

City Football Group Limited

Directors' Report and Financial Statements

For the year ended 31 May 2015

Registered number 08355862

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City Football Group Limited

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City Football Group Limited

Directors and Advisors

Directors

K Al Mubarak (Chairman)
J MacBeath
M Edelman
S Pearce
M Al Mazrouei
A Galassi

Company Secretary

S Cliff

Registered Office

Regent's Place 14th Floor, 10 Brock Street, London, NW1 3FG

Bankers

Barclays Bank PLC, 51 Mosley Street, Manchester M60 2AU

Auditors

BDO LLP, 3 Hardman Street, Manchester M3 3AT

Solicitors

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

City Football Group Limited

Directors and Advisors (continued)

The Board of Directors comprises:

Khaldoon Al Mubarak (Chairman)

Khaldoon Al Mubarak was appointed to the Board on 10 January 2013. He is Chairman of the Abu Dhabi Executive Affairs Authority, which provides strategic policy advice to the Chairman of the Abu Dhabi Executive Council, of which he is also a member. He is Chairman of the Emirates Nuclear Energy Corporation, the Abu Dhabi Media Zone Authority and Emirates Aluminium (EMAL). He is also Deputy Chairman of the Urban Planning Council and a board member of First Gulf Bank and Ferrari SpA.

Martin Edelman (Non-Executive Director)

Martin Edelman was appointed to the Board on 10 January 2013. He was a Director of Cendant Corporation from 1997-2006 and was a Director of HFS from November 1993 until September 1997. He has been Of Counsel to Paul, Hastings, Janofsky & Walker, LLP, a New York City law firm, since June 2000 and currently serves as a Director of the Avis Budget Group. He is also a Director of Aldar Properties, Ashford Hospitality Trust and Capital Trust.

Simon Pearce (Non-Executive Director)

Simon Pearce was appointed to the Board on 10 January 2013. He is a Special Advisor to the Chairman of the Executive Affairs Authority of Abu Dhabi. He is also a Director of twofour 54, an initiative to accelerate the development of the media sector in the UAE and MENA region, and ADMM, the owners and operators of Yas Marina Circuit.

Mohamed Al Mazrouei (Non-Executive Director)

Mohamed Al Mazrouei joined Abu Dhabi Media Company as Chairman of the Board on 10 January 2013. Mr Al Mazrouei is Under Secretary to the Abu Dhabi Crown Prince's Court, a role he assumed in April 2008. He also serves as a non-Executive Director for Etihad Airways.

John MacBeath (Non-Executive Director)

John MacBeath is a Chartered Accountant with extensive international business experience in the oil & gas and aerospace industrial sectors. He joined the Board on 10 January 2013 and was appointed Interim Chief Executive Officer of Manchester City Limited between September 2011 and September 2012.

Alberto Galassi (Non-Executive Director)

Alberto Galassi was appointed to the Board on 10 January 2013. He is currently CEO of Piaggio Aero Industries and previously served on the Executive Committee of Piaggio Aero as Board Member responsible for Marketing and Sales. He is attorney at law specialising in International commerce and arbitration and has been a member of the Bar since 1996.

City Football Group Limited

Strategic Report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 May 2015.

Principal activities

The principal activity of the Group is the operation of professional football clubs as well as providing football and commercial services to other organisations.

Business Review and Key Performance Indicators

City Football Group was created in January 2013 and holds investments in multiple football clubs around the world, specifically Manchester City Football Club, New York City Football Club and Melbourne City Football Club, as well as holding a smaller stake in Yokohama F. Marinos.

The Group has reported a bottom line loss of £31.4m for the year (*2014: £63.4m*) as the newly formed service companies and New York City Football Club continue to build their business offset by the profitability of Manchester City Football Club.

Manchester City Football Club generated £351.8m in revenue in 2014-15, breaking the £350m threshold for the first time in its history. The Club has experienced overall revenue growth with commercial partnerships revenue up by 4% to £173.0m, broadcast revenue up by 2% to £135.4m and match day revenue down by 9% to £43.3m.

