COMPANY REGISTRATION NUMBER: 36624

ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2001 OF THE EVERTON FOOTBALL CLUB COMPANY LIMITED

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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/SECETARY

M J Dunford

REGISTERED OFFICE

Goodison Park
Liverpool
L4 4EL

AUDITORS

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

BANKERS

The Co-operative Bank PLC
1 Bold Street
Liverpool
L1 4NW

REGISTRARS

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

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twenty second 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 3 December 2001 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 31 May 2001.

2. To re-elect Directors. In accordance with the provision of Article 18.2, Sir P D Carter CBE and W Kenwright CBE retire by rotation, and being eligible, offer themselves for re-election. Nominations have also been been received on behalf of Professor T Cannon and K B Nolan.

3. To re-appoint Deloitte & Touche 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
MJ Dunford
Company Secetary
Goodison Park
Liverpool
L4 4EL

6 November 2001 2000

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 4 December 2001 2000.

CHAIRMANS STATEMENT

Review of last season

Not for the first time in recent years, the over-riding emotion felt by everyone connected with the club at the end of the season just passed was one of pure, undiluted relief.

It was the sense of relief engendered by the simple preservation of our place in the Premiership – amongst English football's elite.

Of course, after a summer of much activity within the transfer market, we had entered the campaign with such high hopes, with a pronounced sense of renewed optimism following the signings of Duncan Ferguson, Niclas Alexandersson, Alex Nayarko, Allessandro Pistone, Idan Tal and Steve Watson.

At Everton we have always tried to deal in harsh realities rather than proffer lame excuses but, on this occasion at least, I do believe there to have been mitigating circumstances which both served to dramatically weaken our manager's hand and thus, by implication, dilute the potential of our senior side.

Walter Smith is one of British football's most established managerial figures but, I suspect, he would be amongst the first to acknowledge that the injury problems we encountered during the course of last season were the worst he can remember in what has been a lengthy and varied career.

The facts speak for themselves; six players, Duncan Ferguson, Paul Gascoigne, Richard Gough, Francis Jeffers, Alessandro Pistone and Abel Xavier only managed 57 appearances collectively throughout the season. However, all that having been said the general performances were not of an acceptable level.

The 2000/2001 season resulted in a points tally of 42 which was 8 down on the previous season culminating in our finishing 16th place in The FA Premier League, three places down on the previous campaign.

Despite injury problems this was an extremely disappointing result and as you would expect, it was a situation which was thouroughly discussed between the board and the manager.

It is clear that we under-achieved; to suggest that there is plenty of room for improvement would be to understate things.

But, there were occasional shafts of light to illuminate what was, in truth, a gloomy season of only limited progress.

It would seem that the green shoots of a grass-roots recovery are now breaking surface. We took much satisfaction and understandable pride from the splendid season-long efforts of both our reserve and Under-19 youth teams, the former winning

the Northern Section of the FA Premier Reserve League, the latter finishing top in the FA Premier Academy League.
Once again it was the level of sustained and loyal support which was to prove a season's one, true abiding memory.

Whilst, I have never, once taken for granted the loyalty of that support, the devotion of those whose passion in life is Everton Football Club never ceases to amaze me.

Our average league attendance of 34,130 represented the 9th highest in the Premier League. Season ticket sales again reached over 21,000 and the Club's record receipts of £730,000 were reached when we played Manchester United in September 2000.

It is they, the supporters, who continue to provide the bedrock upon which we must all strive to build something of merit and durability.

We would like to place on record our thanks to the Co-operative Bank for their continued advice and support during the year.

Their understanding of the football industry has enabled them to deal with our problems in a professional but sympathetic manner.

Our new kit manufacturers Puma gave us sterling support during the season and we expect an upturn in our retail performance with the recent employment of our new Retail Manager Mr Guy Buzzard.

Our main Commercial Partner, One-2-One, has again been fully involved in all our activities and we thank them for their full support.

During the year we made two key 'off the field' signings, namely Andy Oldknow as head of Marketing and Ian Ross as Head of Corporate Affairs and Public Relations. Both of these gentlemen we hope will play important roles in the clubs future.

The Shareholders' Association continue to be extremely supportive of the Club and we welcome their constructive involvement.

Our thanks go to all members of staff who have performed their duties so admirably during a difficult season and as usual my appreciation goes, on behalf of you all, to our match day staff and members of the emergency services who continue to safeguard our safety and ensure the comfort of supporters when visiting Goodison Park.

