

Manchester City Football Club Limited

Directors' report and financial statements

For the year ended 31 May 2008

Registered number 40946



Manchester City Football Club Limited

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Manchester City Football Club Limited

Directors and Advisors

Directors

K Al Mubarak (Chairman)

G Cook (Chief Executive)

M Edelman

S Pearce

T Srisumrid

Club Secretary

JB Halford

Registered Office

City of Manchester Stadium, SportCity, Manchester M11 3FF

Bankers

Co-operative Bank p.l.c., 1 Balloon Street, Manchester M60 4EP

Auditors

BDO Stoy Hayward LLP, Chartered Accountants, 11-15 Cross Street, Manchester M2 1WE

Solicitors

Shearman & Sterling LLP, Broadgate West, 9 Appold Street, London EC2A 2AP

Manchester City Football Club Limited

Report of the Directors for the year ended 31 May 2008

The Directors submit their report and the financial statements for the year ended 31 May 2008.

Principal activity

The principal activity of the Company is the operation of a professional football club.

Business review

Turnover for the year ended 31 May 2008 increased by 44.6% to £82.3m (2007: £56.9m). This increase was driven predominantly by the new Premier League domestic and International TV deal, which increased by 79% to £43.3m, as well as our 9th place final position compared to 14th in the previous season. Hosting of the UEFA Cup final between Rangers & Zenit St Petersburg and the Ricky Hatton "homecoming" boxing match also helped the Club to increase its revenue from other events by 95% to £5.1m. Revenues from other commercial activities increased by 24.4% to £20.3m mainly as a result of improved retail sales and sponsorship partner deals. Attendances were up to 42,081 from an average of 39,988 in the previous season but ticketing revenue was flat as a result of the introduction of our junior season card pricing initiative which meant lower average match-day and seasonal prices.

Operating loss before amortisation of players was increased from £1.4m to £1.6m mainly as a result of an increase in the level of wages by 49% to £54.2m, but partially offset by the increased revenue streams outlined above. Operating costs increased as a result of holding more non-Premier League events such as boxing and the UEFA Cup final, with the cost of sales increasing to reflect higher levels of catering and merchandising activity. The amortisation of players increased dramatically to £25.4m from £6m in the previous season, reflecting the building of a new young playing squad to improve the Club's chances of attaining a higher league position and success in the Cup competitions.

A majority stake in Manchester City Limited (the immediate parent) was acquired by UK Sports Investments Limited, a company registered in the United Kingdom, on 6 July 2007. On 23 September 2008, 90% of this stake was sold to Abu Dhabi United Group Investment & Development Limited, a company registered in the Jebel Ali Freezone. The ultimate parent undertaking and controlling party is Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by Sheikh Mansour.

The Directors do not recommend the payment of a dividend.

Risks and uncertainties

The key risk facing the Company is the threat of relegation and the consequent reduction in TV revenue. In light of this the Club continues to invest in its wage bill, whilst operating within its financial constraints, to maintain its Premiership status.

Budgets and forecasts are prepared and submitted to the Board on a regular basis and resulting cash requirements are drawn down as and when necessary.

Comments on interest rate, liquidity and foreign exchange risk are provided in note 24.

Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £22,652 (2007: £96,991).

Supplier payment policy

The Company policy is normally to pay suppliers according to agreed terms of business rather than following any code or standard on payment practice. These terms are agreed upon entering into binding contracts and the Company seeks to adhere to the payment terms providing the relevant goods and services have been supplied in accordance with the contracts.

The Company had 43 days (2007: 50 days) of purchases outstanding at the end of the financial year.

