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Manchester City Football Club PLC

**Directors' report and
financial statements**

For the year ended 31 May 2005

Registered number 40946



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COMPANIES HOUSE 23/12/2005

Manchester City Football Club PLC

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Manchester City Football Club PLC

Directors and Advisers

Directors

BH Bodek LL.B
AJ Mackintosh ACA
DM Makin
D Tueart

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

KPMG Audit Plc, Chartered Accountants, St James' Square, Manchester M2 6DS

Solicitors

Eversheds, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES

Kuit Steinart Levy, 3 St Mary's Parsonage, Manchester M3 2RD

Manchester City Football Club PLC

Report of the Directors

The Directors submit their report and the financial statements for the year ended 31 May 2005.

Result for the year

The loss for the financial year transferred to the reserves was £12,405,000 (2004: £13,759,000).

The Directors do not propose a dividend.

Principal activity

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

Directors and their interests

BH Bodek
AM Lewis (resigned 25 May 2005)
AJ Mackintosh
DM Makin
D Tueart

None of the Directors who held office at 31 May 2005 had any disclosable interest in the shares of the Company. The interests of the Directors in the shares of the ultimate holding company are disclosed in the accounts of that company.

Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £29,910 (2004: £25,400).

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 45 days (2004: 45 days) of purchases outstanding at the end of the financial year.

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.

Manchester City Football Club PLC

Report of the Directors *(continued)*

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

In accordance with Section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

By order of the Board



JB Halford
Secretary

Manchester City Football Club PLC

Statement of 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 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;*
- *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 maintaining 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.

Manchester City Football Club PLC

Report of the independent auditors to the members of Manchester City Football Club PLC

We have audited the financial statements on pages 7 -24

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

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' report. As described on page 5 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 May 2005 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

9 December 2005

KPMG Audit Plc
Chartered Accountants
Registered Auditor
St James' Square
Manchester
M2 6DS

Manchester City Football Club PLC

Profit and Loss Account

for the year ended 31 May 2005

	Note	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Turnover	2	60,864	61,932
Operating expenses before amortisation of players	3	(57,359)	(57,920)
Operating profit before amortisation of players		3,505	4,012
Amortisation of players		(11,565)	(14,821)
Operating loss after amortisation of players		(8,060)	(10,809)
Profit on sale of fixed assets		-	1,487
Profit/(loss) on disposal of players		339	(1,886)
Loss before interest and taxation		(7,721)	(11,208)
Interest receivable and similar income	6	189	330
Interest payable and similar charges	7	(1,842)	(1,228)
Stadium finance lease charges		(3,031)	(1,653)
Loss on ordinary activities before and after taxation	19	(12,405)	(13,759)

The results for the two years are from continuing operations.

The notes on pages 10 to 24 form part of these financial statements.

Manchester City Football Club PLC

Statement of Total Recognised Gains and Losses

for the year ended 31 May 2005

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Loss for the financial year	(12,405)	(13,759)
Unrealised (deficit)/surplus on revaluation of properties	(4,706)	76,050
Total recognised (losses)/gains for the year	(17,111)	62,291

Note of Historical Cost Profits and Losses

for the year ended 31 May 2005

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Reported loss on ordinary activities before and after taxation	(12,405)	(13,759)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	951	897
Historical cost loss on ordinary activities before and after taxation	(11,454)	(12,862)

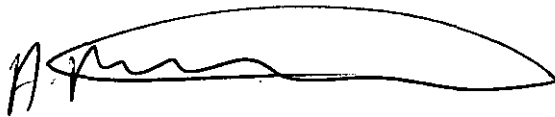
Manchester City Football Club PLC

Balance Sheet

as at 31 May 2005

	Note	2005 £000	2004 £000
Fixed assets			
Intangible assets	9	11,000	27,959
Tangible assets	10	156,870	158,500
Investments	11	-	-
		167,870	186,459
Current assets			
Stocks	12	772	796
Debtors	13	5,659	7,337
Cash at bank and in hand		7,365	30
		13,796	8,163
Creditors			
Amounts falling due within one year	14	(67,161)	(62,337)
		(53,365)	(54,174)
Net current liabilities			
Total assets less current liabilities		114,505	132,285
Creditors			
Amounts falling due after more than one year	15	(88,550)	(90,114)
Deferred income	17	(20,720)	(19,825)
		5,235	22,346
Net assets			
Capital and reserves			
Called up share capital	18	962	962
Share premium account	19	59	59
Revaluation reserve	19	71,344	76,050
Profit and loss account	19	(67,130)	(54,725)
		5,235	22,346
Equity shareholders' funds			

