

Manchester City Football Club PLC

Directors' report and financial statements

For the year ended 31 May 2006

Registered number 40946



Manchester City Football Club PLC

Contents	Page
Directors and Advisors	2
Report of the Directors	3 - 4
Statement of Directors' Responsibilities	5
Report of the Independent Auditors	6 - 7
Profit and Loss Account	8
Statement of Total Recognised Gains and Losses	9
Note of Historical Cost Profits and Losses	9
Balance Sheet	10
Notes to the Financial Statements	11 - 25

Manchester City Football Club PLC

Directors and Advisors

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 2006.

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 2006 reached £61.8 million (2005: £60.9 million). This year-on-year increase was achieved despite a £3.4 million fall in TV merit payments following our 15th place finish. The FA Cup run produced enhanced ticket revenues of £1.5 million. Concert and other commercial revenues accounted for the remainder of the uplift.

Operating profit before amortisation of players was up 46% at £5.1 million (2005: £3.5 million). As well as the increase in commercial revenues a key determinant of this increase was the fall in the wage bill. Total salary costs fell to £34.3 million (2005: £37.7 million), partly due to reduced payments to players under performance related contracts. Stadium rent payable for the period totalled £2.6 million (2005: £3.0 million). The profit on disposal of players of £19.1 million (2005: £0.3 million) led to a profit on ordinary activities after taxation of £13.2 million (2005: loss £12.4 million).

Conference income grew 38% for the second year running. After summer 2005's Oasis and U2 events, the crowd profile changed dramatically with first Bon Jovi visiting the stadium, before a reformed Take That performed a greatest hits package to 120,000 over two nights.

The Club has further invested in its wage bill as it enters the 2006/07 season. Indeed, football has once again experienced wage inflation as teams battle for their share of the new TV deal which is now less than one year away. Over the summer period the Club improved its squad through player acquisitions and by being "Bosman aware". Equally important, it was able to sign a number of important contract extensions. Academy alumni Joey Barton, Micah Richards, Daniel Sturridge and Michael Johnson committed to Manchester City despite the envious attention of other clubs.

The Club's financial position continues to improve but the Club is aware that it needs further investment to maintain its challenge in an increasingly competitive and high finance Premier League.

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.

Directors and their interests

BH Bodek
AJ Mackintosh
DM Makin
D Tuart

None of the Directors who held office at 31 May 2006 had any disclosable interest in the shares of the Company. According to the register of Directors' interests, no rights to subscribe for shares in or debentures of the Company, or any other group company, were granted to any of the directors or their immediate families, or exercised by them, during the financial year. The interests of the Directors in the shares of the ultimate holding company are disclosed in the accounts of that company.

Manchester City Football Club PLC

Report of the Directors *(continued)*

Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £19,512 (2005: £29,910).

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 42 days (2005: 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.

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.

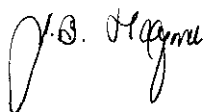
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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

By order of the Board



JB Halford
Secretary

Manchester City Football Club PLC

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.



KPMG Audit Plc

*St James' Square
Manchester
M2 6DS
United Kingdom*

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

We have audited the financial statements of Manchester City Football Club PLC for the year ended 31 May 2006 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.

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 auditors' 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

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.

Manchester City Football Club PLC

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 May 2006 and of its profit 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.

KPMG Audit Plc

20/12/2006

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Manchester City Football Club PLC

Profit and Loss Account

for the year ended 31 May 2006

	Note	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Turnover	2	61,802	60,864
Operating expenses before amortisation of players	3	(56,741)	(57,359)
Operating profit before amortisation of players		5,061	3,505
Amortisation of players		(7,147)	(11,565)
Operating loss after amortisation of players		(2,086)	(8,060)
Profit on disposal of players		19,058	339
Profit/(loss) before interest and taxation		16,972	(7,721)
Interest receivable and similar income	6	598	189
Interest payable and similar charges	7	(1,754)	(1,842)
Stadium finance lease charges		(2,605)	(3,031)
Profit/(loss) on ordinary activities before and after taxation	19	13,211	(12,405)

The results for the two years are from continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