Manchester City Football Club Limited

Report of the Directors for the year ended 31 May 2008 (*continued*)

Directors

K Al Mubarak (Chairman)	(Appointed 23 September 2008)
G Cook (Chief Executive)	(Appointed 1 June 2008)
M Edelman	(Appointed 23 September 2008)
S Pearce	(Appointed 23 September 2008)
T Srisumrid	(Appointed 9 August 2007)
Dr T Shinawatra	(Appointed 6 July 2007, resigned 23 September 2008)
BH Bodek	(Resigned 23 September 2008)
AJ Mackintosh	(Resigned 9 June 2008)
S Monvoisin	(Appointed 6 July 2007, resigned 23 September 2008)
Panthongtae Shinawatra	(Appointed 6 July 2007, resigned 23 September 2008)
Pintongta Shinawatra	(Appointed 6 July 2007, resigned 23 September 2008)
Yingluck Shinawatra	(Appointed 14 March 2008, resigned 24 September 2008)

Employee involvement

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Company and are of interest to them as employees.

Disabled employees

Disabled employees are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain him/her in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitations of their disability.

Auditors

The current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board



G Cook
Chief Executive

Manchester City Football Club Limited

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

Manchester City Football Club Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY FOOTBALL CLUB LIMITED

We have audited the financial statements of Manchester City Football Club Limited for the year ended 31 May 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 May 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Manchester
Date 2 April 2009

Manchester City Football Club Limited

Profit and Loss Account

for the year ended 31 May 2008

	Note	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Turnover	2	82,295	56,925
Operating expenses before amortisation of players	3	(83,893)	(58,319)
Operating loss before amortisation of players		(1,598)	(1,394)
Amortisation of players		(25,389)	(5,998)
Operating loss after amortisation of players		(26,987)	(7,392)
Profit on disposal of players		6,966	2,365
Loss before interest and taxation		(20,021)	(5,027)
Interest receivable and similar income	6	461	353
Interest payable and similar charges	7	(7,698)	(1,416)
Stadium finance lease charges		(2,399)	(1,862)
Loss on ordinary activities before and after taxation	19	(29,657)	(7,952)

The results for both years relate to continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

Manchester City Football Club Limited

Statement of Total Recognised Gains and Losses

for the year ended 31 May 2008

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Loss for the financial year	(29,657)	(7,952)
Unrealised surplus on revaluation of properties	-	29,623
Total recognised (losses)/gains for the year	(29,657)	21,671

Note of Historical Cost Profits and Losses

for the year ended 31 May 2008

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Loss on ordinary activities before and after taxation	(29,657)	(7,952)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,486	951
Historical cost loss on ordinary activities before and after taxation	(28,171)	(7,001)

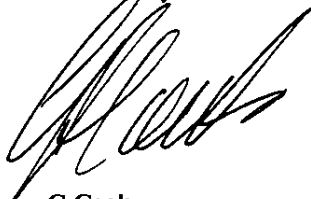
Manchester City Football Club Limited

Balance Sheet

as at 31 May 2008

	Note	2008 £000	2007 £000
Fixed assets			
Intangible assets	9	45,756	9,569
Tangible assets	10	180,458	182,189
Investments	11	-	-
		226,214	191,758
Current assets			
Stocks	12	510	534
Debtors	13	12,225	6,702
Cash at bank and in hand		9,556	7,199
		22,291	14,435
Creditors			
Amounts falling due within one year	14	(139,828)	(79,184)
		(117,537)	(64,749)
Net current liabilities		(117,537)	(64,749)
Total assets less current liabilities		108,677	127,009
Creditors			
Amounts falling due after more than one year	15	(83,617)	(72,503)
Deferred income	17	(14,600)	(14,389)
		10,460	40,117
Net assets		10,460	40,117
Capital and reserves			
Called up share capital	18	962	962
Share premium account	19	59	59
Revaluation reserve	19	100,967	100,967
Profit and loss account	19	(91,528)	(61,871)
Shareholders' funds		10,460	40,117

These financial statements were approved by the Board of Directors on 26 February 2009 and were signed on its behalf by:



G Cook
Director

Manchester City Football Club Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of certain tangible fixed assets.

The Company is reliant on its ultimate parent undertaking, Abu Dhabi United Group Investment & Development, for its continued financial support. It has received written confirmation from its parent undertaking that sufficient funds will be provided to finance the business for at least 12 months from the date of approval of the financial statements. Based on discussions with the ultimate owner and formal confirmation of support, the Directors continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Related party transactions

As the Company is a wholly owned subsidiary of Manchester City Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Manchester City Limited, within which this Company is included, can be obtained from Companies House.

