

**DIRECTORS' REPORT**

The directors present their report and the financial statements of the Company for the year ended 31st May 1997.

**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 loss of £2,890,025 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 10 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 1997           | 31 May 1996 |
| P R Johnson              | 23,947                | 2,497       |
| Sir Desmond H Pitcher DL | 105                   | 15          |
| B C Finch                | 777                   | 21          |
| R J Hughes               | 15                    | 3           |
| Sir Philip Carter CBE    | 721                   | 103         |
| Dr D M Marsh             | 48                    | 10          |
| K M Tamlin               | 119                   | 17          |
| W Kenwright              | 174                   | 25          |
| A J L Abercromby         | 105                   | 15          |
| Lord Grantchester        | 2,754                 | 112         |



In accordance with the Articles of Association, Sir D H Pitcher DL, Dr D M Marsh and Mr R J Hughes retire by rotation. Sir D H Pitcher DL being eligible offers himself for re-election. Dr D M Marsh and Mr R J Hughes, whilst being eligible, do not offer themselves for re-election and thus will retire from office following the Annual General Meeting. No other nominations have been received.

The Board of Directors, in accordance with the Articles of Association determined at a Board Meeting on 17 October 1997, that with effect from 28 November 1997 the maximum number of directors should be eight.

#### **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 in appropriate to presume that the company will continue in business.

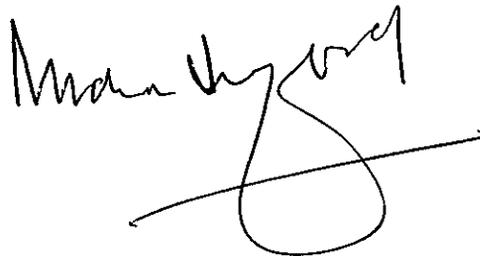
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such 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 30<sup>th</sup> October 1997  
and signed on its behalf by

**M. J. Dunford**, Secretary

A handwritten signature in black ink, appearing to read 'M. J. Dunford', with a long horizontal stroke extending to the right from the bottom of the signature.

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 May 1997**

|   | Notes | 1997<br>£           | As restated<br>1996<br>£ |
|---|-------|---------------------|--------------------------|
| <b>Turnover</b>                             | 2     | 18,881,961          | 17,004,370               |
| Direct operating costs                      |       | <u>(15,882,385)</u> | <u>(15,699,947)</u>      |
| <b>Gross Profit</b>                         |       | 2,999,576           | 1,304,423                |
| Other income                                | 3     | <u>162,899</u>      | <u>141,137</u>           |
| <b>Operating Profit</b>                     | 4     | 3,162,475           | 1,445,560                |
| Interest receivable                         | 5     | 5,710               | 6,170                    |
| Interest payable                            | 6     | <u>(509,416)</u>    | <u>(858,988)</u>         |
| <b>Profit</b>                               |       |                     |                          |
| on ordinary activities before transfer fees |       | 2,658,769           | 592,742                  |
| Net transfer fees                           | 7     | <u>(5,548,794)</u>  | <u>(8,403,019)</u>       |
| <b>Loss</b>                                 |       |                     |                          |
| on ordinary activities before taxation      |       | (2,890,025)         | (7,810,277)              |
| Taxation                                    | 9     | -                   | -                        |
| <b>Loss for the year</b>                    | 15    | <u>(2,890,025)</u>  | <u>(7,810,277)</u>       |

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**

|  | 1997<br>£          | As restated<br>1996<br>£ |
|--|--------------------|--------------------------|
| Loss for the Financial Year                                | (2,890,025)        | (7,810,277)              |
| Unrealised surplus on revaluation of properties            | -                  | 1,136,292                |
| Total recognised gains and losses relating to the year     | <u>(2,890,025)</u> | <u>(6,673,985)</u>       |
| Prior year adjustment                                      | 1,024,862          | -                        |
| Total gains and losses recognised since last annual report | <u>(1,865,163)</u> | <u>(6,673,985)</u>       |

