

Manchester City Football Club Limited

Directors' Report and Financial Statements

For the year ended 31 May 2013

Registered number 40946

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Manchester City Football Club Limited

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Manchester City Football Club 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

Etihad Stadium, Manchester M11 3FF

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

Manchester City Football Club Limited

Directors' Report

The Directors submit their report and the financial statements for the year ended 31 May 2013

Principal activities

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

Business Review and Key Performance Indicators

On the pitch, the Club backed up its first Premier League title in 2011-12 by finishing runners up and reached the Group Stage of the UEFA Champions League for the second successive season. The Club played 26 matches at the Etihad Stadium (2012-27) attracting an average attendance in the Premier League of 46,977 (2012-47,032)

During 2012-13, Manchester City Football Club maintained the steady reduction in annual losses that commenced in the previous reporting period and continued its trend towards sustainability in the future

The Club returned a bottom line loss of £79.4m for 2012-13, consistent with the Club's prior advice that 2010-11 would represent the bottoming out of financial losses at Manchester City. It is also the first time under the current ownership that the Club has reported an operating profit before exceptional items and player trading which totalled £30.2m (2012-£21.1m loss)

Encouragingly, Manchester City's revenues continued to grow during 2012-13 to £271m, breaking the £250m threshold for the first time in the Club's history

Specifically

- Matchday revenue increased by 12% from £35.5m to £39.6m, reflecting ongoing demand for memberships, tickets and hospitality,
- Broadcasting revenue increased slightly from £88.2m to £88.4m, as a result of the Club's second place finish in the Premier League and participation in the UEFA Champions League, and
- Other commercial revenue increased by 33% from £107.5m to £143.0m, driven by an increase in the number and value of sponsorship contracts (including Etihad, EA Sports, Richard Mille and new regional deals with Est Cola and Extra Joss) and income from the Club's post season Tours to China and Malaysia in summer 2012 and the United States in May 2013

Transfer activity has been relatively stable in 2012-13. Consistent with the Club's statement in 2009-10 that transfers on the scale seen in the preceding years would be unlikely to be repeated in the near future, the Club has made limited adjustments to its squad. As a result, the cost of amortisation of player contracts decreased from £83.0m to £80.9m in 2012-13

The capital base of the company was strengthened during 2012-13 with £1,012.7m of new equity issued. The Club has also renegotiated the finance lease on the Etihad Stadium and, after five years of in-depth planning, remains on track to open the new City Football Academy ('CFA') in advance of the 2014-15 season

Manchester City Football Club Limited

Directors' Report (continued)

Directors

The Directors who held office during the year were as follows

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

Result for the year

The loss for the financial year was £79,368,000 (2012 £95,296,000) The Directors do not propose a dividend (2012 £nil)

Risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the Company's performance. The Company's income is affected by the performance of the first team because significant revenues are dependent upon strong team performances in the Premier League, domestic and European Cup competitions. The Club is regulated by the rules of the FA, Premier League, 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 Club monitors its compliance with all applicable rules and regulations on a continuous basis and considers the impact of any potential changes.

Political and charitable contributions

The Company made no political contributions. Donations to UK charities amounted to £241,361 (2012 £231,027)

Supplier payment policy

The Company had 35 days (2012 23 days) of purchases outstanding at the end of the financial year.

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.

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.

Manchester City Football Club 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 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

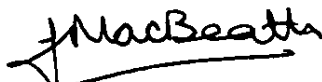
- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

25 February 2014

Manchester City Football Club Limited

Independent Auditors' Report to the Members of Manchester City Football Club Limited

We have audited the financial statements of Manchester City Football Club Limited for the year ended 31 May 2013 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses 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 Company's affairs as at 31 May 2013 and of the loss for the year 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 year for which the financial statements are prepared is consistent with the financial statements.