Consolidation

The financial statements contain information about Manchester City Football Club Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Manchester City Limited, a company registered in England and Wales.

Turnover

Turnover represents amounts receivable by the Company, excluding Value Added Tax and transfer fees, in respect of TV income, gate receipts, commercial activities relating to the Club and donations. Advanced season ticket sales are included within deferred income and released to turnover in the relevant season.

Manchester City Football Club Limited

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% straight line
Long leasehold buildings	-	estimated useful economic life of the asset
Short leasehold buildings	-	estimated useful economic life of the asset
Fixtures and fittings	-	10% straight line
Computer equipment	-	25% straight line

Cost includes directly attributable finance costs.

These rates are designed to write off the assets to their residual values over their estimated useful lives.

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this long leasehold land and buildings are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle.

Signing on fees

Signing on fees are charged to the profit and loss account over the life of the player's contract.

Stocks

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

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised over the contract period on a straight line basis. Impairments in value below the amortised value are provided for when the carrying amount exceeds the amount recoverable through use or sale.

Deferred tax

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

No deferred tax asset has been recognised as at 31 May 2008 as in the Company's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered.

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Manchester City Football Club Limited

Notes (continued)

1 Accounting policies (continued)

Capital grants

Grants receivable from the Football Foundation and similar bodies in respect of capital expenditure are treated as deferred income and released to the profit and loss account over a future period. This period will equal the economic life of the assets to which the grants relate in order to match the income to the depreciation charged on those assets. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account.

Foreign currency transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pensions

The Company is a member of the Football League Pension and Life Assurance Scheme which has been closed for new employees. All pension schemes are defined contribution schemes and all contributions are charged to the profit and loss account as they become payable.

2 Turnover

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Gate receipts	13,565	13,768
Television	43,254	24,179
Other commercial activities	25,368	18,883
Donations from development association	108	95
	82,295	56,925

The Company operates in the United Kingdom in one class of business.

Manchester City Football Club Limited

Notes (continued)

3 Operating expenses

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Raw materials and consumables	9,007	6,964
Remuneration of auditors and its associates:		
Audit fees	35	28
Other services	10	5
Hire of other assets – operating leases	234	380
Capital grants released and amortised	(65)	(35)
Other external charges	17,425	11,840
Staff costs (note 5)	54,222	36,381
Amortisation of players	25,389	5,998
Depreciation of tangible fixed assets:		
Owned	660	665
Leased	2,365	2,091
	109,282	64,317
Operating expenses comprise:		
Operating expenses before amortisation of players	83,893	58,319
Amortisation of players	25,389	5,998
	109,282	64,317

4 Directors' remuneration

	2008 £000	2007 £000
Directors' emoluments	575	295
Company contributions to money purchase pension schemes	11	11
Amounts paid to third parties in respect of Directors' services	-	30

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £466,000 (2007: £282,000) and Company pension contributions of £11,000 (2007: £11,000) were made to a money purchase scheme on his behalf.

Manchester City Football Club Limited

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the financial year, analysed by category, was as follows:

Number of employees	Year ended 31 May 2008	Year ended 31 May 2007
Football staff – including players	128	101
Commercial/administration staff	130	115
	258	216

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Wages and salaries	47,483	32,415
Social security costs	6,592	3,880
Other pension costs	147	86
	54,222	36,381

6 Interest receivable and similar income

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Bank interest	461	293
Other	-	60
	461	353

7 Interest payable and similar charges

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Bank loans and overdrafts	1,441	399
Other loans	6,257	1,017
	7,698	1,416

Manchester City Football Club Limited

Notes (continued)

8 Taxation

(a) Analysis of the tax charge in the year:

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Current tax		
UK corporation tax at 30% (2007: 30%) on profits for the year	-	-
Adjustments in respect of prior years	-	-
Tax on profits from ordinary activities	-	-

(b) Factors affecting tax charge for the year:

The current tax charge for the year varies from the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	Year ended 31 May 2008 £000	Year ended 31 May 2007 £000
Loss on ordinary activities before taxation	(29,657)	(7,952)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)	(8,797)	(2,386)
Effects of:		
Expenses not deductible for tax purposes	292	126
Fixed asset timing differences	179	171
Other timing differences	1,231	230
Tax losses incurred in the year	7,091	1,859
Group relief not paid for	4	-
Current tax charge for the year	-	-

The Company has corporation tax losses available for carry forward of approximately £88 million. (2007: £64 million).

c) Factors that may affect future tax charges:

The Company expects its effective tax rate in future years to be less than the standard rate of corporation tax in the UK due principally to the amount of tax losses available to be set off against future taxable profits.