**BALANCE SHEET**  
At 31 May 1997

|  | Notes | 1997                |                     | As restated<br>1996 |                     |
|--|-------|---------------------|---------------------|---------------------|---------------------|
|  |       | £                   | £                   | £                   | £                   |
| <b>Fixed Assets</b>                          |       |                     |                     |                     |                     |
| Tangible assets                              | 10    |                     | 15,387,772          |                     | 14,145,206          |
| <b>Current Assets</b>                        |       |                     |                     |                     |                     |
| Stocks                                       | 11    | 338,839             |                     | 684,838             |                     |
| Debtors - within one year                    | 12    | 3,822,832           |                     | 1,080,698           |                     |
| - greater than one year                      | 12    | 4,000,000           |                     | -                   |                     |
| Cash at bank and in hand                     |       | 36,377              |                     | 37,248              |                     |
|  |       | <u>8,198,048</u>    |                     | <u>1,802,784</u>    |                     |
| <b>Creditors</b>                             |       |                     |                     |                     |                     |
| Amounts falling due within one year          | 13    | <u>(13,402,982)</u> |                     | <u>(17,875,127)</u> |                     |
| <b>Net Current Liabilities</b>               |       |                     |                     |                     |                     |
|  |       |                     | <u>(5,204,934)</u>  |                     | <u>(16,072,343)</u> |
| <b>Total Assets Less Current Liabilities</b> |       |                     |                     |                     |                     |
|  |       |                     | <u>10,182,838</u>   |                     | <u>(1,927,137)</u>  |
| <b>Capital and Reserves</b>                  |       |                     |                     |                     |                     |
| Called up share capital                      | 14    |                     | 35,000              |                     | 5,000               |
| Share premium account                        | 15    |                     | 24,967,500          |                     | 9,997,500           |
| Revaluation reserve                          | 15    |                     | 5,663,617           |                     | 5,663,617           |
| Profit and loss account                      | 15    |                     | <u>(20,483,279)</u> |                     | <u>(17,593,254)</u> |
| Shareholders' funds                          | 16    |                     | <u>10,182,838</u>   |                     | <u>(1,927,137)</u>  |

The financial statements were approved by the Board on <sup>30th October</sup>~~25th September~~ 1997 and signed on its behalf by

**P. R. Johnson & R. J. Hughes**  
Directors


**CASH FLOW STATEMENT**  
For the year ended 31 May 1997

|   | Notes | 1997         |                   | 1996        |                     |
|---|-------|--------------|-------------------|-------------|---------------------|
|   |       | £            | £                 | £           | £                   |
| <b>CASH INFLOW FROM OPERATING ACTIVITIES</b>                          | 17a   |              | 3,004,565         |             | 782,433             |
| <b>Returns on investments and servicing of finance</b>                |       |              |                   |             |                     |
| Interest received   |       | 5,710        |                   | 6,170       |                     |
| Interest paid   |       | (748,284)    |                   | (604,442)   |                     |
| Net cash outflow from returns on investments and servicing of finance |       |              | (742,574)         |             | (598,272)           |
| <b>Taxation</b>   |       |              |                   |             |                     |
| Tax refunded  |       |              | -                 |             | -                   |
| <b>Capital Expenditure and Financial Investment</b>                   |       |              |                   |             |                     |
| Purchase of tangible fixed assets                                     |       | (1,476,082)  |                   | (3,602,878) |                     |
| Grants from The Football Trust  |       | 12,118       |                   | 100,000     |                     |
| Sale of vehicles  |       | 6,000        |                   | -           |                     |
| Transfer fees paid  |       | (10,405,210) |                   | (9,183,019) |                     |
| Transfer fees received  |       | 4,891,131    |                   | 705,000     |                     |
| Net cash outflow for capital expenditure and financial investment     |       |              | (6,972,043)       |             | (11,980,897)        |
| <b>NET CASH OUTFLOW BEFORE FINANCING</b>                              |       |              | (4,710,052)       |             | (11,796,736)        |
| <b>Financing</b>  |       |              |                   |             |                     |
| Issue of new share capital, including premium                         |       | 15,000,000   |                   | -           |                     |
| Expenses paid in connection with share issue                          |       | (96,231)     |                   | -           |                     |
| Net cash inflow from financing  |       |              | 14,903,769        |             | -                   |
| <b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>               | 17b   |              | <u>10,193,717</u> |             | <u>(11,796,736)</u> |

## NOTES TO THE ACCOUNTS

For year ended 31 May 1997

### 1. 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 group'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) Signing-on Fees and Loyalty Bonuses

There has been a change in accounting policy in the year in respect of Signing-on Fees and Loyalty Bonuses which has been accounted for as a prior period adjustment. The Board believes 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. Previously a proportion of Fees and Bonuses due in the future dependent on continued service were accrued at the Balance Sheet date.

