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**THE EVERTON FOOTBALL CLUB
COMPANY LIMITED**

*Annual Report and
Statement of Accounts 1998*



Directors

P R Johnson (Chairman)

Sir Desmond H Pitcher DL
(Deputy Chairman)

B C Finch

Sir Philip Carter CBE

K M Tamlin

W Kenwright

A J L Abercromby

Lord Grantchester

Secretary

M J Dunford

Registered Office

Goodison Park

Liverpool

LA 4EL

Auditors

KPMG

Chartered Accountants

8 Princes Parade

Liverpool

L3 1QH

Bankers

The Co-operative Bank p.l.c.

38 Castle Street

Liverpool

L2 7UE

Registrars

Independent Registrars Group Ltd

Balfour House

390/398 High Road

Ilford

Essex

IG1 1NQ

CONTENTS

<i>Directors and Advisers</i>	2
<i>Contents</i>	3
<i>Notice of Meeting</i>	4
<i>Chairman's Report</i>	5
<i>Directors' Report</i>	9
<i>Profit and Loss Account</i>	11
<i>Balance Sheet</i>	12
<i>Cash Flow Statement</i>	13
<i>Notes to the Accounts</i>	14
<i>Auditors' Report</i>	20
<i>Results and Attendances 1997-98</i>	21
<i>Fixtures 1998-99</i>	22

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and nineteenth 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 Monday 14 September at 10.00 am for the purpose of considering the following business:

- 1) To receive the Directors' Report and Financial Statements for the year ended 31 May 1998.
- 2) To re-elect Directors. In accordance with Articles of Association B C Finch, Sir P D Carter CBE, and K M Tamlin retire by rotation, and being eligible, offer themselves for re-election.
- 3) To re-appoint KPMG as Auditors to the Company and to authorise the Directors to fix their remuneration.
- 4) To transact any other business which may be transacted at the Annual General Meeting of the Company.

The Stock transfer books of the Company will be closed until 15 September 1998.

By order of the Board.

M J Dunford
Secretary
Goodison Park
Liverpool
L4 4EL

31 July 1998

Notes

- 1) 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.
- 2) 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.

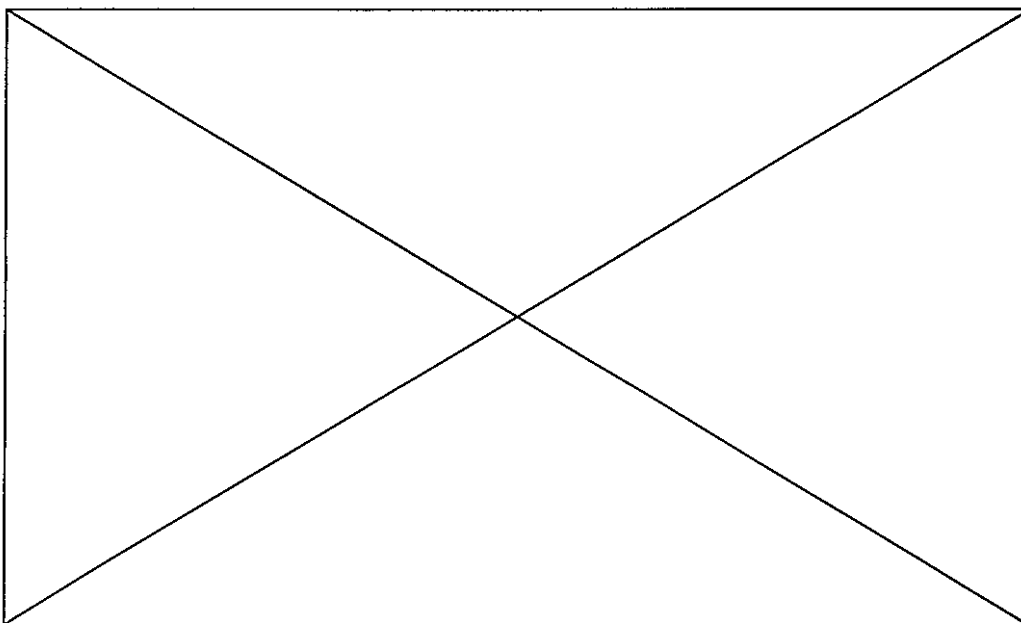
CHAIRMAN'S STATEMENT

For a club of our size and aspirations it was totally unacceptable to end last season seventeenth in the league - avoiding relegation on the final day by goal difference - and having faced early exits in both major cup competitions. It was clear to the board that changes were necessary. Some of those which have already been announced and new proposals are referred to below.