Our thanks to Michael Dunford during his first year as Chief Executive. He and his immediate staff have absorbed an incredible amount of extra work relating to The King's Waterfront Development and the Academy Development, we are very grateful.

I wish to thank my fellow Directors for their support during what has been yet another difficult and challenging year.

Your Board of Directors will continue their vigilance in controlling costs and improving income streams.
We must ensure that the financial benefits of the new TV contracts are not swallowed up purely by transfer fees and escalating player wages.

Sound financial planning and control is vital, but always the Board will be mindful that a successful team is our paramount aim.

I am sure that I speak for all supporters when we wish Walter Smith, his staff and his players every success.

CHAIRMAN'S STATEMENT

Financial Review

The financial results demonstrate strong turnover growth approaching 17% on the previous year. This is largely attributable to the increased payments received as a result of the new broadcasting deal, and has been achieved despite 3 less live games and 3 less merit places compared to the 1999/2000 season.

You may have noticed the change in format of the Profit and Loss Account for the year. The new format has been introduced in order to conform to best industry accounting practise. The format allows the user to separately identify player trading, together with the core operations excluding player trading, while also viewing the overall results. It is anticipated that the majority of FA Premier League Clubs will adopt this format for the financial year covering the 2000/01 season.

You will see that the new format of the Profit and Account shows increases on "Cost of Sales" (primarily due to increased wages of professional players) and "Other operating costs" (included in which is pre-season expenditure in excess of £1m incurred in enhancing the stadium, money has been generally agreed to have been well spent and gave the "old lady" a much needed face-lift). In addition, you will note the overall loss of £3.7m, a significant reduction on the equivalent figures of £11.2m and £10.8m in the previous 2 years, in turn largely attributable to the £10.7m profit on disposal of players during the year.

I would also draw your attention to the net book value of intangible assets shown in the balance sheet of £25.1m, a value yielded by the FRS10 calculations. In fact, the insured value of the playing squad at the year end was £66.6m and this should be borne in mind when considering the intangible asset figure. The difference in these two figures is largely due to the fact that the FRS10 calculation places no value on players developed through our Youth Academy.

The final point I wish to make concerns our level of debt. Clearly the debt levels apparent from these financial statements were unsustainable and the Board have taken steps to remedy this since the year end. It should be remembered that a net £10m was spent last season on strengthening the squad in anticipation of our concluding a lucrative media deal which unfortunately was aborted by the media group within hours of the anticipated signing. The sales of Jeffers and Ball, both of whom are products of our Youth Academy, have made significant inroads in reducing our borrowings and balancing our transfer budget.

Neither of these players, incidentally, had any value attributed to them in the balance sheet at the year end, and this underlines the point I have made in the previous paragraph. Whilst good progress has been made in reducing these debt levels, the Board will continue to make every effort to sustain this improvement.

CHAIRMANS STATEMENT

King's Waterfront Development

In years to come people will look back on the summer of 2001 as a defining period, a watershed, in the history of our club.

On Monday, July 23, a group of, perhaps, 100 people gathered in Liverpool's famous Maritime Museum to hear formal, public confirmation of a decision which, ultimately, may well come to affect and influence the lives of successive generations of Everton supporters.

After almost a year of preparation, debate, planning and, it must be said, extraordinary hard work on many differing fronts, English Partnerships confirmed Everton Football Club as the preferred bidder for the prestigious Kings Waterfront site.

Although there are still hurdles to be cleared before the dream becomes a reality, we, clearly, do now stand on the threshold of a new era, a new beginning.

The work undertaken by Bill Kenwright and by director Paul Gregg must not be underestimated.

In many respects the conferring upon us of preferred bidder status does no more than draw a line in the sand between two distinct, yet quite differing, phases of what is a monumental and challenging project.

Indeed, there are those who were closely involved in the preparation our of bid who would argue that the really hard work, the truly arduous tasks, still lies ahead.

However, I remain absolutely convinced that we can now move forwards with a sense of unity and purpose and complete the job we started all those months ago.

Everton's participation in the total scheme is central to the success of the entire development, a project that will establish the city of Liverpool as the premier cultural, sporting and entertainment destination of the north-west.

Everton's maximum contribution to acquire our 49 per cent equity will be approximately £29 million. However, our professional advisors suggest that this figure may well reduce as the project progresses.