Key drivers of increased revenue in 2014-15 included the retention and recruitment of a variety of regional and global commercial partners. Match day revenue reduced as a result of the Capital One Cup campaign and reduced stadium capacity.

New York City Football Club generated £11.6m revenues during the period, resulting from a part season which started in March 2015. Attendance of over 43,000 was achieved at the opening home game, a remarkable achievement for a brand new club. Melbourne City Football Club, purchased in February 2014 contributed revenues of £4.6m in 2014-15 from its first full year within the Group.

Wage costs were £231m, incurred mostly by Manchester City Football Club with the Club's wage turnover ratio now at a 55% (*2014: 59%*).

The Group made important progress on two key infrastructure projects during 2014-15. The opening of the City Football Academy in late 2014 has transformed the City's recruitment, training and development capabilities while the expansion of the Etihad Stadium to a capacity of 55,000 will enable more spectators to attend Manchester City Football Club home games from the 2015-16 season onwards.

The Group's financial position remains strong. The Group has net assets valued at more than £695m and continues to operate with zero financial debt.

We have budgeted for losses in 2015-16 but expect the Group to be profitable within the next 3 years.

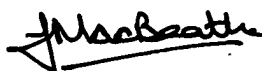
City Football Group Limited

Strategic Report (continued)

Risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the Group's performance. The Group's income is affected by the performance of the Manchester City Football Club first team because significant revenues are dependent upon strong team performances in the Premier League, domestic and European Cup competitions. In addition to this, as the Group increases its global footprint, there will be similar risks in New York and Melbourne related to global partnerships. The Group is regulated by the rules of the FA, Premier League, FFA, MLS, UEFA and FIFA and any change to these regulations could have an impact as the regulations cover areas such as: the distribution of broadcasting income, the eligibility of players and the operation of the transfer market. The Group monitors its compliance with all applicable rules and regulations on a continuous basis and considers the impact of any potential changes.

By order of the Board



J MacBeath

Director

28 August 2015

City Football Group Limited

Directors' Report

Directors

The Directors who held office during the period were as follows:

K Al Mubarak (Chairman)
J MacBeath
M Edelman
S Pearce
M Al Mazrouei
A Galassi

Result for the period

The loss for the financial period was £31,421,000 (2014: £63,422,000). The Directors do not propose a dividend (2014: *£nil*).

Political and charitable contributions

The Group made no political contributions. Donations to UK charities amounted to £3,008,754 (2014: £2,237,199). This amount includes £1.9m supporting Premier League youth and community development expenditure.

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.

City Football Group Limited

Statement of Directors' Responsibilities

Directors' responsibilities

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 the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group 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 accounting 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;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of 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.

By order of the Board



J MacBeath
Director
28 August 2015

City Football Group Limited

Independent Auditors' Report to the Members of City Football Group Limited

We have audited the financial statements of City Football Group Limited for the period ended 31 May 2015 which comprise the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated note of historical cost profits and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 May 2015 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

City Football Group Limited

Independent Auditors' Report to the Members of City Football Group Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



*Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
1 September 2015*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

City Football Group Limited

Consolidated Profit and Loss Account

for the year ended 31 May 2015

	Note	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Turnover	2	368,703	347,050
Other operating income	3	3,385	1,775
Operating expenses	3	(414,624)	(406,682)
Operating loss		(42,536)	(57,857)
Profit on disposal of players		13,821	197
Loss before interest and taxation		(28,715)	(57,660)
Interest receivable and similar income	6	715	61
Interest payable and similar charges	7	(5)	(1,610)
Stadium finance lease charges		(4,167)	(4,345)
Loss on ordinary activities before taxation		(32,172)	(63,554)
Taxation	8	316	-
Loss on ordinary activities after taxation		(31,856)	(63,554)
Equity Minority Interests		435	132
Loss for the financial period	19	(31,421)	(63,422)

The results for both periods are from continuing operations.