Whilst success on the pitch is central to all our activities, even during troubled times we were able to report an improved and therefore encouraging financial result. Turnover rose by 20% to £22.66m with operating profit of £1.85m. After interest, transfer activity and taxation the profit for the year was £0.95m compared with a loss of £2.89m the previous year.

Following the season the contract of manager Howard Kendall was terminated and the board moved swiftly in appointing former Glasgow Rangers' manager, Walter Smith, and his assistant, Archie Knox. They are a proven team in Scotland and I am confident that they will bring their experience to bear in the Premiership. I am delighted that Walter's first appointment was Dave Watson as player-coach, thereby seeking to ensure that this Everton stalwart remains at Goodison.

There was some reason for celebration at the end of the season when our youth team won the FA Youth Cup. The two-legged final against Blackburn Rovers screened live on Sky TV saw Everton win 4-2 on aggregate. The board's congratulations go to our Director of Youth, Ray Hall; Director of Youth Coaching, Colin Harvey and to those players who have hopefully sampled only their first taste of success in our Blue Shirts.



Archie Knox and Walter Smith sign on at Goodison Park

“...thanks go to all those people - both staff and volunteers - who play a part in our youth set-up.”

In addition, thanks go to all those people - both staff and volunteers - who play a part in our youth set-up. In a thoroughly depressing season our progress at youth level gives us hope for the future. The board is committed to establishing at Netherton a Youth Academy with facilities ranking amongst the best in the country.

International recognition justifiably followed for many of our young players. Michael Ball, Danny Cadamateri, Leon Osman, Francis Jeffers, Jamie Milligan, Dean Delaney and Richard Dunne all made international appearances at youth level. On the subject of international football, I wish to congratulate Slaven Bilic who represented his national team, Croatia, through to the semi-finals of the World Cup in France.

Inevitably there were a number of departures during the year. We send our good wishes to all those who have left and, particularly, Neville Southall who will find a place in the Club's history as one of our all-time most committed and effective players.

It is a tribute to the Club that even throughout such a turbulent season, our supporters have remained steadfast behind the team. The average home league gate of over 35,000 was the sixth highest recorded in the Premiership. My thanks go to the police and stewards in what at times were difficult circumstances, especially as we approached the end of the season.

There are two issues I would like to comment on which relate to the future of the Company rather than the last financial year and they are the proposed ground move and the possible updating of the Company's legal and management structure.

In May 1997 we received a clear mandate from the Club's supporters to move to a new ground of a quality which is comparable to the better stadia in the UK. Over the last year a considerable amount of work has been undertaken in order to assess the Company's options and this suggests that, unfortunately, it does not appear to be financially viable to redevelop Goodison Park to an acceptable standard. In reaching a conclusion in the coming months we will be taking into account proposals shared with us by the Goodison For Everton group and have the benefit of expert independent advice. This is not an issue we are taking lightly or pursuing in haste and it is obviously emotional for board members as well as supporters.

Although the board has yet to take a final decision on the move, the work carried out to date shows that the Club has the option of developing a high quality stadium at a new site. This appears to be financially viable primarily because of the additional space at possible new locations and the fact that our playing seasons would not be disrupted during the period of development.

A small number of preferred sites have been identified and assessed. At my own insistence they are all in the Liverpool area and we will continue to explore the options during the current year.

Secondly, I shall be writing to shareholders towards the end of the year with details of proposed changes to the Company's legal and management structure which will bring it into line with that of other Premiership clubs and incorporate recent changes made to the Football Association's Rules. Legal and other advisers are working on the necessary documentation and I do not expect to be in a position to give further details until December.