These financial statements were approved by the Board of Directors on 9/12/05 and were signed on its behalf by:



A Mackintosh
Director

Manchester City Football Club PLC

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 accounting

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 Directors regularly receive and review financial statements, cash balances and forecasts. Based on the facilities committed by financial institutions and shareholders, the Directors are of the opinion, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

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.

As the Company is a wholly owned subsidiary of Manchester City PLC, the Company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Consolidation

The financial statements contain information about Manchester City Football Club PLC 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 PLC, 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.

Fixed assets and depreciation

Depreciation has been charged on tangible fixed assets 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.

Manchester City Football Club PLC

Notes (continued)

1 Accounting policies (continued)

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 management become aware of the impairment.

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 2005 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.

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 denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are included in the profit and loss account.

Manchester City Football Club PLC

Notes (continued)

1 Accounting policies (continued)

City of Manchester Stadium

On 5 August 2003 the Company entered into a transaction with Manchester City Council under which 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.

2 Turnover

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Gate receipts	15,073	17,113
Television	26,143	25,487
Other commercial activities	19,501	19,186
Donations from development association	147	146
	60,864	61,932

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

3 Operating expenses

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Raw materials and consumables	6,728	6,739
Remuneration of auditors and its associates:		
Audit fees	35	26
Other services	29	36
Hire of other assets - operating leases	205	291
Capital grants released and amortised	(39)	(2,030)
Other external charges	10,169	12,675
Staff costs (note 5)	37,677	37,744
Amortisation of players	11,565	14,821
Depreciation of tangible fixed assets:		
Owned	596	942
Leased	1,959	1,497
	68,924	72,741
Operating expenses comprise:		
Operating expenses before amortisation of players	57,359	57,920
Amortisation of players	11,565	14,821
	68,924	72,741

Manchester City Football Club PLC

Notes (continued)

4 Directors' emoluments

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Aggregate emoluments	304	276

Highest paid Director

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Aggregate emoluments	235	201

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 2005	Year ended 31 May 2004
Players	45	47
Football administration staff	55	54
Commercial/administration staff	104	98
	204	199

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Wages and salaries	33,671	33,820
Social security costs	3,929	3,805
Other pension costs	77	119
	37,677	37,744

Manchester City Football Club PLC

Notes (continued)

6 Interest receivable and similar income

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Bank interest	189	149
Other	-	181
	<u>189</u>	<u>330</u>

7 Interest payable and similar charges

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Bank loans and overdrafts	334	409
Other loans	1,508	819
	<u>1,842</u>	<u>1,228</u>

8 Taxation

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

	Year ended 31 May 2005 £000	Year ended 31 May 2004 £000
Current tax		
UK corporation tax at 30% (2004: 30%) on losses for the year	-	-
Adjustments in respect of prior years	-	-
Tax on losses from ordinary activities	-	-

Manchester City Football Club PLC

Notes (continued)

8 Taxation (continued)

(b) Factors affecting tax charge for the year:

The current tax charge for the year is higher (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	Year ended 31 May 2005	Year ended 31 May 2004
Loss on ordinary activities before taxation	(12,405)	(13,759)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(3,722)	(4,128)
Effects of:		
Expenses not deductible for tax purposes	71	58
Capital allowances in excess/(less than) depreciation	139	(276)
Intangible asset – players	4	33
Ineligible depreciation	47	562
Other timing differences	186	115
Tax losses incurred in the year	3,275	3,636
Current tax charge for the year	-	-

The Company has corporation tax losses available for carry forward of approximately £68.9 million. (2004: £60 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.

The elements of deferred tax are as follows:

	Year ended 31 May 2005	Year ended 31 May 2004
Intangible fixed assets	-	4
Accelerated capital allowances	-	(4)
Undiscounted provision	-	-

The assets have not been recognised as the likelihood of the Company recovering these assets in the foreseeable future is considered to be remote.