Manchester City Football Club Limited

Independent Auditors' Report to the Members of Manchester City 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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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
26 February 2014*

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

Manchester City Football Club Limited

Profit and Loss Account

for the year ended 31 May 2013

	Note	Operations excluding player trading Year ended 31 May 2013 £000	Player trading Year ended 31 May 2013 £000	Total Year ended 31 May 2013 £000	Total Year ended 31 May 2012 £000
Turnover	2	271,000	-	271,000	231,140
Other operating income	3	47,728	-	47,728	12,800
Operating expenses	3	(288,484)	(80,869)	(369,353)	(348,031)
Operating profit/(loss) before exceptionals		30,244	(80,869)	(50,625)	(104,091)
Write off of intercompany debtor	3	(31,438)	-	(31,438)	-
Operating loss		(1,194)	(80,869)	(82,063)	(104,091)
Profit on disposal of players		-	5,872	5,872	10,647
Loss before interest and taxation		(1,194)	(74,997)	(76,191)	(93,444)
Interest receivable and similar income	6	233	-	233	1,815
Interest payable and similar charges	7	(46)	-	(46)	(177)
Stadium finance lease charges		(3,364)	-	(3,364)	(4,338)
Loss on ordinary activities before taxation		(4,371)	(74,997)	(79,368)	(96,144)
Taxation	8	-	-	-	848
Loss on ordinary activities after taxation	18	(4,371)	(74,997)	(79,368)	(95,296)

The results for the period are from continuing operations

The notes on pages 11 to 23 form part of these financial statements

Manchester City Football Club Limited

Statement of Total Recognised Gains and Losses

for the year ended 31 May 2013

	Note	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Loss for the financial year		(79,368)	(95,296)
Unrealised deficit on revaluation of properties	18	(29,257)	(17,141)
Total recognised losses for the year		(108,625)	(112,437)

Note of Historical Cost Profits and Losses

for the year ended 31 May 2013

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Loss on ordinary activities before and after taxation	(79,368)	(95,296)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,120	1,214
Historical cost loss on ordinary activities before and after taxation	(78,248)	(94,082)

The notes on pages 11 to 23 form part of these financial statements

Manchester City Football Club Limited

Balance Sheet

as at 31 May 2013

Registered number 40946

	Note	2013 £000	2012 £000
Fixed assets			
Intangible assets	9	186,215	226,244
Tangible assets	10	260,006	200,632
Investments	11	-	-
		446,221	426,876
Current assets			
Debtors - amounts falling due within one year	12	156,307	108,500
Debtors - amounts falling due after more than one year	12	32,367	4,720
Cash at bank and in hand		14,045	12,600
		202,719	125,820
Creditors – amounts falling due within one year	13	(106,864)	(936,516)
Net current assets/(liabilities)		95,855	(810,696)
Total assets less current liabilities		542,076	(383,820)
Creditors - amounts falling due after more than one year	14	(67,336)	(54,334)
Deferred income	16	(39,482)	(30,667)
Net assets/(liabilities)		435,258	(468,821)
Capital and reserves			
Called up share capital	17	1,014,046	1,342
Share premium account	18	45,008	45,008
Revaluation reserve	18	44,686	73,943
Profit and loss account	18	(668,482)	(589,114)
Shareholders' funds/(deficit)	20	435,258	(468,821)

The notes on pages 11 to 23 form part of these financial statements

These financial statements were approved by the Board of Directors on 25 February 2014 and were signed on its behalf by


J. MacBeath
Director

Manchester City Football Club Limited

Notes to the Financial Statements

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of certain tangible fixed assets. The Company is reliant on its ultimate parent undertaking, Abu Dhabi United Group Investment & Development, for its continued financial support. It has received written confirmation from its 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.

Cash flow statement

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

Consolidation

The financial statements contain information about Manchester City Football Club Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Manchester City Limited, a company registered in England and Wales.

Turnover

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

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

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.

Signing on fees

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

Pensions

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

Manchester City Football Club Limited

Notes to the 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 Company's websites are expected to generate future revenues in excess of costs of development then these costs are capitalised

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 2013 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 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

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

2 Turnover

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Matchday	39,615	35,544
Broadcasting - UEFA	24,144	23,413
Broadcasting - All Other	64,250	64,716
Other commercial activities	142,991	107,467
	271,000	231,140

All turnover originates in the United Kingdom. The Company has one activity which is the operation of a professional football club and therefore a segmental analysis has not been provided. All of the results for this activity are included within the primary statements.

The comparatives for the year ended 31 May 2012 have been amended to reflect football industry convention.