Finally I wish to record my personal thanks to my fellow directors and all staff members who have given me their support throughout the year and special thanks to two of our greatest supporters, namely our club sponsors, One 2 One, and our official kit supplier, Umbro International.

Peter Johnson

DIRECTORS' REPORT

The directors present their report and the financial statements of the Company for the year ended 31 May 1998.

Principal Activity

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

Review of Business

The results of the year's trading are shown on page 11 of the financial statements. A net profit of £945,927 arose in the year. A review of the Company's business and future developments is set out in the Chairman's Report.

Dividend

The directors do not recommend the payment of a dividend.

Fixed Assets

Information relating to changes in the fixed assets is given in note 11 to the financial statements.

Directors

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

	Number of Stock Units	
	31 May 1998	31 May 1997
P R Johnson	23,945	23,945
Sir Desmond H Pitcher DL	105	105
B C Finch	777	777
R J Hughes	15	15
Sir Philip Carter CBE	721	721
Dr D M Marsh	48	48
K M Tamlin	119	119
W Kenwright	294	174
A J L Abercromby	105	105
Lord Grantchester	2,773	2,738

R J Hughes and Dr D M Marsh resigned as directors with effect from 9 December 1997.

In accordance with the Articles of Association, Sir P D Carter CBE, Mr B C Finch and Mr K M Tamlin retire by rotation and, being eligible, offer themselves for re-election, and the Board has determined that with effect from 15 September 1998 the maximum number of directors should be eight.

Team Management

The contract of employment for the Team Manager, Mr. Howard Kendall, was terminated by mutual consent on 24 June 1998. No provision has been made in these accounts for any settlement agreed.

Year 2000 Issue

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

Premier League: Restrictive Practices Court Proceedings

The Director General of Fair Trading has referred to the Restrictive Practices Court for consideration under the Restrictive Practices Act 1976 various of the FA Premier League Limited's rules relating to the televising and scheduling of matches involving the Premier League Clubs, together with certain provisions of accompanying agreements with BskyB and the BBC.

Under the Act the Court must consider whether such rules/provisions are contrary to the public interest.

This action is due to come to trial in January 1999. Accordingly, no such order will be made before that date. There will therefore be no impact on the television revenue recognised in the accounts as at 31 May 1998.

Corporate Governance

The Board, in order to move towards complying with Corporate Governance guidelines, have established an Audit Committee during the year, comprising of the following non-executive directors:

Sir Desmond H Pitcher DL
K M Tamlin
Lord Grantchester

Directors' Responsibilities

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

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

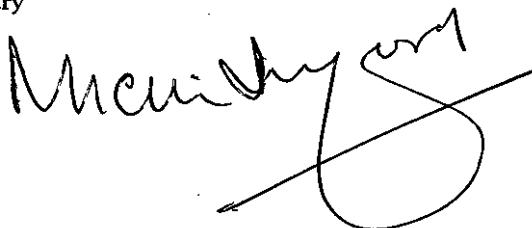
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such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

Auditors

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

Approved by the Board on 31 July 1998 and signed on its behalf by

M J Dunford, Secretary

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

PROFIT AND LOSS ACCOUNT

For the year ended 31 May 1998

	Notes	1998 £	1997 £
Turnover	2	22,664,943	18,881,961
Cost of sales	3	(16,861,041)	(11,821,353)
Gross Profit		5,803,902	7,060,608
Other income	4	178,566	162,899
Other operating costs		(4,127,429)	(4,061,032)
Operating Profit	5	1,855,039	3,162,475
Interest receivable	6	-	5,710
Interest payable	7	(930,609)	(509,416)
Profit on ordinary activities before transfer fees		924,430	2,658,769
Net transfer fees	8	21,497	(5,548,794)
Profit/(Loss) on ordinary activities before taxation		945,927	(2,890,025)
Taxation	10	-	-
Profit/(Loss) <i>for the year</i>	17	945,927	(2,890,025)