Manchester City Football Club PLC

Notes (continued)

9 Intangible fixed assets

Amounts paid for players' registrations:	£000
Cost	
As at 1 June 2004	54,843
Additions	1,310
Disposals	(19,758)
As at 31 May 2005	36,395
Amortisation	
As at 1 June 2004	26,884
Charge for the year	11,565
Disposals	(13,054)
As at 31 May 2005	25,395
Net book value	
As at 31 May 2005	11,000
As at 1 June 2004	27,959

10 Tangible fixed assets

	Land and Buildings (Freehold)	Land and Buildings (Short Leasehold)	Land and Buildings (Long Leasehold)	Fixtures, Fittings & Equipment	Total
	£000	£000	£000	£000	£000
Cost/valuation					
As at 1 June 2004	6,645	178	151,434	3,804	162,061
Additions	65	446	99	315	925
As at 31 May 2005	6,710	624	151,533	4,119	162,986
Depreciation					
As at 1 June 2004	934	-	1,735	892	3,561
Charge for the year	133	23	1,936	463	2,555
As at 31 May 2005	1,067	23	3,671	1,355	6,116
Net book value					
As at 31 May 2005	5,643	601	147,862	2,764	156,870
As at 1 June 2004	5,711	178	149,699	2,912	158,500

Manchester City Football Club PLC

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':

	2005 £000
At depreciated replacement cost	151,533
Aggregate depreciation thereon	(3,671)
Net book value	147,862
Historical cost of revalued assets	75,384
Aggregate depreciation thereon	(1,907)
Historical cost net book value	73,477

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. This valuation has been incorporated into the financial statements and the resulting revaluation adjustment has been taken to the revaluation reserve.

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 2005 includes £135,678,000 (2004: £133,540,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £1,900,000 (2004: £1,497,000).

Interest capitalised relating to the City of Manchester Stadium included in additions during the year amounted to £nil (2004: £30,000). The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2004: £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.

Manchester City Football Club PLC

Notes (continued)

10 Tangible fixed assets (continued)

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 revisited. This resulted in an amended initial finance lease liability of £39,609,000. The table below illustrates the sensitivity of the 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

11 Fixed asset investments

	Shares in group undertakings
Cost and net book value at 31 May 2005	-
Cost and net book value at 31 May 2004	-

	Country of incorporation	Principle activities	Class and Percentage of shares held
<i>Subsidiary undertakings</i>			
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

Manchester City Football Club PLC

Notes (continued)

12 Stocks

	2005	2004
	£000	£000
Goods for resale	772	796

13 Debtors

	2005	2004
	£000	£000
Amounts falling due within one year		
Trade debtors	1,892	3,356
Other debtors	96	20
Amounts owing to subsidiary undertakings	83	-
Prepayments and accrued income	3,588	3,961
	5,659	7,337

14 Creditors: amounts falling due within one year

	2005	2004
	£000	£000
Bank loans and overdrafts (Note 16)	467	1,143
Directors' loans (Note 16)	4,495	2,996
Other loans (Note 16)	13,035	7,051
Obligations under finance leases (Note 16)	57	46
Trade creditors	6,452	7,426
Amounts owed to parent company	31,054	31,054
Other creditors including tax and social security	3,003	2,622
Accruals	8,598	9,999
	67,161	62,337

15 Creditors: amounts falling due after more than one year

	2005	2004
	£000	£000
Bank loans (Note 16)	-	467
Directors' loans (Note 16)	-	1,499
Other loans (Note 16)	4,977	6,307
Obligations under finance leases (Note 16)	42,522	34,193
Trade creditors	4,535	7,207
Amounts owed to group undertakings	36,516	40,305
Accruals	-	136
	88,550	90,114

Manchester City Football Club PLC

Notes (continued)

16 Borrowings

	Bank loans and overdrafts £000	Directors' loans £000	Other loans £000	Finance Leases £000	2005 Total £000	2004 Total £000
Within one year	467	4,495	13,035	57	18,054	11,236
Between one and two years	-	-	2,980	60	3,040	6,928
Between two and five years	-	-	1,691	200	1,891	1,099
After more than five years	-	-	306	42,262	42,568	34,439
	467	4,495	18,012	42,579	65,553	53,702

Bank loans and overdrafts

The bank borrowings are secured by fixed and floating charges on the assets of the Company.