Manchester City Football Club Limited

Notes (continued)

9 Intangible fixed assets

Amounts paid for players' registrations:	£000
Cost	
As at 1 June 2007	25,085
Additions	61,758
Disposals	(10,458)
As at 31 May 2008	76,385
Amortisation	
As at 1 June 2007	15,516
Charge for the year	25,389
Disposals	(10,276)
As at 31 May 2008	30,629
Net book value	
As at 31 May 2008	45,756
As at 1 June 2007	9,569

10 Tangible fixed assets

	Land and Buildings (Freehold) £000	Land and Buildings (Short Leasehold) £000	Land and Buildings (Long Leasehold) £000	Fixtures, Fittings & Equipment £000	Total £000
Cost/valuation					
As at 1 June 2007	4,809	624	175,423	5,135	185,991
Additions	-	15	7	1,329	1,351
Disposals	(6)	-	-	(91)	(97)
As at 31 May 2008	4,803	639	175,430	6,373	187,245
Depreciation					
As at 1 June 2007	1,102	73	232	2,395	3,802
Charge for the year	95	25	2,340	565	3,025
Disposals	-	-	-	(40)	(40)
As at 31 May 2008	1,197	98	2,572	2,920	6,787
Net book value					
As at 31 May 2008	3,606	541	172,858	3,453	180,458
As at 1 June 2007	3,707	551	175,191	2,740	182,189

Manchester City Football Club Limited

Notes (continued)

10 Tangible fixed assets (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 'Tangible fixed assets':

	2008 £000
At depreciated replacement cost	173,449
Aggregate depreciation thereon	(2,437)
Net book value	171,012
Historical cost of revalued assets	80,196
Aggregate depreciation thereon	(4,914)
Historical cost net book value	75,282

Tangible fixed assets are shown at their original cost to the Company with the exception of the City of Manchester Stadium. The Directors obtained an external valuation of the Stadium from Dunlop Heywood Lorenz, Consultant Surveyors, as at 1 May 2004. The valuation was prepared on a depreciated replacement cost basis and was made in accordance with the Royal Institution of Chartered Surveyors Asset Statements of Valuation Practice and Guidance Notes. An interim valuation was obtained by the Directors as at 31 May 2007 from Erinaceous CPS (formerly Dunlop Heywood & Co Limited). This interim valuation has subsequently been incorporated into the financial statements.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding agreement to sell the assets has been entered into and it is unlikely that any gain will be rolled over.

The net book value of fixed assets at 31 May 2008 includes £171,151,000 (2007: £173,449,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,299,000 (2007: £1,853,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2007: £283,000).

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the City of Manchester Stadium. Rental payments are made quarterly based on a formula geared towards gate receipts, in excess of those achievable at Maine Road, and event income. The lease has been treated as a finance lease, with the lease premium and the net present value of future rental obligations capitalised.

A finance lease creditor equal to the future obligations under the lease has been established. In calculating the future obligations a number of assumptions have been made as the obligation varies with ticket prices, number of games and attendance levels in particular. Future attendance figures have been estimated at an average of 42,500 per Premiership fixture. An interest rate of 7.57% and an estimated long term inflation rate of 2.5% have been applied.