The notes on pages 14 to 29 form part of these financial statements.

City Football Group Limited

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 May 2015

	Note	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Loss for the financial period		(31,421)	(63,422)
Unrealised surplus on revaluation of properties	19	8,869	-
Foreign currency translation exchange losses	19	(2,741)	-
Total recognised losses for the period		(25,293)	(63,422)

Consolidated Note of Historical Cost Profits and Losses

for the year ended 31 May 2015

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Loss on ordinary activities after taxation	(31,856)	(63,554)
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	1,120	1,120
Historical cost loss on ordinary activities after taxation	(30,736)	(62,434)

The notes on pages 14 to 29 form part of these financial statements.

City Football Group Limited

Balance Sheets

as at 31 May 2015

Registered number: 08355862

	Note	Group		Company	
		2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Intangible assets	10	201,137	214,741	-	-
Tangible assets	11	417,157	349,123	985	828
Investments	12	62,578	62,578	673,471	550,181
		680,872	626,442	674,456	551,009
Current assets					
Debtors - amounts falling due within one year	13	146,461	143,970	43,701	12,310
Debtors - amounts falling due after more than one year	13	26,040	22,873	-	-
Cash at bank and in hand		97,511	42,863	628	17,304
		270,012	209,706	44,329	29,614
Creditors –due within one year	14	(110,151)	(172,882)	(23,111)	(3,372)
Deferred income – due within one year	17	(32,464)	(15,032)	(95)	-
Net current assets		127,397	21,792	21,123	26,242
Total assets less current liabilities		808,269	648,234	695,579	577,251
Creditors - due after more than one year	15	(111,662)	(69,910)	-	-
Deferred income – due after more than one year	17	(1,028)	(1,073)	-	-
Net assets		695,579	577,251	695,579	577,251
Capital and reserves					
Called up share capital	18	441,444	298,892	441,444	298,892
Share premium account	19	284,969	284,969	284,969	284,969
Merger reserve	19	694,522	694,522	-	-
Revaluation reserve	19	53,555	44,686	-	-
Foreign currency translation reserve	19	(2,741)	-	-	-
Profit and loss account	19	(780,428)	(749,007)	(30,834)	(6,610)
Shareholders' funds	21	691,321	574,062	695,579	577,251
Minority interests		4,258	3,189	-	-
Total capital employed		695,579	577,251	695,579	577,251

The notes on pages 14 to 29 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 August 2015 and were signed on its behalf by:


J MacBeath
 Director

City Football Group Limited

Group Cash Flow Statement

for the year ended 31 May 2015

	Note	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Net cash inflow/(outflow) from operating activities	24	55,725	(13,180)
Return on investments and servicing of finance			
Interest paid		(5)	(160)
Interest element of finance lease payments		(4,437)	(4,554)
Interest received		1,342	61
Net cash outflow from return on investments and servicing of finance		(3,100)	(4,653)
Capital expenditure			
Purchase of intangible fixed assets		(84,907)	(116,128)
Purchase of other intangible fixed assets		(11)	(13,124)
Sale of intangible fixed assets		16,083	34,578
Purchase of tangible fixed assets		(70,999)	(96,762)
Sale of tangible fixed assets		(124)	-
Purchase of subsidiary undertaking		-	(5,303)
Net cash acquired with subsidiary		-	49
Purchase of fixed asset investments		-	(2,926)
Net cash outflow from capital expenditure		(139,958)	(199,616)
Net cash outflow before financing		(87,333)	(217,449)
Financing			
Issue of shares		142,552	246,310
Capital element of finance lease rental payments		(571)	(299)
Net cash inflow from financing		141,981	246,011
Movement in cash in the period	26	54,648	28,562

The notes on pages 14 to 29 form part of these financial statements.

City Football Group Limited

Notes to the Consolidated 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 Group'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 and are in accordance with applicable accounting standards.