Manchester City Football Club PLC

Statement of Total Recognised Gains and Losses

for the year ended 31 May 2006

	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Profit/(loss) for the financial year	13,211	(12,405)
Unrealised deficit on revaluation of properties	-	(4,706)
Total recognised gains/(losses) for the year	13,211	(17,111)

Note of Historical Cost Profits and Losses

for the year ended 31 May 2006

	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Reported profit/(loss) on ordinary activities before and after taxation	13,211	(12,405)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	951	951
Historical cost profit/(loss) on ordinary activities before and after taxation	14,162	(11,454)

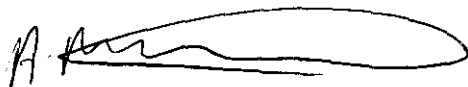
Manchester City Football Club PLC

Balance Sheet

as at 31 May 2006

	Note	2006 £000	2005 £000
Fixed assets			
Intangible assets	9	11,018	11,000
Tangible assets	10	154,705	156,870
Investments	11	-	-
		165,723	167,870
Current assets			
Stocks	12	420	772
Debtors	13	6,139	5,659
Cash at bank and in hand		9,722	7,365
		16,281	13,796
Creditors			
Amounts falling due within one year	14	(66,353)	(67,161)
		(50,072)	(53,365)
Net current liabilities		(50,072)	(53,365)
Total assets less current liabilities		115,651	114,505
Creditors			
Amounts falling due after more than one year	15	(81,719)	(88,550)
Deferred income	17	(15,486)	(20,720)
		18,446	5,235
Net assets		18,446	5,235
Capital and reserves			
Called up share capital	18	962	962
Share premium account	19	59	59
Revaluation reserve	19	71,344	71,344
Profit and loss account	19	(53,919)	(67,130)
		18,446	5,235
Shareholders' funds		18,446	5,235

These financial statements were approved by the Board of Directors on 14 December 2006 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.

There has been no material impact of adopting FRS 21. The new reporting standards FRS 22, FRS 23, FRS 24, FRS 25, FRS 26, FRS 27 and FRS 29 are not applicable to the Company.

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 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 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 Plc, within which this Company is included, can be obtained from the address given in note 27.

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.

Manchester City Football Club PLC

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

Cost includes directly attributable finance costs.

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 2006 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 PLC

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 currencies

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.

2 Turnover

	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Gate receipts	15,698	15,073
Television	24,223	26,143
Other commercial activities	21,773	19,501
Donations from development association	108	147
	61,802	60,864

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

Manchester City Football Club PLC

Notes (continued)

3 Operating expenses

	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Raw materials and consumables	7,411	6,728
Remuneration of auditors and its associates:		
Audit fees	37	35
Other services	44	29
Hire of other assets – operating leases	197	205
Capital grants released and amortised	(36)	(39)
Other external charges	12,063	10,169
Staff costs (note 5)	34,341	37,677
Amortisation of players	7,147	11,565
Depreciation of tangible fixed assets:		
Owned	600	596
Leased	2,084	1,959
	63,888	68,924
Operating expenses comprise:		
Operating expenses before amortisation of players	56,741	57,359
Amortisation of players	7,147	11,565
	63,888	68,924

4 Directors' remuneration

	2006 £000	2005 £000
Directors' emoluments	344	293
Company contributions to money purchase pension schemes	11	11

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £289,000 (2005: £224,000) and Company pension contributions of £11,000 (2005: £11,000) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to one (2005: one) director under a money scheme.

Directors' rights to subscribe for shares in or debentures of the company and its subsidiaries are indicated below:

	Number of options		Exercise price £/p
	At start of year	At end of year	
AJ Mackintosh	200,000	200,000	45p

No directors benefited from qualifying third party indemnity provisions.