3 Operating loss

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Other operating income		
Sale of intellectual property to related parties (Note 24)	22,453	12,800
Sale of intellectual property to third parties	24,500	-
Other operating income	775	-
	47,728	12,800
Operating expenses		
Direct cost of sales and consumables	6,832	6,805
Remuneration of auditors and its associates		
Audit fees	43	46
Tax Services	35	20
Other services	4	4
Hire of other assets – operating leases	457	459
Capital grants released and amortised	(57)	(48)
Other external charges	42,280	49,339
Staff costs (Note 5)	233,106	201,789
Amortisation of player registrations	80,869	83,031
Depreciation of tangible fixed assets		
Owned	3,922	3,993
Leased	1,862	2,593
	369,353	348,031
Operating loss		
Operating profit/(loss) before player trading	30,244	(21,060)
Amortisation of player registrations	(80,869)	(83,031)
Write off of intercompany debtor	(31,438)	-
	(82,063)	(104,091)

The write off of intercompany debtor relates to a loan balance with Manchester City Investments Limited which has negative net assets and is therefore irrecoverable. This write off eliminates on consolidation at the Manchester City Limited level.

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

4 Directors' remuneration

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Directors' emoluments	426	1,401
Company contributions to money purchase pension schemes	-	250
Amounts paid to third parties in respect of Directors' services	362	332

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £426,000 (2012 £850,000) and Company pension contributions of £nil (2012 £250,000) were made to a money purchase scheme on his behalf

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 2013	Year ended 31 May 2012
Football staff – including players	222	237
Commercial/administration staff	227	239
	449	476

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	204,701	178,155
Social security costs	28,031	23,294
Other pension costs	374	340
	233,106	201,789

6 Interest receivable and similar income

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Bank interest	58	4
Other	175	1,811
	233	1,815

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

7 Interest payable and similar charges

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Bank loans and overdrafts	-	54
Other loans	-	41
Finance lease interest	46	82
	46	177

8 Taxation

(a) Analysis of the tax (credit)/charge in the year

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Current tax		
UK corporation tax at 24% (2012 26%) on profits for the year	-	(848)
Adjustments in respect of prior years	-	-
Tax on profits from ordinary activities	-	(848)

(b) Factors affecting tax charge for the year

The current tax charge for the year varies from the standard rate of corporation tax in the UK of 24% (2012 26%) The differences are explained below

	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000
Loss on ordinary activities before taxation	(79,368)	(95,296)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	(19,048)	(24,463)
Effects of		
Expenses not deductible for tax purposes	1,415	2,354
Fixed asset timing differences	(1,053)	134
Other timing differences	7,544	5,398
Tax losses incurred in the year	11,142	15,729
Current tax credit for the year	-	(848)

The Company has corporation tax losses available for carry forward of approximately £471 million (2012 £461 million)

c) Factors that may affect future tax charges

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

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

9 Intangible fixed assets

	£000
Amounts paid for players' registrations	
Cost	
As at 1 June 2012	438,291
Additions	72,190
Disposals	(81,863)
As at 31 May 2013	428,618
Amortisation	
As at 1 June 2012	212,047
Amortisation of player registrations	80,869
Disposals	(50,513)
As at 31 May 2013	242,403
Net book value	
As at 31 May 2013	186,215
As at 1 June 2012	226,244

10 Tangible fixed assets

	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 2012	15,324	2,646	140,021	25,823	28,786	212,600
Additions	38,434	-	33,313	19,698	2,970	94,415
Revaluation adjustment	-	-	(29,257)	-	-	(29,257)
Reclassifications	6,058	(358)	(3,581)	(1,779)	(340)	-
As at 31 May 2013	59,816	2,288	140,496	43,742	31,416	277,758
Depreciation						
As at 1 June 2012	1,644	296	361	-	9,667	11,968
Charge for the year	104	134	1,473	-	4,073	5,784
Reclassifications	(77)	133	(167)	-	111	-
As at 31 May 2013	1,671	563	1,667	-	13,851	17,752
Net book value						
As at 31 May 2013	58,145	1,725	138,829	43,742	17,565	260,006
As at 1 June 2012	13,680	2,350	139,660	18,479	19,119	200,632