The finance lease liability was initially established at £34,903,000. In the year ended 31 May 2005 the assumptions were revised. This resulted in an amended initial finance lease liability of £39,609,000. The table below illustrates the sensitivity of the amended stadium finance lease creditor to changes in the assumptions on future attendance levels and inflation rates:

Attendance Levels	Inflation Rate %	Lease Obligation £000
35,000	1.0	9,732
35,000	2.0	10,930
35,000	3.0	12,556
45,000	1.0	38,965
45,000	2.0	45,095
45,000	3.0	53,412

Manchester City Football Club Limited

Notes (continued)

11 Fixed asset investments

	Shares in Group Undertakings £000		
Cost and net book value at 31 May 2008	-		
Cost and net book value at 31 May 2007	-		
	Country of incorporation	Principle activities	Class and Percentage of shares held
Subsidiary undertakings			
Manchester City Investments Limited	England and Wales	Issuer of Loan Notes	100% ordinary shares
Manchester City Property Limited	England and Wales	Letting of Own Property	100% ordinary shares

12 Stocks

	2008 £000	2007 £000
Goods for resale	510	534

13 Debtors

	2008 £000	2007 £000
Amounts falling due within one year		
Trade debtors	1,996	2,027
Debtors arising from player transfers	515	790
Other debtors	7	8
Amounts owing from subsidiary undertakings	-	83
Prepayments and accrued income	9,707	3,794
	12,225	6,702

14 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank loans and overdrafts	18,215	8,225
Directors' loans (Note 16)	-	4,495
Other loans (Note 16)	241	14,966
Obligations under finance leases (Note 16)	48	63
Trade creditors	2,217	3,473
Creditors arising from player transfers	24,632	5,046
Amounts owed to parent company	52,900	31,054
Amounts owed to other group companies	19,195	-
Other creditors including tax and social security	6,841	2,625
Accruals	15,539	9,237
	139,828	79,184

Manchester City Football Club Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2008	2007
	£000	£000
Bank loans and overdrafts	6,892	-
Other loans (Note 16)	453	600
Obligations under finance leases (Note 16)	42,320	42,386
Creditors arising from player transfers	10,025	1,597
Amounts owed to group undertakings	23,446	27,733
Accruals	481	187
	83,617	72,503

16 Borrowings

	Bank loans and Overdrafts	Other Loans	Finance Leases	2008 Total	2007 Total
	£000	£000	£000	£000	£000
Within one year	18,215	241	48	18,504	27,749
Between one and two years	6,892	147	69	7,108	214
Between two and five years	-	294	229	523	658
After more than five years	-	12	42,022	42,034	42,114
	25,107	694	42,368	68,169	70,735

Finance Leases

Obligations under finance leases include future obligations under the lease of the City of Manchester Stadium. Details are provided within note 10.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2008	2007
	£000	£000
Within one year	2,315	2,315
In the second to fifth year	9,467	9,416
Over five years	145,547	147,932
Less future finance charges	(114,961)	(117,214)
	42,368	42,449

Manchester City Football Club Limited

Notes (continued)

17 Deferred income

	2008 £000	2007 £000
Within one year:		
Deferred income	9,982	9,696
Deferred credit for capital grants	53	39
	10,035	9,735
More than one year:		
Deferred income	73	222
Deferred credit for capital grants	4,492	4,432
	4,565	4,654
Total deferred income	14,600	14,389

Deferred credit for capital grants

	£000
The movements in deferred credit for capital grants during the year were as follows:	
At 1 June 2007	4,471
Grants received in year	139
Grants released in year	(65)
At 31 May 2008	4,545

18 Called up share capital

The authorised and issued share capital at the beginning and end of the year is as follows:

	2008 Number of shares	2008 £000	2007 Number of shares	2007 £000
Authorised				
Ordinary shares of £1 each	1,600,000	1,600	1,600,000	1,600
Issued and called up				
Ordinary shares of £1 each	961,270	961	961,270	961
Ordinary shares of £1 each – 25p paid	3,399	1	3,399	1
	964,669	962	964,669	962

Manchester City Football Club Limited

Notes (continued)

19 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 June 2007	59	100,967	(61,871)
Retained loss for the year	-	-	(29,657)
At 31 May 2008	59	100,967	(91,528)

20 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £4,201,000 (2007: £3,854,000) that will become payable upon the achievement of certain conditions contained within player and transfer contracts if they are still in the service of the Club on specific future dates are accounted for in the year in which they fall due for payment.