All amounts relate to continuing operations.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

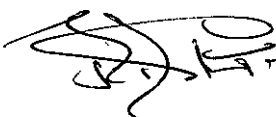
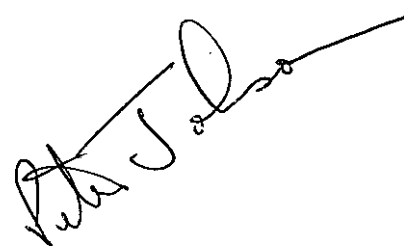
	1998 £	1997 £
Profit/(Loss) for the Financial Year	945,927	(2,890,025)
Total recognised gains and losses relating to the year	945,927	(2,890,025)
Prior year adjustment	-	1,024,862
Total gains and losses recognised since last annual report	945,927	(1,865,163)

BALANCE SHEET
At 31 May 1998

	Notes	1998		1997	
		£	£	£	£
Fixed Assets					
Tangible assets	11		15,627,374		15,387,772
Current Assets					
Stocks	12	252,875		338,839	
Debtors - within one year	13	4,583,042		3,822,832	
- greater than one year	13	-		4,000,000	
Cash at bank and in hand		40,495		36,377	
		<u>4,876,412</u>		<u>8,198,048</u>	
Creditors					
Amounts falling due within one year	14	(9,335,393)		(13,402,982)	
Net Current Liabilities			<u>(4,458,981)</u>		<u>(5,204,934)</u>
Total Assets Less Current Liabilities			11,168,393		10,182,838
Creditors					
Amounts falling due after more than one year	15		(39,628)		-
Net Assets			<u>11,128,765</u>		<u>10,182,838</u>
Capital and Reserves					
Called up share capital	16		35,000		35,000
Share premium account	17		24,967,500		24,967,500
Revaluation reserve	17		5,663,617		5,663,617
Profit and loss account	17		(19,537,352)		(20,483,279)
Shareholders' funds	18		<u>11,128,765</u>		<u>10,182,838</u>

The financial statements were approved by the Board on 31 July 1998 and signed on its behalf by

P R Johnson & Sir P D Carter CBE
Directors

CASH FLOW STATEMENT

For the year ended 31 May 1998

	Notes	£	1998 £	£	1997 £
CASH INFLOW FROM OPERATING ACTIVITIES	19a		839,652		3,004,565
<i>Returns on investments and servicing of finance</i>					
Interest received		-		5,710	
Interest paid		(507,718)		(748,284)	
Hire purchase interest		(2,584)		-	
Net cash outflow from returns on investments and servicing of finance			(510,302)		(742,574)
<i>Taxation</i>					
Taxation			-		-
<i>Capital expenditure and financial investment</i>					
Purchase of tangible fixed assets		(854,175)		(1,476,082)	
Grants from The Football Trust		-		12,118	
Grants from The Football Association		10,000		-	
Sale of plant & equipment		4,763		-	
Sale of properties		122,200		-	
Sale of vehicles		-		6,000	
Transfer fees paid		(15,152,253)		(10,405,210)	
Transfer fees received		15,717,750		4,891,131	
Net cash outflow for capital expenditure and financial investment			(151,715)		(6,972,043)
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING			177,635		(4,710,052)
<i>Financing</i>					
Issue of new share capital, including premium		-		15,000,000	
Expenses paid in connection with share issue		-		(96,231)	
Finance charges arising on discounting of debt		(403,717)		-	
Capital element of hire purchase payments		(11,670)		-	
Net cash (outflow)/inflow from financing			(415,387)		14,903,769
(DECREASE)/INCREASE IN CASH	19b		(237,752)		10,193,717

NOTES TO THE ACCOUNTS

For the year ended 31 May 1998

ACCOUNTING BASIS AND POLICIES

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

(i) Turnover

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

(ii) Fixed Assets and Depreciation

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

(iii) Stocks

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

(iv) Transfer Fees

Transfer fees payable and receivable are dealt with in the profit and loss account in the year in which the transfer contract is signed.