These funds will be generated in the main from a commercial mortgage secured against our assets in the new development and from the sale proceeds of Goodison Park, all supported, obviously, by the anticipated considerable uplift in both ticket and commercial incomes generated by the new stadium.

An independent " due diligence " report, carried out by KPMG at the behest of Liverpool Vision, concluded that the assumptions held within our plan were, " commercially robust. "

Of course, there is a certain sadness attached to what will unquestionably come to represent the biggest, single project in our club's long history.
If, as we now all anticipate, our new stadium is ready for use at the start of the 2005-2006 season, the leaving of Goodison Park after more than a century will be a painful, almost traumatic, event.

I fully sympathise with those amongst our support who have chosen to adopt a traditionalist stance by insisting we should remain at our current home.

Like every other supporter, my affection for Goodison Park runs very deep indeed but I do feel that if we are once again to blossom into a club of prominence within both English and European footballing circles we must move on; the time is right.

As our deputy-chairman, Bill Kenwright said recently, whilst bulldozers can destroy buildings they cannot erase happy memories.

CHAIRMANS STATEMENT

Communications

In April we made another key appointment, convincing Ian Ross that he should lower the curtain on a 27-year career in newspaper journalism in order that he might oversee an overhaul of the club's media, public relations and corporate affairs sectors.

In an attempt to ensure that our club becomes the most open and the most media-friendly within the Premiership, Ian has reorganised, streamlined and modified what, broadly, could be said to be the Communications Department.

During his time with the Liverpool Daily Post and Echo, The Times, The Daily Telegraph and The Guardian, Ian enjoyed a very close working relationship with our club and I feel certain that his vast experience will serve us well in the years ahead.

Marketing

Andy Oldknow and his dedicated team had their five-year strategic marketing plan approved by the board of directors in early August.

The plan indicates the short, medium and long-term changes that we feel will be required to ensure both continuity and success away from the field-of-play.
The plan covers every commercial revenue generator within the business and the development of Everton as a brand proposition.

A " brand manual " is currently being produced along with guidelines for the business, our external partners and agencies.

To ensure that a consistent and professional image of Everton is always portrayed, all marketing functions have now been centralised.

A new Commercial Manager has been appointed to redevelop the retail and mail-order operation.

The launch of the club's new, silver away strip proved to be both hugely popular and highly successful with total sales already have topped the £300,000 mark.

The junior supporters club – the JBlues – was re-launched in late August in association with the Liverpool Echo and the level of interest has been such that by the end of October membership may well have reached around 8,000.

Whilst turning around – and thus revitalising - the club's marketing strategy will prove both difficult and time-consuming, I do feel confident we are making excellent progress.

CHAIRMANS STATEMENT

Youth Academy

The Board of this club has always maintained its total and unswerving commitment to the Youth Development Program – and that is a commitment I am happy to re-emphasise again here.

Whilst I would concede that our current facilities do not yet compare favourably with those of some of our contemporaries, I must stress that it has always been the understanding that once the King's Waterfront project was underway, our focus, our attentions, would immediately be directed towards improving those facilities.

It is now 12 months since the Board commissioned a feasibility study on 12 sites deemed to have sufficient potential for development; that list has now been reduced to three.

At this stage it would be wrong, indeed foolish, to identify those sites as it may well have a detrimental effect on our negotiating stance with the current owners.

It is envisaged that both the professional and academy training facilities will be combined on the one site. Detailed plans have now been developed and we hope to have secured a site before next Spring.

It is the wish of the Board to create a complex with facilities which would bear comparison with any similar development in Europe, a complex which would not only serve well the current generation of senior player but also help to produce the next generation.

As is the case with the King's Waterfront development, only the very best will satisfy us.

In terms of the last 12 months, our Academy department can be justifiably proud of its record as one of the country's major developers of young talent.

Ray Hall and his team deserve the most fulsome praise for their efforts and, rather like those who work in the Football in the Community section, the fact that they do not always enjoy the highest of public profiles in no way means they are not appreciated.

Also fully appreciated is the dedication of director Keith Tamlin and his wife Marion who support the youth trainees through the vagaries of the English weather.

Once again, our participation in the F.A. Premier Reserve, Academy Leagues and Schoolboy programme proved to be very successful in terms of results, performance and, of course, the development of young talent.

Our Academy is now a pioneer on many quite differing fronts, particularly in the encouragement and subsequent nurturing of boys as young as six years old.