The Group 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 ultimate 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the City Football Group Limited ('the Company') and its subsidiary undertakings up to 31 May 2015. The Company was incorporated on 10 January 2013 and acquired Manchester City Limited ('MCL') on 2 February 2013 as part of this restructure. Shares in the Company were exchanged for shares in MCL. This has been accounted for using merger accounting principles.

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

The results of overseas subsidiaries are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Results of subsidiaries with non-coterminous year ends within six months of the Group's year end are consolidated in these financial statements.

Turnover

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

Advanced match revenue is included within deferred income and is recognised over the period of the football season as games are played. Commercial and other partnership revenues are included within deferred income and are recognised over the life of the relevant contracts.

City Football Group Limited

Notes to the Consolidated Financial Statements *(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 the Etihad Stadium, held within long leasehold land and buildings, is subject to a full valuation on a depreciated replacement cost basis every five years with an interim valuation carried out in the third year of this cycle.

Where the Group's websites are expected to generate future revenues in excess of costs of development then these costs are capitalised.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Provisions in the Company are made to ensure the net assets of the Company do not exceed that of the Group.

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.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 20 years. Impairment tests on the carrying value of goodwill are undertaken if there are any indicators of impairment.

Signing on fees

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

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 2015 as in the Group's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered.

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Leases

Where the Group 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 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

A subsidiary of the Group 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.

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

2 Turnover

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Matchday	50,128	48,171
Broadcasting - UEFA	32,860	31,329
Broadcasting - All Other	104,053	101,910
Other commercial activities	181,662	165,640
	368,703	347,050

Turnover that is attributable to markets outside the United Kingdom is £16,224,000 (2014: £2,199,000). The Group has one activity which is the operation of professional football clubs and therefore a segmental analysis has not been provided. All of the results for this activity are included within the primary statements.

3 Operating loss

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Other operating income		
Other operating income	3,385	1,775
Operating expenses		
Direct cost of sales and consumables	7,246	9,261
Remuneration of auditors and its associates:		
Audit fees – Group	75	70
Audit fees – Overseas subsidiaries	30	-
Tax Services	83	84
Other services	-	7
Hire of other assets – operating leases	303	473
Capital grants released and amortised	(2,485)	(1,159)
Other external charges	95,110	76,005
UEFA settlement	-	16,260
Insurance proceeds	-	(6,670)
Staff costs (Note 5)	231,497	228,254
Amortisation of player registrations	70,302	76,488
Goodwill amortisation	291	-
(Profit)/loss on disposal of fixed assets	1,719	-
Depreciation of tangible fixed assets:		
Owned	8,259	5,603
Leased	2,194	2,006
	414,624	406,682

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

4 Directors' remuneration

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Directors' emoluments	-	-
Company contributions to money purchase pension schemes	-	-
Amounts paid to third parties in respect of Directors' services	6	166

No directors were paid in the year (2014: £nil) and no Company pension contributions were made (2014: £nil).

5 Staff numbers and costs

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

Number of employees	Year ended 31 May 2015	Period ended 31 May 2014
Football staff – including players	304	249
Commercial/administration staff	405	338
	709	587

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	203,722	199,891
Social security costs	26,876	27,423
Other pension costs	899	940
	231,497	228,254

6 Interest receivable and similar income

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Bank interest	64	60
Other	651	1
	715	61

7 Interest payable and similar charges

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Bank loans and overdrafts	-	1,448
Other loans	5	-
Finance lease interest	-	162
	5	1,610

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

8 Taxation

(a) Analysis of the tax (credit)/charge in the period:

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Current tax		
UK corporation tax at 21% (2014: 23%) on profits for the year	-	-
Adjustments in respect of prior years	(316)	-
Tax on profits from ordinary activities	(316)	-

(b) Factors affecting tax charge for the year:

The current tax charge for the period varies from the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	Year ended 31 May 2015 £000	Period ended 31 May 2014 £000
Loss on ordinary activities before taxation	(32,172)	(63,422)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	(6,703)	(14,378)
Effects of:		
Expenses not deductible for tax purposes	238	4,022
Fixed asset timing differences	332	1,501
Other permanent differences	615	-
Additional deduction for land remediation credit	(10)	-
Tax losses utilised in the year	(2,999)	-
Adjustments in respect of prior periods	(316)	-
Differences between capital allowances and depreciation	126	-
Other short term timing differences	(335)	(334)
Income not taxable for tax purposes	(66)	-
Tax losses incurred in the period	5,423	9,189
Overseas losses not available for group relief	3,379	-
Current tax credit for the period	(316)	-

The Company has corporation tax losses available for carry forward of approximately £646 million (2014: £643 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.

9 Company results

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company profit for the period includes a loss after tax of £24.2m which is dealt with in the financial statements of the parent company.

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

10 Intangible fixed assets

Group	Player Registrations £000	Goodwill £000	Other £000	Total £000
Cost				
As at 1 June 2014	440,467	5,813	1,645	447,925
Additions	98,288	-	11	98,299
Disposals	(128,143)	-	-	(128,143)
Exchange differences	-	-	(234)	(234)
As at 31 May 2015	410,612	5,813	1,422	417,847
Amortisation				
As at 1 June 2013	233,184	-	-	233,184
Amortisation	70,302	291	-	70,593
Disposals	(87,067)	-	-	(87,067)
As at 31 May 2015	216,419	291	-	216,710
Net book value				
As at 31 May 2015	194,193	5,522	1,422	201,137
As at 1 June 2014	207,283	5,813	1,645	214,741

11 Tangible fixed assets

Group	Land and Buildings (Freehold) £000	Land and Buildings (Short Leasehold) £000	Land and Buildings (Long Leasehold) £000	Assets under course of construction £000	Fixtures, Fittings & Equipment £000	Total £000
Cost/valuation						
As at 1 June 2014	59,833	2,288	141,233	127,880	40,136	371,370
Additions	19,941	-	5,543	30,753	14,769	71,006
Disposals	-	-	(124)	(48)	(6,813)	(6,985)
Reclassification	110,227	-	-	(110,488)	261	-
Exchange differences	-	-	1	141	54	196
Revaluation	-	-	8,869	-	-	8,869
As at 31 May 2015	190,001	2,288	155,522	48,238	48,407	444,456
Depreciation						
As at 1 June 2014	1,775	637	3,537	-	16,298	22,247
Charge for the year	1,428	74	2,757	-	6,194	10,453
Disposals	-	-	(296)	-	(5,093)	(5,389)
Exchange differences	-	-	(14)	-	2	(12)
As at 31 May 2015	3,203	711	5,984	-	17,401	27,299
Net book value						
As at 31 May 2015	186,798	1,577	149,538	48,238	31,006	417,157
As at 1 June 2014	58,058	1,651	137,696	127,880	23,838	349,123

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

11 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':

	2015
	£000
At depreciated replacement cost	194,148
Aggregate depreciation thereon	(5,381)
Net book value	188,767
Historical cost of revalued assets	127,125
Aggregate depreciation thereon	(12,417)
Historical cost net book value	114,708

Tangible fixed assets are shown at their original cost to the Group with the exception of the Etihad Stadium. A full valuation was obtained by the Directors as at 31 May 2015 from GVA Grimley Ltd on a depreciated replacement cost basis and was made in accordance with the Royal Institute of Chartered Surveyors' Asset Statements of Valuation Practice and Guidance Notes. The results of this new valuation have 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 2015 includes £188,767,015 (2014: £135,800,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,088,072 (2014: £1,865,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2014: £283,000).

Finance Lease on Etihad Stadium

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the Etihad Stadium. Rental payments are made quarterly. 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 an interest rate of 7.57% and an estimated long term inflation rate of 2.5% have been applied.