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

10 Tangible fixed assets *(continued)*

An exercise has been performed during the year in order to ensure that the fixed assets held are correctly classified within the relevant class of tangible fixed assets, this has resulted in the costs and associated accumulated depreciation of some assets being reclassified at the start of the year

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

	2013
	£000
At depreciated replacement cost	139,190
Aggregate depreciation thereon	(1,525)
Net book value	137,665
Historical cost of revalued assets	80,832
Aggregate depreciation thereon	(10,269)
Historical cost net book value	70,563

Tangible fixed assets are shown at their original cost to the Company with the exception of the Etihad Stadium. A full valuation was obtained by the Directors as at 31 May 2012 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 2013 includes £137,665,000 (2012 £139,190,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £1,525,000 (2012 £2,512,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2012 £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. This reflects the discount rate previously applied to the finance lease before the amendment as the directors consider this reflects the rate at which they could borrow from a third party.

The finance lease liability was initially established at £34,903,000. In the year ended 31 May 2013 the lease was renegotiated with Manchester City Council and certain terms were amended. As a result fixed asset additions of £29,257,000 were recognised to reflect the capital enhancement of the stadium asset, the revaluation reserve was reduced by £29,257,000 to ensure the total value of the stadium asset following the additions did not exceed the 2012 GVA Grimley valuation. This resulted in an amended initial finance lease liability of £67,614,000.

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

11 Fixed asset investments

	Shares in Subsidiary Undertakings £000
Cost and net book value at 31 May 2013	-
Cost and net book value at 31 May 2012	-

Subsidiary undertakings	Principle activities	Proportion of voting rights and share capital held
Manchester City Investments Limited	Issuer of Loan Notes	100%
Manchester City Property Limited	Letting of Own Property	100%
Manchester City Developments Limited	Property Investment	100%

All companies are incorporated in England and Wales

12 Debtors

	2013 £000	2012 £000
Amounts falling due within one year		
Trade debtors	35,533	36,793
Debtors arising from player transfers	20,296	8,709
Amounts owed by group undertakings (Note 24)	28,311	26,681
Amounts owed by related party undertakings (Note 24)	200	12,800
Other debtors	2,347	1,794
Prepayments and accrued income	69,620	21,723
	156,307	108,500
Amounts falling due after more than one year		
Trade debtors	16,875	-
Debtors arising from player transfers	14,415	4,720
Other debtors	1,077	-
	32,367	4,720
Total debtors	188,674	113,220

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

13 Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Other loans	-	44
Obligations under finance leases (Note 15)	299	402
Trade creditors	6,354	5,543
Creditors arising from player transfers	19,933	40,858
Amounts owed to parent company	4	822,932
Amounts owed to related party undertakings	10,613	11,077
Other creditors including tax and social security	11,320	12,348
Accruals	58,341	43,312
	106,864	936,516

14 Creditors: amounts falling due after more than one year

	2013	2012
	£000	£000
Obligations under finance leases (Note 15)	67,315	38,232
Creditors arising from player transfers	21	9,836
Amounts owed to group undertakings	-	6,266
	67,336	54,334

15 Borrowings

	Finance Leases £000	2013 Total £000	2012 Total £000
Maturity of debt:			
Within one year	299	299	446
Between one and two years	315	315	33
Between two and five years	1,043	1,043	269
After more than five years	65,957	65,957	37,930
	67,614	67,614	38,678

During the year all external loans were repaid

Finance Leases

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

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

	2013 £000	2012 £000
Within one year	3,550	2,251
In the second to fifth year	14,200	7,653
Over five years	164,475	117,453
Less future finance charges	(114,611)	(88,723)
	67,614	38,634

Manchester City Football Club Limited

Notes to the Financial Statements (continued)

16 Deferred income

	2013 £000	2012 £000
Within one year:		
Deferred income	38,311	29,391
Deferred credit for capital grants	57	48
	38,368	29,439
More than one year:		
Deferred income	-	-
Deferred credit for capital grants	1,114	1,228
	1,114	1,228
Total deferred income	39,482	30,667

Deferred credit for capital grants

The movements in deferred credit for capital grants during the year were as follows	£000
At 1 June 2012	1,276
Grants released in year	(105)
At 31 May 2013	1,171