The prior period adjustment gives rise to a cumulative credit to reserves at 31 May 1996 of £1,024,862 of which £873,175 relates to prior years. 1996 comparative figures have been restated in accordance with the new policy resulting in a decrease in a loss for that financial year of £151,687.

Instalments due in the future on continued service are noted as contingent liabilities at Note 19.

#### (vi) 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.

**(vii) 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.

|   |                   |                   |
|---|-------------------|-------------------|
| <b>2. TURNOVER</b>  | 1997<br>£         | 1996<br>£         |
| Match receipts and income from related footballing activities | 15,529,974        | 13,595,556        |
| Commercial and sundry income                                  | 3,351,987         | 3,408,814         |
|   | <u>18,881,961</u> | <u>17,004,370</u> |
| <b>3. OTHER INCOME</b>  | 1997<br>£         | 1996<br>£         |
| Donations from development associations                       | 154,997           | 119,699           |
| Rents receivable  | 7,902             | 21,438            |
|   | <u>162,899</u>    | <u>141,137</u>    |
| <b>4. OPERATING PROFIT</b>                                    | 1997<br>£         | 1996<br>£         |
| The operating profit is stated after charging:                |                   |                   |
| Depreciation  | 246,748           | 204,556           |
| Costs of capital restructuring                                | 96,230            | -                 |
| Auditors' remuneration - for audit                            | 15,000            | 14,000            |
| for other services  | 7,456             | 7,000             |
|   | <u></u>           | <u></u>           |
| <b>5. INTEREST RECEIVABLE</b>                                 | 1997<br>£         | 1996<br>£         |
| Bank deposit interest   | 5,605             | -                 |
| Other interest  | 105               | 6,170             |
|   | <u>5,710</u>      | <u>6,170</u>      |
| <b>6. INTEREST PAYABLE</b>                                    | 1997<br>£         | 1996<br>£         |
| On bank overdrafts  | 508,374           | 857,259           |
| On other liabilities  | 1,042             | 1,729             |
|   | <u>509,416</u>    | <u>858,988</u>    |

|          |  |                    |                    |
|----------|--|--------------------|--------------------|
| <b>7</b> | <b>TRANSFER FEES</b>                     | 1997<br>£          | 1996<br>£          |
|          | Transfer fees payable and related levies | (17,023,960)       | (9,183,019)        |
|          | Transfer fees receivable                 | 11,475,166         | 780,000            |
|          |  | <u>(5,548,794)</u> | <u>(8,403,019)</u> |

|           |  |                |                |
|-----------|--|----------------|----------------|
| <b>8.</b> | <b>PARTICULARS OF EMPLOYEES</b>  | 1997<br>Number | 1996<br>Number |
|           | The average weekly number of employees during the year was as follows: |                |                |
|           | Playing, training and management                                       | 62             | 65             |
|           | Management and administration  | 64             | 61             |
|           | Catering and sales   | 51             | 44             |
|           |  | <u>177</u>     | <u>170</u>     |

|  |                   |                          |
|--|-------------------|--------------------------|
| Aggregate payroll costs were as follows: | 1997<br>£         | As restated<br>1996<br>£ |
| Wages and salaries                       | 9,887,270         | 8,837,304                |
| Social security costs                    | 922,526           | 755,534                  |
| Other pension costs                      | 123,294           | 320,035                  |
|  | <u>10,933,090</u> | <u>9,912,873</u>         |

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.

**9. TAXATION**

No taxation arises on the results of the current year and losses are available for relief against future profits for taxation purposes.

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.

