

Manchester City Football Club Limited

Directors' report and financial statements

For the year ended 31 May 2009

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)
G Cook (Chief Executive)
M Edelman
S Pearce

Club Secretary

JB Halford

Registered Office

City of Manchester Stadium, SportCity, Manchester M11 3FF

Bankers

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

Auditors

BDO LLP, Chartered Accountants, 3 Hardman Street, Manchester M3 3AT

Solicitors

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

Manchester City Football Club Limited

Report of the Directors for the year ended 31 May 2009

The Directors submit their report and the financial statements for the year ended 31 May 2009.

Principal activity

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

Business review

The financial year to May 2009 marked the beginning of a period of significant planned investment in all areas of the Club; the playing squad, the youth academy, infrastructure, website and technology applications and our people. Not surprisingly, this substantial investment has had a significant impact on this year's financial results. This investment is also forecast to similarly impact the financial results of the next several years as the Club accelerates the timescale within which it seeks to achieve success both on and off the field.

As the Club assesses the level of investment required to compete at the highest level, it does so engaging fully with the FA, The Premier League and UEFA as guidance is developed under the Financial Fair Play initiative to promote long term sustainability of club football.

As a measure of his long term commitment to the Club, subsequent to the end of the financial year, Sheikh Mansour confirmed that he would be converting his financial support, which has to date been made in the form of shareholder loans to its parent company Manchester City Limited, into equity. Additionally, Sheikh Mansour also subscribed for additional fresh equity in the business as further demonstration of his commitment to the ongoing development and long term success of the Club.

Turnover for the year ended 31 May 2009 increased by 6% to £87.0m (2008: £82.3m), but this increase was offset by a significant increase in operating expenses to £121.2m (2008: £83.9m) primarily driven by increased playing staff remuneration. This resulted in a Net Operating Loss of £34.2m (2008: £1.6m) and a Net Loss after financing charges and amortisation of players of £89.7m (2008: £29.7m).

Attendances were up to 42,890 from an average of 42,081 in the previous season with ticketing revenues ahead by £1.8m mainly as a result of the extended UEFA Cup run. TV Revenues were up 12% to £48.3m mainly as a result of the UEFA Cup run which contributed £5.8m, offset partially by a lower league placing than in the previous year. Revenues from other commercial activities decreased by 8% to £23.3m mainly due to a £4.5m drop in events revenues, primarily as a result of having no events based activities in the 08/09 season, whereas in the prior year the Stadium held the UEFA Cup final as well as summer music concerts and the Ricky Hatton fight. This decrease was offset by significantly improved performances in the Club's core commercial areas of retail and partnerships.

Costs relating to the amortisation of players increased in the year, rising to £39.4m from £25.4m in the previous season and reflecting again the costs of building a new young playing squad. Interest payable and similar charges increased significantly as a result of the increased level of shareholder loans made to the business during the year.

As mentioned above, the outlook for the 2009/10 season is again one of significant investment by Sheikh Mansour as we continue to effect the development of all aspects of the Club. It is therefore to be expected that there will be further significant operating losses reported in future financial periods as we accelerate the timeframe for generating success and continue the development across all areas of the Club.

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 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.

Manchester City Football Club Limited

Report of the Directors for the year ended 31 May 2009 (*continued*)

Political and charitable contributions

The Company made no political contributions. Donations to UK charities amounted to £18,989 (*2008: £22,652*).

Supplier payment policy

The Company had 59 days (*2008: 43 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.

Directors

K Al Mubarak (Chairman)	(Appointed 23 September 2008)
G Cook (Chief Executive)	(Appointed 1 June 2008)
M Edelman	(Appointed 23 September 2008)
S Pearce	(Appointed 23 September 2008)
T Srisumrid	(Resigned 18 September 2009)
Dr T Shinawatra	(Resigned 23 September 2008)
BH Bodek	(Resigned 23 September 2008)
AJ Mackintosh	(Resigned 9 June 2008)
S Monvoisin	(Resigned 23 September 2008)
Panthongtae Shinawatra	(Resigned 23 September 2008)
Pintongta Shinawatra	(Resigned 23 September 2008)
Yingluck Shinawatra	(Resigned 23 September 2008)