Although this may seem to many to be a very early age to be working with players, I must stress that the emphasis is solely upon the promotion of what we have labelled, " fun football ", that's to say we expect these youngsters to have a broad smile upon their faces as they embark upon a journey which, who knows, may one day end with them representing our club at the very highest level.

A system of video analysis has been introduced for all matches involving our teams from the Under-8s through to the first team and our Academy is being used by the Premier League to monitor a new course designed to improve the performance of scouts; it takes an expert eye to isolate the potential stars of the future and we are determined that we shall not be left wanting.

Three more players who made their way through the Academy made their senior debuts during the past 12 months – Kevin McLeod, Peter Clarke and Tony Hibbert – whilst two of our high-profile Youth Development players, Michael Ball and Francis Jeffers, have now left our club for pastures new; we wish them every success in their chosen career path.

CHAIRMANS STATEMENT

Football in the Community

I have no hesitation at all in describing the last 12 months as another hugely successful period for our Club`s Football in the Community department, one which saw both sustained excellence and admirable progress on many quite differing fronts.

Our deputy chairman Bill Kenwright takes a keen and positive interest in all aspects of this vital activity between our club and the local community.

I have long regarded those who work within what is a closely-knit and highly-unified section as amongst the club`s unsung heroes - that is to say their tireless endeavours are not always immediately recognised.
The high-spot of a year of many peaks undoubtedly came in June when the Prime Minister, Tony Blair, and his wife, Cherie, visited our Extra Time Study Centre, a facility I, myself, had officially opened just a matter of a few weeks earlier.

Under the stewardship of the indefatigable Ken Heaton, the Study Centre has already proved to be an enormous success, providing children from the local community with an opportunity to take their first steps forward onto the so-called Information Superhighway.

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

Our three disabled teams competed in the All-England Championships after winning their regional tournaments. Coached by Dave Connor and Mark Elliott, these players train on a weekly basis at our Academy and the squad now boasts four internationals.

The final of the Everton/McDonalds Tournament was staged at Goodison Park prior to the final senior fixture of last season whilst 60 youngsters from Connecticut in the United States attended our Easter residential school.

Education Action Zone formed a partnership with the Community programme to deliver practical coaching and educational activities in areas of the city which are acknowledged to contain socially disadvantaged groupings.
In all, more than 1,000 youngsters took part in what was a six-week programme.

A partnership between the Football in the Community and the Merseyside Police Initiative worked with socially-excluded youngsters in the Netherley district of Liverpool, delivering a ten-week programme of practical and social issues.

Finally, a team from Our Lady of Walsingham in Netherton represented our Football in the Community programme in the RailTrack six-a-side tournament, winning the area finals in Blackburn.

Ted Sutton and his most able colleagues are to be congratulated on another year of diligence and high productivity.

DIRECTORS' REPORT

The directors present their report and the financial statements of the Company for the year ended 31 May 2001.

Principal Activity

The principal activity of the Company continues to be that of a professional football club. The Company 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 18 of the financial statements. A review of the Company's business and future developments is set out in the Chairman's Report.

Dividend and Transfers to Reserves

The loss for the year amounted to £3,883,783 (2000 - £11,169,099) which has been withdrawn from reserves.

The directors do not recommend the payment of a dividend. (2000 – nil)

Post Balance Sheet Events

A full description of these events can be found in note 25.

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 Shares	
	31 May 2001	31 May 2000
Sir Philip Carter CBE	721	721
W Kenwright	556	556
KM Tamlin	119	119
AJL Abercromby	105	105
P R Gregg	0	0
J V Woods (appointed 02/03/00)	216	216
Lord Granchester (resigned 29/12/00)	2773	2773

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 director's individual shareholdings in True Blue Holdings Limited can be found in their accounts.

The Board has determined that with effect from 30 December 2000 the maximum number of directors shall remain at six.

In accordance with the Articles of Association , Sir P D Carter CBE and W Kenwright CBE retire by rotation, and being eligible, offer themselves for re-election.
Nominations have also been received on behalf of professor T Cannon, S R Lewis and K B Nolan.

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, Deloitte and Touche, have signified their willingness to continue in office if re-appointed at the forthcoming annual general meeting.