(v) Grants

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

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

(vi) Deferred Taxation

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

(vii) Signing-on Fees and Loyalty Bonuses

The prior year adjustment, noted in last year's Annual Report and Statement of Accounts, relates to a change in accounting policy. It stated that the Board believed, and continues to believe, that signing-on fees represent a normal part of the employment cost of the player and as such should be charged to the profit and loss account in the period in which the payment is made.

2 TURNOVER		1998 £	1997 £
Match receipts and income from related footballing activities		19,049,000	15,529,974
Commercial and sundry income		3,615,943	3,351,987
		<u>22,664,943</u>	<u>18,881,961</u>
3 COST OF SALES		1998 £	1997 £
Match related			
- Professional costs		11,866,369	6,507,335
- Catering expenses		1,476,940	1,396,221
- Other costs		1,521,988	1,475,836
Merchandising		1,995,744	2,441,961
		<u>16,861,041</u>	<u>11,821,353</u>
4 OTHER INCOME		1998 £	1997 £
Donations from development associations		166,548	154,997
Rents receivable		12,018	7,902
		<u>178,566</u>	<u>162,899</u>
5 OPERATING PROFIT		1998 £	1997 £
<i>The operating profit is stated after charging:</i>			
Depreciation		325,321	246,748
Loss on disposal of fixed assets		35,259	-
Costs of capital restructuring		-	96,231
Auditors' remuneration	- for audit	15,450	15,000
	- for other services	6,600	7,456
		<u>-</u>	<u>5,710</u>
6 INTEREST RECEIVABLE		1998 £	1997 £
Bank deposit interest		-	5,605
Other interest		-	105
		<u>-</u>	<u>5,710</u>
7 INTEREST PAYABLE		1998 £	1997 £
On bank overdrafts		521,332	508,374
On hire purchase agreements		2,584	-
On other liabilities		406,693	1,042
		<u>930,609</u>	<u>509,416</u>
8 TRANSFER FEES		1998 £	1997 £
Transfer fees payable and related levies		(10,383,503)	(17,023,960)
Transfer fees receivable		10,405,000	11,475,166
		<u>21,497</u>	<u>(5,548,794)</u>

9 PARTICULARS OF EMPLOYEES

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

	1998 Number	As restated 1997 Number
Playing, training and management	63	57
Youth Academy	8	3
Football in the Community	10	2
Management and administration	64	64
Catering and sales	50	51
	<u>195</u>	<u>177</u>

Aggregate payroll costs were as follows:	1998 £	As restated 1997 £
Wages and salaries	12,590,391	8,863,429
Social security costs	1,062,107	859,381
Other pension costs	192,571	65,082
	<u>13,845,069</u>	<u>9,787,892</u>

Prior year comparatives have been restated to bring the analysis in line with that of the current year.

Other pension costs comprise contributions made by the Company in respect of the majority of its permanent employees to pension schemes which are independently administered by the Football League Limited, together with contributions made to individual pension contracts with insurance companies under agreements with certain employees. All pension arrangements are defined contribution schemes and contributions are charged to the profit and loss account in the year to which they relate.

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

10 TAXATION

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

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

11 TANGIBLE FIXED ASSETS

	Properties £	Plant and equipment £	Vehicles £	Total £
Cost or valuation at 1 June 1997	14,581,890	1,941,212	160,146	16,683,248
Grants	(5,000)	(5,000)	-	(10,000)
Additions	490,734	156,259	85,389	732,382
Disposals	(157,459)	(4,763)	-	(162,222)
At 31 May 1998	<u>14,910,165</u>	<u>2,087,708</u>	<u>245,535</u>	<u>17,243,408</u>
Depreciation at 1 June 1997	-	1,193,136	102,340	1,295,476
Provided during year	-	281,556	43,765	325,321
On disposals	-	(4,763)	-	(4,763)
At 31 May 1998	-	<u>1,469,929</u>	<u>146,105</u>	<u>1,616,034</u>
Net book value At 31 May 1998	<u>14,910,165</u>	<u>617,779</u>	<u>99,430</u>	<u>15,627,374</u>
At 31 May 1997	<u>14,581,890</u>	<u>748,076</u>	<u>57,806</u>	<u>15,387,772</u>

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

The Club's premises at Goodison Park (including the Megastore), the training grounds at Bellefield and Netherton, together with certain minor residential properties were revalued by Edward Symmons & Partners, Chartered Surveyors in 1996.