10 TANGIBLE FIXED ASSETS

|                                     | Properties<br>£   | Plant and<br>equipment<br>£ | Vehicles<br>£  | Total<br>£        |
|-------------------------------------|-------------------|-----------------------------|----------------|-------------------|
| Cost or valuation<br>at 1 June 1996 | 13,614,000        | 1,433,992                   | 145,942        | 15,193,934        |
| Grants                              | -                 | (12,118)                    | -              | (12,118)          |
| Additions                           | 967,890           | 525,218                     | 20,204         | 1,513,312         |
| Disposals                           | -                 | (5,880)                     | (6,000)        | (11,880)          |
| Revaluation adjustment              | -                 | -                           | -              | -                 |
| <b>At 31 May 1997</b>               | <b>14,581,890</b> | <b>1,941,212</b>            | <b>160,146</b> | <b>16,683,248</b> |
| Depreciation                        |                   |                             |                |                   |
| At 1 June 1996                      | -                 | 965,657                     | 83,071         | 1,048,728         |
| Provided during year                | -                 | 233,359                     | 25,269         | 258,628           |
| On disposals                        | -                 | (5,880)                     | (6,000)        | (11,880)          |
| <b>At 31 May 1997</b>               | <b>-</b>          | <b>1,193,136</b>            | <b>102,340</b> | <b>1,295,476</b>  |
| Net book value                      |                   |                             |                |                   |
| <b>At 31 May 1997</b>               | <b>14,581,890</b> | <b>748,076</b>              | <b>57,806</b>  | <b>15,387,772</b> |
| <b>At 31 May 1996</b>               | <b>13,614,000</b> | <b>468,335</b>              | <b>62,871</b>  | <b>14,145,206</b> |

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 at £13,614,000 by Edward Symmons & Partners, Chartered Surveyors, as at the 14th May 1996. Their book value has been adjusted accordingly and the surplus on revaluation of £1,136,292 has been credited to reserves.

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.

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:

|                        | 1997             | 1996             |
|------------------------|------------------|------------------|
|                        | £                | £                |
| Cost                   | 8,832,260        | 8,134,370        |
| Aggregate depreciation | 177,293          | 169,944          |
| Net book value         | <u>8,654,967</u> | <u>7,964,426</u> |

| 11. STOCKS                                   | 1997           | 1996           |
|--|----------------|----------------|
|  | £              | £              |
| Refreshments, souvenirs and goods for resale | 329,934        | 675,933        |
| Maintenance stocks                           | 8,905          | 8,905          |
|  | <u>338,839</u> | <u>684,838</u> |

| 12. DEBTORS                     | 1997             | 1996             |
|---------------------------------|------------------|------------------|
|                                 | £                | £                |
| Trade debtors - within one year | 3,592,408        | 708,654          |
| - greater than one year         | 4,000,000        | -                |
| Other debtors                   | 8,935            | 195,665          |
| Prepayments and accrued income  | 221,489          | 176,379          |
|                                 | <u>7,822,832</u> | <u>1,080,698</u> |

In 1996, other debtors included a bridging loan of £190,500 to an officer of the company other than a director.

| 13. CREDITORS                       | 1997              | As restated<br>1996 |
|-------------------------------------|-------------------|---------------------|
| Amounts falling due within one year | £                 | £                   |
| Trade creditors                     | 7,333,010         | 595,149             |
| Social security and other taxes     | 81,965            | 628,407             |
| Other creditors                     | 1,854             | 56,133              |
| Accruals and deferred income        | 1,572,259         | 1,986,956           |
|                                     | <u>8,989,088</u>  | <u>3,266,645</u>    |
| Bank overdraft                      | 4,413,894         | 14,608,482          |
|                                     | <u>13,402,982</u> | <u>17,875,127</u>   |