Approved by the Board on 6 November 2001 and signed on its behalf by

M.J. Dunford, Company Secretary

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

We have audited the financial statements on pages 18 to 31

Respective Responsibilities of Directors and Auditors

As described on page 16 the company's directors are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accountancy standards. 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, 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 at 31st May 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants
Registered Auditors

Martins Building
4 Water Street
Liverpool L1 4NW

6 November 2001

PROFIT AND LOSS ACCOUNT
For the year ended 31st May 2001

	Notes	2001 Operations excluding player trading	2001 Player trading	2001 Total	2000 Total
		£	£	£	£
Turnover	3	32,852,568	-	32,852,568	28,140,859
Cost of sales	4	(28,240,446)	(9,605,587)	(37,846,033)	(30,708,725)
Gross profit/(loss)		4,612,122	(9,605,587)	(4,993,465)	(2,567,866)
Other income	5	214,978	-	214,978	255,973
Other operating costs	6	(8,012,225)	-	(8,012,225)	(6,595,217)
Operating Loss	7	(3,185,125)	(9,605,587)	(12,790,712)	(8,907,110)
Profit/(Loss) on disposal of players' registrations		-	10,741,596	10,741,596	(991,428)
Profit/(Loss) before interest and taxation		(3,185,125)	1,136,009	(2,049,116)	(9,898,538)
Interest receivable	8			-	6,481
Interest payable	9			(1,603,702)	(1,277,042)
Loss on ordinary activities before taxation				(3,652,818)	(11,169,099)
Taxation	11			-	-
Loss for the year after taxation, transferred from reserves	21			(3,652,818)	(11,169,099)

All the above amounts relate to continuing operations.

Note:
To accord with developing industry best accounting practice, cost of sales of £30,708,725 shown in the year ended 31st May 2000 has been restated to include amortisation of players' registrations of £8,396,006 which was previously disclosed as a separate caption on the face of the profit and loss account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001	2000
	£	£
Loss for the Financial Year	(3,652,818)	(11,169,099)
Total recognised losses during the year	(3,652,818)	(11,169,099)
Prior year adjustments (note 2)	-	(1,503,000)
Total losses and gains recognised since last annual report	(3,652,818)	(12,672,099)

HISTORICAL COST PROFIT AND LOSSES

	2001	2000
	£	£
Loss on ordinary activities before taxation	(3,652,818)	(11,169,099)
Difference between the histrical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	297,000	364,000
Historical cost loss on ordinary activities before taxation	(3,355,818)	(10,805,099)

BALANCE SHEET
At 31st May 2001

	Notes	2001		2000	
		£	£	£	£
Fixed Assets					
Intangible Assets	12		25,112,687		13,311,994
Tangible Assets	13		14,359,353		14,979,583
			39,472,040		28,291,577
Current Assets					
Stocks	15	326,101		355,815	
Debtors	16	7,586,212		3,880,457	
Cash at bank and in hand		34,990		44,420	
		7,947,303		4,280,692	
Creditors					
Amounts falling due within one year	17	(29,502,716)		(20,438,052)	
Net Current Liabilities			(21,555,413)		(16,157,360)
Total Assets Less Current Liabilities			17,916,627		12,134,217
Creditors					
Amounts falling due after more than one year	18		(11,737,226)		(2,955,976)
Provision for liabilities and charges	19		(2,453,978)		(1,800,000)
Net Assets			3,725,423		7,378,241
Capital and Reserves					
Called up share capital	20		35,000		35,000
Share premium account	21		24,967,500		24,967,500
Revaluation reserve	21		3,136,818		3,136,818
Profit and loss account - deficit	21		(24,413,895)		(20,761,077)
Equity shareholders' funds	22		3,725,423		7,378,241

The financial statements were approved by the Board on 6 November 2001 and signed on its behalf by

Sir Philip Carter CBE & W Kenwright
Directors

CASH FLOW STATEMENT
For the year ended 31st May 2001

	Notes	2001		2000	
		£	£	£	£
Cash (outflow)/inflow from operating activities	23a		(1,236,153)		478,812
Returns on investment and servicing of finance					
Interest received		-		6,481	
Interest paid		(1,689,391)		(1,260,167)	
Finance lease interest		(3,410)		(4,553)	
Net cash outflow from returns on investments and servicing finance			(1,692,801)		(1,258,239)
Taxation			-		-
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(20,928,464)		(10,739,156)	
Purchase of tangible fixed assets		(615,889)		(437,056)	
Grants from The Football Association		-		100,000	
Proceeds from the disposal of tangible fixed assets		9,578		57,993	
Proceeds from the disposal of intangible fixed assets		10,010,299		12,935,124	
Net cash (outflow)/inflow from capital expenditure and financial investment			(11,524,476)		1,916,905
Net cash (outflow)/inflow before financing			(14,453,430)		1,137,478
Financing					
Increase in borrowings		27,020,000		-	
Repayment of loans		(6,151,536)		-	
Capital element of hire purchase payments		(5,241)		(23,312)	
Net cash inflow/(outflow) from financing			20,863,223		(23,312)
Increase in cash	23b		6,409,793		1,114,166

NOTES TO THE ACCOUNTS
For year ended 31 May 2001

1 **ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable 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) 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.