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

11 Tangible fixed assets *(continued)*

Company

	Fixtures, Fittings & Equipment £000	Total £000
Cost/valuation		
As at 1 June 2014	1,001	1,001
Additions	508	508
As at 31 May 2015	1,509	1,509
Depreciation		
As at 1 June 2014	173	173
Charge for the year	351	351
As at 31 May 2015	524	524
Net book value		
As at 31 May 2015	985	985
As at 1 June 2014	828	828

12 Fixed asset investments

The Group holds a membership interest in Major League Soccer LLC and Soccer United Marketing LLC through its subsidiary, New York City Football Club LLC which is classified in other investments with the 19.9% minority stake in Yokohama Marinos Limited.

	Group £000	Company £000
Subsidiary undertakings		
Cost		
As at 1 June 2014	-	547,255
Additions	-	136,527
As at 31 May 2015	-	683,782
Provisions for impairment		
As at 1 June 2014	-	-
Charge for the year	-	13,237
As at 31 May 2015	-	13,237
Net book value		
As at 31 May 2015	-	670,545
As at 1 June 2014	-	547,255

City Football Group Limited

Notes to the Consolidated Financial Statements (continued)

12 Fixed assets investments (continued)

	Group £000	Company £000
Other investments		
Cost		
As at 1 June 2014	62,578	2,926
Additions	867	867
As at 31 May 2015	63,445	3,793
Provisions for impairment		
As at 1 June 2014	-	-
Charge for the year	867	867
As at 31 May 2015	867	867
Net book value		
As at 31 May 2015	62,578	2,926
As at 1 June 2014	62,578	2,926
Total net book value		
As at 31 May 2015	62,578	673,471
As at 1 June 2014	62,578	550,181

Subsidiary undertakings	Principle activities	Country of incorporation and operation	Proportion of voting rights and share capital held
Manchester City Limited	Intermediate holding company	England	100%
City Football Marketing Limited	Commercial and marketing services	England	100%
City Football Services Limited	Sporting services	England	100%
Manchester City Women's Football Club Limited	Professional football club	England	100%
Manchester City Football Club Limited	Professional football club	England	100%
Manchester City Investments Limited *	Issuer of loan notes	England	100%
City Football Image Rights Limited	Management of image rights	England	100%
City Football Academy Manchester Limited	Property investment	England	100%
City Football Group USA LLC	Intermediate holding company	United States	100%
CFG Stadium Group, LCC*	Stadium operations	United States	100%
City Football Group US Holdco, LCC*	Intermediate holding company	United States	80%
New York City Football Club LCC*	Professional football club	United States	80%
MHFC Holdings Pty Limited	Intermediate holding company	Australia	80%
Melbourne City Football Club Pty Limited*	Professional football club	Australia	80%
City Football Middle East FZ LLC	Commercial, marketing and sporting services	UAE	100%
City Football Japan KK	Commercial, marketing and sporting services	Japan	100%

* denotes indirect investments.

On 30 June 2015, City Football Group Limited acquired the remaining 20% shareholding of MHFC Holdings Pty Limited.

City Football Group Limited

Notes to the Consolidated Financial Statements (continued)

13 Debtors

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Amounts falling due within one year				
Trade debtors	35,481	82,880	652	-
Debtors arising from player transfers	44,617	11,248	-	-
Amounts owed by group undertakings (Note 28)	-	-	41,260	11,029
Amounts owed by related party undertakings (Note 28)	206	629	1,206	456
Other debtors	48	296	-	-
Prepayments and accrued income	66,109	48,917	583	825
	146,461	143,970	43,701	12,310
Amounts falling due after more than one year				
Trade debtors	5,625	11,250	-	-
Debtors arising from player transfers	19,618	10,309	-	-
Other debtors	797	1,314	-	-
	26,040	22,873	-	-
Total debtors	172,501	166,843	43,701	12,310