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

|  |                              |                            |                                |
|--|------------------------------|----------------------------|--------------------------------|
| <b>14. EQUITY SHARE CAPITAL</b>  |                              | 1997                       | 1996                           |
|  |                              | £                          | £                              |
| Authorised:  |                              |                            |                                |
| 35,000 (1996 - 5,000) stock units of £1 each                           |                              | 35,000                     | 5,000                          |
| Allotted, issued and fully paid:                                       |                              |                            |                                |
| 35,000 (1996 - 5,000) stock units of £1 each                           |                              | 35,000                     | 5,000                          |
| <b>15. RESERVES</b>  | <b>Share Premium Account</b> | <b>Revaluation Reserve</b> | <b>Profit and Loss Account</b> |
|  | £                            | £                          | £                              |
| Balance at 1 June 1996-as previously stated                            | 9,997,500                    | 5,663,617                  | (18,618,116)                   |
| Prior year adjustment  | -                            | -                          | 1,024,862                      |
|  | <u>9,997,500</u>             | <u>5,663,617</u>           | <u>(17,593,254)</u>            |
| Premium arising from rights issue                                      | 14,970,000                   | -                          | -                              |
| Loss for the year  | -                            | -                          | (2,890,025)                    |
| Adjustment on revaluation of properties                                | -                            | -                          | -                              |
| Balance at 31 May 1997   | <u>24,967,500</u>            | <u>5,663,617</u>           | <u>(20,483,279)</u>            |
| <b>16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS</b>           |                              | 1997                       | As restated 1996               |
|  |                              | £                          | £                              |
| Loss for the year  |                              | (2,890,025)                | (7,810,277)                    |
| New share capital subscribed, including premium                        |                              | 15,000,000                 | -                              |
| Adjustment on revaluation of properties                                |                              | -                          | 1,136,292                      |
| Net (reduction)/addition to shareholders' funds                        |                              | <u>12,109,975</u>          | <u>(6,673,985)</u>             |
| Shareholders funds at 1 June 1996                                      |                              | (1,927,137)                | 4,746,848                      |
| Shareholders' funds at 31 May 1997                                     |                              | <u>10,182,838</u>          | <u>(1,927,137)</u>             |
| <b>17. CASH FLOW STATEMENT</b>   |                              |                            |                                |
| <b>(a) Reconciliation of operating profit to operating cash flows:</b> |                              | 1997                       | As restated 1996               |
|  |                              | £                          | £                              |
| Operating profit   |                              | 3,162,475                  | 1,445,560                      |
| Depreciation charges   |                              | 246,748                    | 204,556                        |
| Loss/(profit) on sale of tangible fixed asset                          |                              | (6,000)                    | -                              |
| (Increase)/Decrease in stocks  |                              | 345,999                    | (475,951)                      |
| (Increase)/Decrease in debtors   |                              | (8,099)                    | 2,300,414                      |
| Increase/(Decrease) in creditors                                       |                              | (832,789)                  | (2,692,146)                    |
| Rights Issue costs   |                              | 96,231                     | -                              |
| Cash flow from operating activities                                    |                              | <u>3,004,565</u>           | <u>782,433</u>                 |

**(b) Analysis of changes in Net Debt**

|                          | At 1 June 1996      | Cash flows        | At 31 May 1997     |
|--------------------------|---------------------|-------------------|--------------------|
|                          | £                   | £                 | £                  |
| Cash at bank and in hand | 37,248              | (871)             | 36,377             |
| Bank overdrafts          | (14,608,482)        | 10,194,588        | (4,413,894)        |
|                          | <u>(14,571,234)</u> | <u>10,193,717</u> | <u>(4,377,517)</u> |

**18 FUTURE CAPITAL EXPENDITURE**

|   | 1997 | 1996    |
|---|------|---------|
|   | £    | £       |
| Capital expenditure contracted for but not provided for in these accounts amounted to | -    | 512,000 |

**19. CONTINGENT LIABILITIES**

No provision is included in the accounts for transfer fees of £1,134,000 which are contingent upon future appearances of certain players, and signing-on fees and loyalty bonuses of £6,676,280 which will become due to certain players if they are still in the service of the Club on specific future dates.

The proposed terms of the recently negotiated Premier League BskyB Contract includes the Advance receipts of monies upon fulfilment of the terms of the Contract in the future. The maximum amount that could be repayable is £816,000. (31 May 1996: £Nil)

**20. POST BALANCE SHEET EVENTS**

Since 31st May 1997 the Club has incurred £3.9 million net transfer fees payable.

## **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 31st May 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Richmond House  
1 Rumford Place  
Liverpool L3 9QY

30 October, 1997

  
KPMG

Chartered Accountants  
Registered Auditors