21 Reconciliation of movement in shareholders' funds

	2008 £000	2007 £000
Loss for the financial year	(29,657)	(7,952)
Revaluation in the year	-	29,623
Net (decrease)/increase to shareholders' funds	(29,657)	21,671
Opening shareholders' funds	40,117	18,446
Total closing shareholders' funds	10,460	40,117

22 Pensions

The Company is a member of The Football League Limited Pension and Life Assurance Scheme, a pension scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

At 31 May 2006 a Minimum Funding Requirement Deficit was identified in the scheme, of which £124,847 was allocated to the Company.

The latest full actuarial valuation was carried out at 31 August 2005 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the year was £19,116 (2007: £19,116).

23 Commitments

The annual commitment for payments in respect of other operating leases:

	2008 £000	2007 £000
Expiring:		
Within one year	243	235
Within two and five years	54	133
After five years	-	-
	297	368

Manchester City Football Club Limited

Notes (continued)

24 Financial instruments and risk management

The Company's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to finance the Company's operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged since the prior year.

Interest rate risk profile of financial assets and liabilities

The Company has no financial assets, other than short-term debtors and an amount of cash at bank. The interest rate risk profile of the Company's financial liabilities as at 31 May 2008 was:

	Total	Floating rate financial liabilities	Fixed rate Financial Liabilities	Non- Interest Financial Liabilities
	£000	£000	£000	£000
As at 31 May 2008	68,169	600	67,475	94
As at 1 June 2007	70,735	747	69,869	119

The weighted average date to maturity of the non-interest financial liabilities is 1 year.

The floating rate financial liabilities comprise other loans of £600,000 repayable over 10 years attracting interest ranging from base minus 2.5% to base minus 4.5% over the term, to a minimum of 0% (this loan is secured over certain assets of the Company).

The fixed rate liabilities comprise bank loans of £25,107,000 and finance lease obligations of £42,368,000 as detailed in note 16.

The maturity profile of the Company's financial liabilities as at 31 May 2008 is shown in note 16.

The carrying values of financial assets and financial liabilities approximate to their fair values.

25 Related party transactions

An amount of £47,912 was paid to How Come Group, a company owned by Panthongtae Shinawatra, during the year for the provision of promotional media services as part of the team's tour to Thailand.

The Directors have taken advantage of the exemption in FRS 8, paragraph 3(a), and have not disclosed transactions or balances between Group entities where 90% of the voting rights are controlled within the Group.

Manchester City Football Club Limited

Notes (continued)

26 Post balance sheet events

On 23 September 2008 a majority stake in the Manchester City Limited, the Company's immediate parent, was acquired by Abu Dhabi United Group Investment & Development, a company registered in the Jebel Ali Freezone.

On 15 August 2008 £40.5m of the parent company loans and £4.8m of the associated interest was capitalised and converted to ordinary shares.

Since the year-end the football registrations of Nigel De Jong (from Hamburg SV), Craig Bellamy (from West Ham United), Wayne Bridge (from Chelsea), Robinho (from Real Madrid), Joao da Silva (from CSKA Moscow), Vincent Kompany (from Hamburg SV), Shaun Wright-Phillips (from Chelsea), Pablo Zabaleta (from RCD Espanyol), Shay Given (from Newcastle United) and Tal Ben-Haim (from Chelsea) have been acquired for a total cost of £135 million. The registrations of Vedran Corluka (to Tottenham Hotspur), Andreas Isaksson (to PSV Eindhoven), Georgios Samaras (to Celtic) and Rolando Bianchi (to Torino) were sold for a total consideration of £16 million.

27 Ultimate parent company

As at 31 May 2008 the Company's ultimate parent undertaking was UK Sports Investments (Holdings) Limited, a company registered in the United Kingdom and owned by the Shinawatra family.

Following the transaction described in note 26 above, the ultimate parent undertaking and controlling party became Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by Sheikh Mansour.

Manchester City Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Manchester City Limited consolidated financial statements can be obtained from Companies House.