(iii) 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.

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

(iv) Stocks

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

(v) 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.

(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) Intangible Fixed Assets

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

(viii) Contingent Appearance Fees

Where the directors consider the likelihood of a player meeting future appearance criteria laid down in his transfer agreement to be probable, provision for this cost is made (see note 19). If the likelihood of meeting these criteria is not probable, then no provision is made (see note 24).

(ix) 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.

(x) Signing-on Fees and Loyalty Bonuses

The Board believe that signing-on fees represent a normal part of the employment cost of the player and as such should be charged to the profit and loss account in the period in which the payment is made, 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 24).

(xi) 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 PRIOR PERIOD ADJUSTMENTS

The following adjustments to accounting policies were made in the year ended 31 May 2000:-

(i) Accounting policy in respect of the treatment of grants towards freehold properties.

(ii) Accounting policy in respect of the treatment of signing-on fees and termination payments due to players on transfer, or cessation, of their registration at the club.

3 TURNOVER

	2001	2000
	£	£
Match receipts and income from related footballing activities	28,608,877	24,070,692
Commercial and other income	4,243,691	4,070,167
	32,852,568	28,140,859

4 COST OF SALES

	2001	2000
	£	£
Match Related		
Professional costs	23,086,994	17,273,692
Catering expenses	1,408,917	1,381,518
Other costs	1,239,621	1,650,186
Merchandising	2,504,914	2,007,323
Amortisation of players' registrations (note 12)	9,605,587	8,396,006
	37,846,033	30,708,725

5 OTHER INCOME

	2001	2000
	£	£
Donations from development associations	212,735	251,404
Rents receivable	2,243	4,569
	214,978	255,973

6 OTHER OPERATING COSTS

	2001	2000
	£	£
Other operating costs included the following exceptional costs/ (credits) relating to the company:		
Legal and Professional Costs in relation to the purchase of the majority shareholding by True Blue Holdings Limited	-	513,042
Pension (release)/provision for obligations arising from the deficit in the Football League Limited Pension and Life Assurance Scheme (see note 10)	(392,022)	750,000
	(392,022)	1,263,042

7 OPERATING LOSS BEFORE AMORTISATION OF PLAYERS' REGISTRATIONS

	2001	2000
	£	£
The operating loss before amortisation of players' registrations is stated after charging:		
Depreciation - Property	638,462	633,804
Depreciation - Other	576,456	534,272
Loss on disposal of fixed assets	11,638	58,523
Operating lease rentals		
Motor vehicles	92,083	29,373
Office Equipment	15,618	12,368
Auditors' remuneration		
For audit	20,000	16,500
For other services	185,612	5,000

8 INTEREST RECEIVABLE

	2001	2000
	£	£
Interest on rate rebates	-	6,481

9 INTEREST PAYABLE

	2001 £	2000 £
On bank overdrafts	973,045	1,062,149
On finance leases	3,410	4,553
On other loans	627,247	210,340
	1,603,702	1,277,042

10 PARTICULARS OF EMPLOYEES

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

	2001 Number	2000 Number
Playing, training and management	63	66
Youth Academy	23	15
Football in the Community	9	7
Management and administration	62	56
Catering and Sales	57	53
	214	197
Part-Time employees on matchdays	749	792
	963	989

Aggregate payroll costs were as follows:

	2001 £	2000 £
Wages and salaries	23,131,335	19,780,208
Social security costs	2,535,443	2,042,026
Other pension costs	667,122	514,712
	26,333,900	22,336,946

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

The Football League Pension and Life Assurance Scheme has developed a significant deficit. Under the terms of the Pensions Act 1995 where a final salary pension scheme winds up with a deficit, the deficit becomes a statutory unsecured debt payable to the scheme by participating employers. Briefly, this means that every club that has paid contributions to the scheme will have to make a contribution towards the statutory debt arising.