17 Called up share capital

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

	2013 £000	2012 £000
Issued and called up		
1,014,045,585 (2012 1,341,585) Ordinary shares of £1 each	1,014,045	1,341
3,399 (2012 3,399) Ordinary shares of £1 each – 25p paid	1	1
	1,014,046	1,342

During the year 1,012,704,000 ordinary shares of £1 each were issued in exchange for the capitalisation of loans with the Company's parent company, Manchester City Limited, for a consideration of £1 per share. The total consideration was £1,012.7m

18 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 June 2012	45,008	73,943	(589,114)
Retained loss for the year	-	-	(79,368)
Revaluation in the year	-	(29,257)	-
At 31 May 2013	45,008	44,686	(668,482)

The movement in the revaluation reserve for the year is described within note 10

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

19 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £53,857,000 (2012 £42,191,000) 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

20 Reconciliations of movement in shareholders' funds

	2013 £000	2012 £000
Loss for the financial year	(79,368)	(95,296)
Revaluation adjustment	(29,257)	(17,141)
Issue of shares	1,012,704	-
Net increase/(decrease) in shareholders' funds	904,079	(112,437)
Opening shareholders' (deficit)/ funds	(468,821)	(356,384)
Total closing shareholders' funds/(deficit)	435,258	(468,821)

21 Pensions

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

At 31 May 2013 a Minimum Funding Requirement Deficit was identified in the scheme, of which £353,303 (2012 £380,544) was allocated to the Company.

The latest full actuarial valuation was carried out at 31 August 2011 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the year was £58,296 (2012 £30,492).

22 Commitments

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

	2013 £000	2012 £000
Expiring		
Within one year	153	303
Within two and five years	65	224
After five years	-	-
	218	527

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

	2013 £000	2012 £000
Contracted but not provided for	70,301	-

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

Manchester City Football Club Limited

Notes to the Financial Statements *(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 2013 was

	Total £000	Floating rate financial liabilities £000	Fixed rate Financial Liabilities £000	Non- Interest Financial Liabilities £000
As at 31 May 2013	67,614	-	67,614	-
As at 31 May 2012	38,678	12	38,634	32

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

The fixed rate liabilities comprise finance lease obligations of £67,614,000 as detailed in note 15. The maturity profile of the Company's financial liabilities as at 31 May 2013 is shown in note 15. The carrying values of financial assets and financial liabilities approximate to their fair values.

24 Related party transactions

The Company is a wholly owned subsidiary of Manchester City Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Manchester City Limited or other wholly owned subsidiaries.

Transactions during the year ended 31 May 2013 with the ultimate parent undertaking, Abu Dhabi United Group Investment & Development Limited consisted of hospitality box sales to Abu Dhabi United Group Investment & Development Limited for £200,000, a balance which is included in debtors due within one year (2012 £12,800,000).

The Company received funding on behalf of Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development Limited, during 2011/12 and a balance of £10,613,000 (2012 £11,077,000) is included in creditors due within one year.

Transactions during the year ended 31 May 2013 with City Football Marketing Limited, a subsidiary of City Football Group Limited (its ultimate UK parent company), consisted of the sale of intangible assets of £11,566,000 (2012 £nil), a recharge for costs incurred providing services for the benefit of the Company totalling £750,000 (2012 £nil) and cash loans. A balance of £14,428,000 is included in debtors due within one year (2012 £nil).

Transactions during the year ended 31 May 2013 with City Football Services Limited, a subsidiary of City Football Group Limited (its ultimate UK parent company), consisted of the sale of intangible assets of £10,887,000 (2012 £nil), a recharge for costs incurred providing services for the benefit of the Company totalling £1,118,000 (2012 £nil) and cash loans. A balance of £13,100,000 is included in debtors due within one year (2012 £nil).

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

25 Post balance sheet events

Since the year-end the football registrations of Fernandinho (from Shakhtar Donetsk), Jesus Navas (from Seville), Alvaro Negredo (from Seville), Stevan Jovetic (from Fiorentina) and Martin DeMichelis (from Atletico Madrid) have been acquired. The registration of Carlos Tevez (to Juventus) was sold. The net expenditure on these transactions was approximately £84.1m.

26 Ultimate parent company

As at the 31 May 2013 the Company'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.

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