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

The valuation of the training grounds has been prepared on an existing use value basis, and the residential properties have been revalued at open market value basis with the benefit of full vacant possession or subject to and with the benefit of the various leases/agreements as appropriate.

The net book value of vehicles of £99,430 includes an amount of £64,042 of assets held under hire purchase agreements.

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

	1998 £	1997 £
Cost	9,147,871	8,832,260
Aggregate depreciation	177,293	177,293
Net book value	8,970,578	8,654,967

12 STOCKS

	1998 £	1997 £
Refreshments, souvenirs and goods for resale	243,970	329,934
Maintenance stocks	8,905	8,905
	252,875	338,839

13 DEBTORS

	1998 £	1997 £
Trade debtors - within one year	4,025,168	3,592,408
- greater than one year	-	4,000,000
Other debtors	3,083	8,935
Prepayments and accrued income	554,791	221,489
	4,583,042	7,822,832

14 CREDITORS

	1998 £	1997 £
Amounts falling due within one year		
Trade creditors	2,282,231	7,333,010
Social security and other taxes	417,567	81,965
Hire purchase	23,312	-
Other creditors	56,165	1,854
Accruals and deferred income	1,900,354	1,572,259
	4,679,629	8,989,088
Bank overdraft	4,655,764	4,413,894
	9,335,393	13,402,982

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

15 CREDITORS

Amounts falling due after more than one year
Hire purchase creditors due within five years

1998
£
39,628

1997
£
-

16 EQUITY SHARE CAPITAL

Authorised:

35,000 stock units of £1 each

1998
£

35,000

1997
£

35,000

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

35,000

35,000

17 RESERVES

Share
Premium
Account
£

Revaluation
Reserve
£

Profit and
Loss Account
£

Balance at 1 June 1997
Profit for the year

24,967,500
-

5,663,617
-

(20,483,279)
945,927

Balance at 31 May 1998

24,967,500

5,663,617

(19,537,352)

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit/(Loss) for the year
New share capital subscribed, including premium

1998
£
945,927
-

1997
£
(2,890,025)
15,000,000

Net addition to shareholders' funds
Shareholders' funds at 1 June 1997

945,927
10,182,838

12,109,975
(1,927,137)

Shareholders' funds at 31 May 1998

11,128,765

10,182,838

19 CASH FLOW STATEMENT

(a) *Reconciliation of operating profit to operating cash flows:*

Operating profit
Depreciation charges
Loss/(profit) on sale of tangible fixed assets
Decrease in stocks
Increase in debtors
Increase/(Decrease) in creditors
Rights Issue costs

1998
£
1,855,039
325,321
35,259
85,964
(1,610,210)
148,279
-

1997
£
3,162,475
246,748
(6,000)
345,999
(8,099)
(832,789)
96,231

Cash flow from operating activities

839,652

3,004,565

*(b) Analysis of
changes in Net Debt*

	At 1 June 1997 £	Cash flows £	Non-cash change £	At 31 May 1998 £
Cash at bank and in hand	36,377	4,118	-	40,495
Bank overdrafts	(4,413,894)	(241,870)	-	(4,655,764)
	(4,377,517)	(237,752)	-	(4,615,269)
Hire purchase agreements	-	(11,670)	(51,270)	(62,940)
	(4,377,517)	(249,422)	(51,270)	(4,678,209)

FUTURE CAPITAL EXPENDITURE

	1998 £	1997 £
Capital expenditure approved but not contracted for	2,500,000	-
Capital expenditure contracted for but not provided for in these accounts amounted to	221,000	-

CONTINGENT LIABILITIES

No provision is included in the accounts for transfer fees of £2,892,750 which are contingent upon future appearances of certain players, and signing-on fees and loyalty bonuses of £8,357,430 which will become due to certain players if they are still in the service of the Club on specific future dates.