An estimate of Everton Football Club Company Limited's respective contribution to make good the deficit was provided and charged to the profit and loss account in the year ended 31 May 2000. Final confirmation of the amount of the club's contribution has now been received and the excess provision at 31 May 2000 has been released to the profit and loss account in the current year.

The directors received no emoluments from the company during the year (2000 - nil).

11 TAXATION

No tax liability arises during the current year. There are significant tax losses brought forward from earlier years. Details of these losses and deferred taxation can be found in note 19.

12 INTANGIBLE FIXED ASSETS

Year ended 31st May 2001

	Total
	£
Cost at 1st June 2000	26,595,290
Additions in year	24,864,303
Disposals in year	(12,243,639)
At 31st May 2001	39,215,954
Amortisation	
At 1st June 2000	13,283,296
Provided during year	9,605,587
Eliminated on disposals	(8,785,616)
At 31st May 2001	14,103,267
Net Book Value	
At 31st May 2001	25,112,687
At 31st May 2000	13,311,994

13 TANGIBLE FIXED ASSETS

	Properties	Plant and equipment	Vehicles	Total
	£	£	£	£
Cost or valuation at 1st June 2000	14,173,993	2,313,755	107,098	16,594,846
Additions in the year	6,208	603,681	6,000	615,889
Disposals in the year	-	-	(39,300)	(39,300)
At 31st May 2001	14,180,201	2,917,436	73,798	17,171,435
Depreciation				
At 1st June 2000	633,804	923,637	57,822	1,615,263
Provided during the year	638,462	567,937	8,519	1,214,918
On disposals	-	-	(18,099)	(18,099)
At 31st May 2001	1,272,266	1,491,574	48,242	2,812,082
Net book value				
At 31st May 2001	12,907,935	1,425,862	25,556	14,359,353
At 31st May 2000	13,540,189	1,390,118	49,276	14,979,583

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 feel that the value of properties as at 31 May 2001 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:

	2001	2000
	£	£
Cost	10,198,792	10,192,584
Aggregate depreciation	(1,089,559)	(631,097)
Net book value	9,109,233	9,561,487

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

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

	2001	2000
	£	£
Cost	2,718,836	2,298,145
Aggregate depreciation	(2,202,164)	(1,824,013)
Net book value	516,672	474,132

14 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:

	2001	2000
	£	£
Expiring within one year	16,023	1,602
Expiring between two and five years	93,242	68,317
	109,265	69,919

15 STOCKS

	2001	2000
	£	£
Refreshments, souvenirs and goods for resale	315,733	345,449
Maintenance stocks	10,368	10,366
	326,101	355,815

16 DEBTORS

	2001	2000
	£	£
Trade debtors - within one year	6,344,979	3,365,805
Other debtors	432,753	78,572
Prepayments and accrued income	808,480	436,080
	7,586,212	3,880,457

17 CREDITORS

Amounts falling due within one year

	2001	2000
	£	£
Bank loans and overdrafts	18,540,547	15,183,103
Other loans	2,452,013	-
Hire purchase	4,430	16,316
Trade creditors	5,203,046	2,223,972
Social security and other taxes	1,426,345	1,141,741
Other creditors	1,109,581	165,455
Accruals and deferred income	766,754	1,707,465
	29,502,716	20,438,052

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

The bank loans are secured by legal assignment over current debtors and future contracted amounts. Interest is payable at rates of between 1.5-1.75% above the London Bank Offer Rate ("LIBOR")

18 CREDITORS

Amounts falling due after more than one year

	2001	2000
	£	£
Bank loans (secured - see note 17)	2,116,666	-
Other loans	6,523,117	-
Hire purchase creditors due within five years	6,645	-
Trade creditors	723,333	264,668
Accruals and deferred income	2,367,465	2,691,308
	11,737,226	2,955,976

Borrowings	Bank loans and overdrafts		Other loans		Finance leases		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
	£	£	£	£	£	£	£	£
Analysis of borrowings Payable by instalments								
Within one year	18,540,547	15,183,103	2,452,013	-	4,430	16,316	20,996,990	15,199,419
Between one and two years	1,091,667	-	2,381,208	-	4,430	-	3,477,305	-
Between two and five years	1,024,999	-	4,604,871	-	2,215	-	5,632,085	-
Prepaid finance costs	-	-	(462,962)	-	-	-	(462,962)	-
	20,657,213	15,183,103	8,975,130	-	11,075	16,316	29,643,418	15,199,419