Directors' Loans

Director's loans are unsecured and comprise £4,495,000 from DM Makin. The loan attracts interest at a rate of 5% per annum.

Other Loans

Other loans include £14,700,000 from JC Wardle a director of the parent company Manchester City PLC. The loan attracts interest at a rate of 5% per annum. Also included is an unsecured loan of £2,203,000 attracting interest at 7.5% which was repaid on 27 July 2005.

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:

	2005 £000	2004 £000
Within one year	3,134	1,697
In the second to fifth year	9,262	6,787
Over five years	147,344	117,074
Less future finance charges	(117,161)	(91,319)
	42,579	34,239

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Notes (continued)

17 Deferred income

	2005 £000	2004 £000
Within one year:		
Deferred income	16,079	14,025
Deferred credit for capital grants	36	30
	16,115	14,055
More than one year:		
Deferred income	150	1,323
Deferred credit for capital grants	4,455	4,447
	4,605	5,770
Total deferred income	20,720	19,825

Deferred credit for capital grants

The movements in deferred credit for capital grants during the year were as follows: £000

At 1 June 2004	4,477
Grants received in year	53
Grants released in year	(39)
At 31 May 2005	4,491

18 Called up share capital

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

	2005 Number of shares	2005 £000	2004 Number of shares	2004 £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 PLC

Notes (continued)

19 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 June 2004	59	76,050	(54,725)
Retained loss for the year	-	-	(12,405)
Revaluation in the year	-	(4,706)	-
At 31 May 2005	59	71,344	(67,130)

20 Contingent liabilities

Signing on fees and loyalty bonuses of £2,668,000 (2004: £4,132,000) that will become due to certain players 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/(deficit)

	2005 £000	2004 £000
Loss for the financial year	(12,405)	(13,759)
Revaluation in the year	(4,706)	76,050
Net (reduction)/increase to shareholders' funds/(deficit)	(17,111)	62,291
Opening shareholders' funds/(deficit)	22,346	(39,945)
Total closing shareholders' funds	5,235	22,346

22 Commitments

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

	2005 £000	2004 £000
Expiring:		
Within one year	141	134
Within two and five years	33	161
After five years	2	-
	176	295

Manchester City Football Club PLC

Notes (continued)

23 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 2005 was:

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non- interest financial liabilities
	£000	£000	£000	£000
As at 31 May 2005	65,553	3,710	61,774	69
As at 31 May 2004	53,702	2,796	50,837	69

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

The floating rate financial liabilities comprise bank overdraft and loans attracting interest at a margin over base rate and other loans of £1,041,000 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). An unsecured loan of £2,203,000 attracting interest at 3% over base rate was repaid on 27 July 2005.

The fixed rate liabilities comprise Director's loans of £4,495,000 and finance lease obligations of £42,579,000 as detailed in note 16. Also included is a loan of £14,700,000 from JC Wardle, a director of the parent company, attracting interest at a rate of 5%.

The maturity profile of the Company's financial liabilities as at 31 May 2005 is shown in note 16.

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

24 Related Party Transactions

The loans from JC Wardle and DM Makin are described in note 16 of the accounts. The maximum liability outstanding during the year in respect of loans from JC Wardle was £14,700,000 and from DM Makin was £4,495,000.

Unpaid interest at 31 May 2005 on loans from JC Wardle amounted to £1,133,356 and on loans from DM Makin amounted to £605,846.

JC Wardle and D Tueart purchased corporate facilities during the year. These were purchased on normal commercial terms on an arms length basis. These were paid for in full. There was no liability outstanding at the year-end.

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Notes *(continued)*

25 Post balance sheet events

Since the year-end the football registrations of Andrew Cole (from Fulham FC) and Darius Vassell (from Aston Villa FC) have been acquired for a total cost of £1.5 million. The registrations of Shaun Wright-Phillips (to Chelsea FC), Jonathan Macken (to Crystal Palace FC) and Christian Negouai (to Standard Liege) were sold for a total consideration of £21.75 million.

26 Ultimate parent company

The ultimate parent undertaking and controlling party is Manchester City PLC, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Manchester City PLC consolidated financial statements can be obtained from City of Manchester Stadium, SportCity, Manchester M11 3FF.