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

We have audited the financial statements on pages 11 to 19.

Respective Responsibilities of Directors and Auditors

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

Basis of Opinion

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

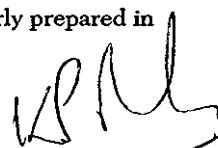
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 May 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Princes Parade
Liverpool
L3 1QH

10 August 1998



KPMG

Chartered Accountants
Registered Auditors

FIRST TEAM RESULTS 1997-98

<i>Date</i>		<i>Venue</i>	<i>Opponent</i>	<i>Result</i>	<i>Attendance</i>	<i>Points</i>	<i>Position</i>
August	9	Home	Crystal Palace	1-2	35,716	-	-
August	23	Home	West Ham United	2-1	34,356	3	11
August	27	Home	Manchester United	0-2	40,079	3	15
September	1	Away	Bolton Wanderers	0-0	23,131	4	14
September	13	Away	Derby County	1-3	27,828	4	18
September	16	Away	Scunthorpe United (CCC)	1-0	7,145	-	-
September	20	Home	Barnsley	4-2	32,659	7	13
September	24	Away	Newcastle United	0-1	36,705	7	16
September	27	Home	Arsenal	2-2	35,457	8	16
October	1	Home	Scunthorpe United (CCC)	5-0	11,562	-	-
October	4	Away	Sheffield Wednesday	1-3	24,486	8	18
October	15	Away	Coventry City (CCC)	1-4	10,087	-	-
October	18	Home	Liverpool	2-0	40,112	11	15
October	25	Away	Coventry City	0-0	18,760	12	16
November	2	Home	Southampton	0-2	29,565	12	17
November	8	Away	Blackburn Rovers	2-3	25,397	12	17
November	22	Away	Aston Villa	1-2	36,389	12	20
November	26	Away	Chelsea	0-2	34,148	12	20
November	29	Home	Tottenham Hotspur	0-2	36,670	12	20
December	6	Away	Leeds United	0-0	34,869	13	19
December	13	Home	Wimbledon	0-0	28,533	14	19
December	20	Away	Leicester City	1-0	20,628	17	19
December	26	Away	Manchester United	0-2	55,167	17	19
December	28	Home	Bolton Wanderers	3-2	37,149	20	18
January	4	Home	Newcastle United (FAC 3)	0-1	20,885	-	-
January	10	Away	Crystal Palace	3-1	23,311	23	15
January	18	Home	Chelsea	3-1	32,355	26	13
January	31	Away	West Ham United	2-2	25,909	27	14
February	7	Away	Barnsley	2-2	18,672	28	15
February	14	Home	Derby County	1-2	34,876	28	16
February	23	Away	Liverpool	1-1	44,501	29	16
February	28	Home	Newcastle United	0-0	37,972	30	16
March	7	Away	Southampton	1-2	15,102	30	16
March	14	Home	Blackburn Rovers	1-0	33,423	33	16
March	28	Home	Aston Villa	1-4	36,471	33	17
March	4	Away	Tottenham Hotspur	1-1	35,624	34	17
March	11	Home	Leeds United	2-0	37,099	37	15
April	13	Away	Wimbledon	0-0	15,131	38	16
April	18	Home	Leicester City	1-1	33,642	39	16
April	25	Home	Sheffield Wednesday	1-3	35,497	39	17
May	3	Away	Arsenal	0-4	38,269	39	18
May	10	Home	Coventry City	1-1	40,109	40	17

