 April 2003 a further MFR deficit was identified in the scheme, which increased the outstanding deficit allocated to the group by £189,000 resulting in an increase in contributions advised by the Actuary. The additional deficit has been provided in full in the current year.

Contributions are also paid into individuals private pension schemes. Total contributions across all schemes during the year amounted to £552,000 (2002: £498,000)

27 POST BALANCE SHEET EVENT

Since 31 May 2003, the Club has entered into transfer agreements for confirmed contracted net transfer fees payable of £3,000,000.

28 FRS 8-RELATED PARTY TRANSACTIONS

There were no related party transactions in the year, other than those detailed in note 5.

29 ULTIMATE PARENT UNDERTAKINGS

The ultimate parent undertaking of the company is True Blue Holdings Limited, a company incorporated in England. Copies of its accounts can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.