14 Creditors: due within one year

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Obligations under finance leases (Note 16)	331	571	-	-
Trade creditors	5,533	5,259	170	111
Creditors arising from player transfers	19,872	9,484	-	-
Amounts owed to group undertakings	-	-	18,313	-
Amounts owed to related party undertakings	3,905	4,487	-	-
Other creditors including tax and social security	13,904	15,266	42	48
Accruals	66,606	137,815	4,586	3,213
	110,151	172,882	23,111	3,372

15 Creditors: due after more than one year

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Obligations under finance leases (Note 16)	66,669	67,000	-	-
Accruals	36,272	-	-	-
Creditors arising from player transfers	8,721	2,910	-	-
	111,662	69,910	-	-

16 Borrowings

Group

Maturity of debt:	Finance	2015	2014
	Leases £000	Total £000	Total £000
Within one year	331	331	571
Between one and two years	347	347	331
Between two and five years	1,151	1,151	1,096
After more than five years	65,171	65,171	65,573
	67,000	67,000	67,571

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

16 Borrowings *(continued)*

Finance Leases

Obligations under finance leases include future obligations under the lease of the Etihad Stadium. Details are provided within note 11.

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

	2015 £000	2014 £000
Within one year	3,550	3,806
In the second to fifth year	14,200	14,200
Over five years	157,375	160,925
Less future finance charges	(108,125)	(111,360)
	67,000	67,571

17 Deferred income

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Within one year:				
Deferred income	32,419	14,987	-	-
Deferred credit for capital grants	45	45	95	-
	32,464	15,032	95	-
More than one year:				
Deferred income	-	-	-	-
Deferred credit for capital grants	1,028	1,073	-	-
	1,028	1,073	-	-
Total deferred income	33,492	16,105	95	-

Deferred credit for capital grants

	£000
The movements in deferred credit for capital grants during the year were as follows:	
At 1 June 2014	1,118
Grants released in year	(45)
At 31 May 2015	1,073

18 Called up share capital

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

	2015 £000	2014 £000
Issued and called up		
441,443,709 (2014: 298,892,260) Ordinary shares of £1 each – fully paid	441,444	298,892
	441,444	298,892

During the period 142,551,449 ordinary shares of £1 each were issued for a consideration of £1 per share.

City Football Group Limited

Notes to the Consolidated Financial Statements (continued)

19 Reserves

Group	Share premium £000	Foreign currency translation reserve £000	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000
At 1 June 2014	284,969	-	694,522	44,686	(749,007)
Retained loss for the period	-	-	-	-	(31,421)
Translation difference of foreign currency net investments	-	(2,741)	-	-	-
Revaluation in the year	-	-	-	8,869	-
At 31 May 2015	284,969	(2,741)	694,522	53,555	(780,428)
Company					
At 1 June 2014	284,969	-	-	-	(6,610)
Retained loss for the period	-	-	-	-	(24,224)
At 31 May 2015	284,969	-	-	-	(30,834)

20 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £112,918,000 (2014: £100,563,000) 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 Reconciliations of movement in shareholders' funds

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Loss for the financial period	(31,421)	(63,422)	(24,224)	(6,610)
Other recognised gains and losses	-	(500)	-	-
Revaluation adjustment	8,869	-	-	-
Merger reserve	-	694,522	-	-
Issue of shares	142,552	(448,212)	142,552	583,861
Foreign currency translation losses	(2,741)	-	-	-
Net increase in shareholders' funds	117,259	182,388	118,328	577,251
Opening shareholders' funds	574,062	391,674	577,251	-
Total closing shareholders' funds	691,321	574,062	695,579	577,251

22 Pensions

A subsidiary of 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 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 2015 a Minimum Funding Requirement Deficit was identified in the scheme, of which £230,644 (2014: £316,436) was allocated to the Company.

The latest full actuarial valuation was carried out at 31 August 2014 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the year was £63,857 (2014: £63,857).

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

23 Commitments

The annual commitments under non-cancellable operating leases are set out below.