19 **PROVISION FOR LIABILITIES AND CHARGES**

	Pensions	Contingent appearance fees (note 1)	2001 Total
	£	£	£
At 1st June 2000	750,000	1,050,000	1,800,000
Additions	-	2,096,000	2,096,000
Disposals	-	(1,050,000)	(1,050,000)
Released in the year	(392,022)	-	(392,022)
At 31st May 2001	357,978	2,096,000	2,453,978

There are no amounts provided for deferred tax at 31 May 2001 or 31 May 2000. The potential liability to deferred taxation not provided in the accounts calculated at a tax rate of 30% (2000-30%), is set out below:

	Not Provided 2001	Not Provided 2000
	£	£
Capital allowances in advance of depreciation	(88,065)	(135,661)
Intangible fixed assets	-	884,768
Other short term timing differences	(8,479,250)	(8,638,882)
	(8,567,315)	(7,889,775)

Included within short term timing differences is a deferred tax asset relating to cumulative trading losses of approximately £28m (2000-£28m) which are available, subject to the agreement of the taxation authorities, to carry forward against future trading income.

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 it.

20 **EQUITY SHARE CAPITAL**

	2001	2000
	£	£
Authorised, alloted, issued and fully paid 35,000 stock units of £1 each	35,000	35,000

21 **RESERVES**

	Share Premium Account	Revaluation Reserve	Profit and Loss Account
	£	£	£
Balance at 1st June 2000	24,967,500	3,136,818	(20,761,077)
Loss for the year	-	-	(3,652,818)
Balance at 31st May 2001	24,967,500	3,136,818	(24,413,895)

22 **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2001	2000
	£	£
Loss for the year and net reduction in shareholders' funds	(3,652,818)	(11,169,099)
Opening Shareholders' funds	7,378,241	18,547,340
Shareholders' funds at 31st May 2001	3,725,423	7,378,241

23 CASHFLOW SATEMENT

(a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2001	2000
	£	£
Loss before interest and tax	(2,049,116)	(9,898,538)
(Profit)/loss on disposal of players	(10,741,596)	991,428
Operating Loss	(12,790,712)	(8,907,110)
Depreciation charge	1,214,918	1,168,076
Release of grants	(63,000)	(63,000)
Loss on sale of tangible fixed assets	11,623	58,523
Amortisation of players' registrations	9,605,587	8,396,006
Decrease in stocks	29,714	54,730
Increase in debtors	(566,435)	(442,766)
Increase in creditors	1,322,152	214,353
Net cash (outflow)/inflow from operating activities	(1,236,153)	478,812

(b) Analysis of changes in net debt	At 1st June 2000	Cash flows	At 31st May 2001
	£	£	£
Cash at bank and in hand	44,420	(9,430)	34,990
Overdraft	(15,183,103)	6,419,223	(8,763,880)
	(15,138,683)	6,409,793	(8,728,890)
Debt due within one year	-	(12,020,620)	(12,020,620)
Debt due after one year	-	(8,847,844)	(8,847,844)
Hire Purchase agreements	(16,316)	5,241	(11,075)
	(15,154,999)	(14,453,430)	(29,608,429)

(c) Reconciliation of movements in Net Debt	2001	2000
	£	£
Increase/(decrease) in cash in the period	6,409,793	1,114,166
Cash inflow from increase in net debt	(20,868,464)	23,312
Cash outflow from decrease in hire purchase financing	5,241	-
Movement in net debt in the year	(14,453,430)	1,137,478
Net Debt as at 1st June 2000	(15,154,999)	(16,292,477)
Net Debt as at 31st May 2001	(29,608,429)	(15,154,999)

24 CONTINGENT LIABILITIES

No provision is included in the accounts for transfer fees of £3,291,750 (2000: £4,175,000) which are, as at 31 May 2001, contingent upon future appearances of certain players, and signing-on fees and loyalty bonuses, as at 31 May 2001, of £3,682,926 (2000: £3,747,293) which will become due to certain players if they are still in the service of the Club on specific future dates.

25 **POST BALANCE SHEET EVENT**

Since 31 May 2001, the Club has entered into transfer agreements for confirmed contracted net transfer fees receivable of £8,750,000.

26

FRS 8-RELATED PARTY TRANSACTIONS

There were no related party transactions in the year.

27

ULTIMATE PARENT UNDERTAKINGS

The ultimate parent undertaking of the company is True Blue Holdings Limited, a company incorporated in England.