CCC = Coca-Cola Cup FAC = FA Cup

FA CARLING PREMIERSHIP FINAL LEAGUE PLACINGS 1997-98

	<i>Ave Attendance</i>	<i>P</i>	HOME					AWAY					<i>Pts</i>
			<i>W</i>	<i>D</i>	<i>L</i>	<i>F</i>	<i>A</i>	<i>W</i>	<i>D</i>	<i>L</i>	<i>F</i>	<i>A</i>	
Arsenal	38,050	38	15	2	2	43	10	8	7	4	25	23	78
Manchester United	55,168	38	13	4	2	42	9	10	4	5	31	17	77
Liverpool	40,628	38	13	2	4	42	16	5	9	5	26	26	65
Chelsea	32,901	38	13	2	4	37	14	7	1	11	34	29	63
Leeds United	34,711	38	9	4	5	31	21	8	3	8	26	25	63
Blackburn Rovers	25,253	38	11	4	4	40	26	5	6	8	17	26	59
Aston Villa	36,136	38	9	3	7	26	24	8	3	8	23	24	57
West Ham United	24,967	38	13	4	2	40	18	3	4	12	16	39	56
Derby County	29,105	38	12	3	4	33	18	4	4	11	19	31	55
Leicester City	20,615	38	6	10	3	21	15	7	4	8	30	26	53
Coventry City	19,718	38	8	9	2	26	17	4	7	8	20	27	52
Southampton	15,159	38	10	1	8	28	23	4	5	10	22	32	48
Newcastle United	36,680	38	8	5	6	22	20	3	6	10	13	24	44
Tottenham Hotspur	29,143	38	7	8	4	23	21	4	3	12	21	34	44
Wimbledon	16,675	38	5	6	8	18	25	5	8	6	16	21	44
Sheffield Wednesday	28,709	38	9	5	5	30	26	3	3	13	22	41	44
Everton	35,376	38	7	5	7	25	27	2	8	9	16	29	40
Bolton Wanderers	24,352	38	7	8	4	25	22	2	5	12	16	39	40
Barnsley	18,449	38	7	4	7	25	35	3	1	15	12	47	35
Crystal Palace	21,983	38	2	5	12	18	39	6	4	9	22	32	33

FA CARLING PREMIERSHIP FIXTURES 1998-99

<i>Date</i>	<i>Venue</i>	<i>Opponent</i>	<i>Date</i>	<i>Venue</i>	<i>Opponent</i>
August 15	Home	Aston Villa	January 16	Away	Aston Villa
August 22	Away	Leicester City	January 23		FA Cup 4
August 29	Home	Tottenham Hotspur	January 30	Home	Nottingham Forest
September 8	Away	Nottingham Forest	February 6	Away	Derby County
September 12	Home	Leeds United	February 13	Home	Middlesbrough
September 19	Away	Middlesbrough			FA Cup 5
September 26	Home	Blackburn Rovers	February 20	Away	Leeds United
October 3	Away	Wimbledon	February 27	Home	Wimbledon
October 17	Home	Liverpool	March 6	Away	Blackburn Rovers
October 24	Away	Sheffield Wednesday			FA Cup 6
October 31	Home	Manchester United	March 13	Home	Arsenal
November 7	Away	Arsenal	March 20	Away	Manchester United
November 15	Away	Coventry City	April 3	Away	Liverpool
November 23	Home	Newcastle United	April 5	Home	Sheffield Wednesday
November 28	Away	Charlton Athletic	April 11	Home	Coventry City
December 5	Home	Chelsea			FA Cup Semi-final
December 12	Home	Southampton	April 17	Away	Newcastle United
December 19	Away	West Ham United	April 24	Home	Charlton Athletic
December 26	Home	Derby County	May 1	Away	Chelsea
December 28	Away	Tottenham Hotspur	May 8	Home	West Ham United
January 2		FA Cup 3	May 16	Away	Southampton
January 9	Home	Leicester City	May 22		FA Cup Final

H o n o u r s

First Division Champions

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

Runners-up

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

Second Division Champions

1930/31

Runners-up

1953/54

FA Cup Winners

1906, 1933, 1966, 1984, 1995

Runners-up

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

Football League Cup Runners-up

1976/77, 1983/84

FA Charity Shield Winners

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

European Cup-Winners' Cup Holders

1984/85

FA Youth Cup Winners

1964/65, 1983/84, 1997/98

Runners-up

1960/61, 1976/77, 1982/83