Manchester City Football Club PLC

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	Year ended
	31 May 2006	31 May 2005
Football staff – including players	97	100
Commercial/administration staff	112	104
	209	204

The aggregate payroll costs of these persons were as follows:

	Year ended	Year ended
	31 May 2006 £000	31 May 2005 £000
Wages and salaries	30,387	33,671
Social security costs	3,856	3,929
Other pension costs	98	77
	34,341	37,677

6 Interest receivable and similar income

	Year ended	Year ended
	31 May 2006 £000	31 May 2005 £000
Bank interest	598	189

7 Interest payable and similar charges

	Year ended	Year ended
	31 May 2006 £000	31 May 2005 £000
Bank loans and overdrafts	144	334
Other loans	1,610	1,508
	1,754	1,842

Manchester City Football Club PLC

Notes (continued)

8 Taxation

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

	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Current tax		
UK corporation tax at 30% (2005: 30%) on profits/(losses) for the year	-	-
Adjustments in respect of prior years	-	-
Tax on profits/(losses) from ordinary activities	-	-

(b) Factors affecting tax charge for the year:

The current tax charge for the year is lower (2005: higher) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below:

	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Profit/(loss) on ordinary activities before taxation	13,211	(12,405)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	3,963	(3,722)
Effects of:		
Expenses not deductible for tax purposes	72	71
Capital allowances in excess/(less than) depreciation	(264)	139
Intangible asset – players	-	4
Ineligible depreciation	114	47
Other timing differences	404	186
Tax losses incurred in the year	-	3,275
Tax losses utilised in the year	(3,344)	-
Group relief not paid for	(945)	-
Current tax charge for the year	-	-

The Company has corporation tax losses available for carry forward of approximately £63 million. (2005: £68.9 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 PLC

Notes (continued)

8 Taxation (continued)

The elements of deferred tax are as follows:

	Year ended 31 May 2006 £000	Year ended 31 May 2005 £000
Intangible fixed assets	-	-
Accelerated capital allowances	-	-
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.

9 Intangible fixed assets

Amounts paid for players' registrations:	£000
Cost	
As at 1 June 2005	36,395
Additions	9,387
Disposals	(13,383)
As at 31 May 2006	32,399
Amortisation	
As at 1 June 2005	25,395
Charge for the year	7,147
Disposals	(11,161)
As at 31 May 2006	21,381
Net book value	
As at 31 May 2006	11,018
As at 1 June 2005	11,000

Manchester City Football Club PLC

Notes (continued)

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 2005	4,809	624	153,434	4,119	162,986
Additions	-	-	53	466	519
As at 31 May 2006	4,809	624	153,487	4,585	163,505
Depreciation					
As at 1 June 2005	911	23	3,827	1,355	6,116
Charge for the year	96	25	2,059	504	2,684
As at 31 May 2006	1,007	48	5,886	1,859	8,800
Net book value					
As at 31 May 2006	3,802	576	147,601	2,726	154,705
As at 1 June 2005	3,898	601	149,607	2,764	156,870

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

	2006 £000
At depreciated replacement cost	151,540
Aggregate depreciation thereon	(5,693)
Net book value	145,847
Historical cost of revalued assets	80,196
Aggregate depreciation thereon	(2,894)
Historical cost net book value	77,302

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. The Directors are not aware of any material change in the value and therefore the valuation has not been updated in the current year.

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.

Manchester City Football Club PLC

Notes (continued)

10 Tangible fixed assets (continued)

The net book value of fixed assets at 31 May 2006 includes £133,743,000 (2005: £135,678,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £1,935,000 (2005: £1,900,000).

Interest capitalised relating to the City of Manchester Stadium included in additions during the year amounted to £nil (2005: £nil). The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2005: £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

11 Fixed asset investments

			Shares in Group Undertakings
Cost and net book value at 31 May 2006			-
Cost and net book value at 31 May 2005			-
	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

	2006	2005
	£000	£000
Goods for resale	420	772

13 Debtors

	2006	2005
	£000	£000
Amounts falling due within one year		
Trade debtors	1,559	1,892
Other debtors	60	96
Amounts owing to subsidiary undertakings	83	83
Prepayments and accrued income	4,437	3,588
	6,139	5,659

14 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Bank loans and overdrafts	-	467
Directors' loans (Note 16)	4,495	4,495
Other loans (Note 16)	13,716	13,035
Obligations under finance leases (Note 16)	60	57
Trade creditors	6,794	6,452
Amounts owed to parent company	31,054	31,054
Other creditors including tax and social security	2,324	3,003
Accruals	7,910	8,598
	66,353	67,161