	2015	2014
	£000	£000
Expiring:		
Within one year	10,681	67
Within two and five years	2,218	236
After five years	2,793	-
	15,692	303

The capital commitments contracted but not provided for are as follows:

	2015	2014
	£000	£000
Contracted but not provided for	10,115	48,386

The capital commitments represent contracted amounts in relation to the construction of the City Football Academy and expansion of the Etihad Stadium.

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

	2015	2014
	£000	£000
Operating loss	(42,536)	(57,857)
Amortisation and impairment of players' registrations	70,302	76,488
Goodwill amortisation	291	-
Depreciation	10,453	7,609
Loss on sale of fixed assets	1,719	-
Decrease/(increase) in debtors	32,996	(19,702)
Decrease in creditors	(17,455)	(19,665)
Release and amortisation of grants	(45)	(53)
Net cash inflow/(outflow) from operating activities	55,725	(13,180)

25 Reconciliation of net cash flow to movement in net cash/(debt)

	2015	2014
	£000	£000
Increase in cash in the period	54,648	28,562
Net cash inflow from movement in debt	571	299
Finance leases acquired	-	(256)
Movement in net cash resulting from cash flows	55,219	28,605
Finance leases acquired	-	256
Opening net debt position	(24,708)	(53,569)
Closing net cash/(debt) position	30,511	(24,708)

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

26 Analysis of changes in net debt

	As at 1 June 2014 £000	Cash Flow £000	As at 31 May 2015 £000
Cash at bank and in hand	42,863	54,648	97,511
Movement in net cash position in the period	42,863	54,648	97,511
Debt due within one year	-	-	-
Debt due after one year	-	-	-
Net cash (excluding finance leases)	42,863	54,648	97,511
Finance leases	(67,571)	571	(67,000)
Net cash/(debt)	(24,708)	55,219	30,511

27 Financial instruments and risk management

The Group'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 Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group'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 2015 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate Financial Liabilities £000	Non- Interest Financial Liabilities £000
As at 31 May 2015	67,000	-	67,000	-
As at 31 May 2014	67,571	-	67,571	-

The fixed rate liabilities comprise finance lease obligations of £67,000,000 as detailed in note 16.

The maturity profile of the Company's financial liabilities as at 31 May 2015 is shown in note 16.

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

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

28 Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with wholly owned subsidiaries.

Transactions with parent undertakings

Transactions during the year ended 31 May 2015 with the parent undertaking, Abu Dhabi United Group Investment & Development consisted of the subscription for additional shares in the Group outlined in note 18.

Transactions with subsidiaries of City Football Group Limited

Transactions during the year ended 31 May 2015 with New York City Football Club LLC consisted of the provision of services of £261,000 (2014: £299,000), the purchase of services of £201,000 (2014: £nil) and the provision of cash loans. A balance of £28,933,000 is included in debtors due within one year (2014: £6,160,000).

Transactions during the year ended 31 May 2015 with Melbourne City Football Club Pty Limited consisted of the provision of services of £64,000 and the provision of cash loans. A balance of £8,145,000 is included in debtors due within one year (2014: £1,598,000).

Transactions with Brookshaw Developments Limited

The Company provided cash loans to Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development, during 2015 and a balance of £1,200,000 (2014: £450,000) is included in debtors due within one year.

29 Post balance sheet events

As at the date of signing the Directors' Report, since the year-end the football registrations of Raheem Sterling (from Liverpool FC), Fabian Delph (from Aston Villa FC), Nicolas Otamendi (from Valencia CF) and Patrick Roberts (from Fulham FC) have been acquired. The football registrations of Karim Rekik (to Olympique de Marseille), Edin Dzeko (to AS Roma), Marcos Mesquita-Lopes (to AS Monaco) and Dedryck Boyata (to Celtic FC) have been sold. The net expenditure on these transactions was approximately £68.3m.

30 Ultimate parent company

As at the 31 May 2015 the Group's parent undertaking was City Football Group Limited, a company incorporated in England and Wales. The Group's ultimate parent undertaking was Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by His Highness Sheikh Mansour bin Zayed Al Nahyan.