15 Creditors: amounts falling due after more than one year

	2006	2005
	£000	£000
Other loans (Note 16)	1,997	4,977
Obligations under finance leases (Note 16)	42,450	42,522
Trade creditors	4,808	4,535
Amounts owed to group undertakings	32,065	36,516
Accruals	399	-
	81,719	88,550

Manchester City Football Club PLC

Notes (continued)

16 Borrowings

	Directors' Loans £000	Other Loans £000	Finance Leases £000	2006 Total £000	2005 Total £000
Within one year	4,495	13,716	60	18,271	18,054
Between one and two years	-	1,397	63	1,460	3,040
Between two and five years	-	441	208	649	1,891
After more than five years	-	159	42,179	42,338	42,568
	4,495	15,713	42,510	62,718	65,553

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.

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:

	2006 £000	2005 £000
Within one year	2,315	3,134
In the second to fifth year	11,290	9,262
Over five years	148,374	147,344
Less future finance charges	(119,469)	(117,161)
	42,510	42,579

Manchester City Football Club PLC

Notes (continued)

17 Deferred income

	2006 £000	2005 £000
Within one year:		
Deferred income	10,885	16,079
Deferred credit for capital grants	36	36
	10,921	16,115
More than one year:		
Deferred income	146	150
Deferred credit for capital grants	4,419	4,455
	4,565	4,605
Total deferred income	15,486	20,720

Deferred credit for capital grants

	£000
The movements in deferred credit for capital grants during the year were as follows:	
At 1 June 2005	4,491
Grants received in year	-
Grants released in year	(36)
At 31 May 2006	4,455

18 Called up share capital

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

	2006 Number of shares	2006 £000	2005 Number of shares	2005 £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 2005	59	71,344	(67,130)
Retained profit for the year	-	-	13,211
At 31 May 2006	59	71,344	(53,919)

20 Contingent liabilities

Signing on fees and loyalty bonuses of £3,520,000 (2005: £2,668,000) 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

	2006 £000	2005 £000
Profit/(loss) for the financial year	13,211	(12,405)
Revaluation in the year	-	(4,706)
Net increase/(reduction) to shareholders' funds	13,211	(17,111)
Opening shareholders' funds	5,235	22,346
Total closing shareholders' funds	18,446	5,235

22 Pensions

The Group 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 Group 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 Group.

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 £44,856 (2005: £50,004). It has been agreed that an employer contribution of £19,116 per annum will apply in future years.

23 Commitments

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

	2006 £000	2005 £000
Expiring:		
Within one year	197	141
Within two and five years	20	33
After five years	-	2
	217	176

Manchester City Football Club PLC

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 2006 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non- interest financial liabilities £000
As at 31 May 2006	62,718	894	61,705	119
As at 1 June 2005	65,553	3,710	61,774	69

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

The floating rate financial liabilities comprise loans attracting interest at a margin over base rate and other loans of £894,000 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 Director's loans of £4,495,000 and finance lease obligations of £42,510,000 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 2006 is shown in note 16.

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

25 Related party transactions

The loans from JC Wardle and DM Makin are described in notes 16 and 24 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 2006 on loans from JC Wardle amounted to £1,868,356 and on loans from DM Makin amounted to £959,750.

JC Wardle (£50,000) and D Tueart (£29,658) 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.

Manchester City Football Club PLC

Notes *(continued)*

26 Post balance sheet events

Since the year-end the football registrations of Ousmane Dabo (from SS Lazio), Paul Dickov (from Blackburn Rovers FC), Dietmar Hamann (from Bolton Wanderers FC), Bernardo Corradi (from Valencia FC), Andreas Isaksson (from Rennes FC) and Hatem Trabelsi (from Ajax FC) have been acquired for a total cost of £3.4 million. The registrations of Bradley Wright-Phillips (to Southampton FC), Lee Croft (to Norwich City FC), Willo Flood (to Cardiff City FC), Antoine Sibierski (to Newcastle United FC), David James and Andy Cole (to Portsmouth FC) were sold for a total consideration of £3.0 million.

27 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.