Employee involvement

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

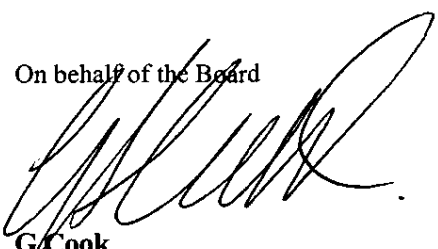
Disabled employees

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

Auditors

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

On behalf of the Board



G Cook
Chief Executive

Manchester City Football Club Limited

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

Manchester City Football Club Limited

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

We have audited the financial statements of Manchester City Football Club Limited for the year ended 31 May 2009 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 sections 495 and 496 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

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 2009 and of its 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 AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY FOOTBALL CLUB 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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
United Kingdom*

Date 17 December 2009

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 2009

	Note	Year ended 31 May 2009 £000	Year ended 31 May 2008 £000
Turnover	2	87,033	82,295
Operating expenses before amortisation of players	3	(121,228)	(83,893)
Operating loss before amortisation of players		(34,195)	(1,598)
Amortisation of players	3	(39,403)	(25,389)
Operating loss after amortisation of players		(73,598)	(26,987)
(Loss)/profit on disposal of players		(28)	6,966
Loss before interest and taxation		(73,626)	(20,021)
Interest receivable and similar income	6	356	461
Interest payable and similar charges	7	(14,456)	(7,698)
Stadium finance lease charges		(1,966)	(2,399)
Loss on ordinary activities before and after taxation	19	(89,692)	(29,657)

The results for both years relate to continuing operations.

The notes on pages 11 to 24 form part of these financial statements.

Manchester City Football Club Limited

Statement of Total Recognised Gains and Losses

for the year ended 31 May 2009

	Year ended 31 May 2009 £000	Year ended 31 May 2008 £000
Loss for the financial year	(89,692)	(29,657)
Unrealised deficit on revaluation of properties	(8,157)	-
Total recognised losses for the year	(97,849)	(29,657)

Note of Historical Cost Profits and Losses

for the year ended 31 May 2009

	Year ended 31 May 2009 £000	Year ended 31 May 2008 £000
Loss on ordinary activities before and after taxation	(89,692)	(29,657)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,486	1,486
Historical cost loss on ordinary activities before and after taxation	(88,206)	(28,171)

The notes on pages 11 to 24 form part of these financial statements.

Manchester City Football Club Limited

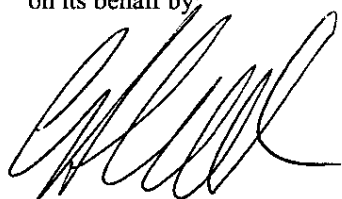
Balance Sheet

as at 31 May 2009

	Note	2009 £000	2008 £000
Fixed assets			
Intangible assets	9	131,788	45,756
Tangible assets	10	175,304	180,458
Investments	11	-	-
		307,092	226,214
Current assets			
Stocks	12	398	510
Debtors	13	9,959	12,225
Cash at bank and in hand		18,647	9,556
		29,004	22,291
Creditors			
Amounts falling due within one year	14	(282,726)	(139,828)
		(253,722)	(117,537)
Net current liabilities		(253,722)	(117,537)
Total assets less current liabilities		53,370	108,677
Creditors			
Amounts falling due after more than one year	15	(82,875)	(83,617)
Deferred income	17	(12,555)	(14,600)
Net (liabilities)/assets		(42,060)	10,460
Capital and reserves			
Called up share capital	18	1,342	962
Share premium account	19	45,008	59
Revaluation reserve	19	92,810	100,967
Profit and loss account	19	(181,220)	(91,528)
Shareholders' (deficit)/funds		(42,060)	10,460

The notes on pages 11 to 24 form part of these financial statements.

These financial statements were approved by the Board of Directors on 15 December 2009 and were signed on its behalf by:



G Cook
Director

Manchester City Football Club Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The Company is reliant on its ultimate parent undertaking, Abu Dhabi United Group Investment & Development, for its continued financial support. It has received written confirmation from its 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.

Related party transactions

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

Consolidation

The financial statements contain information about Manchester City Football Club Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 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.

Investments

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

Manchester City Football Club Limited

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

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

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

Cost includes directly attributable finance costs.

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

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

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

Signing on fees

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

Stocks

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

Intangible assets

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

Deferred tax

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

No deferred tax asset has been recognised as at 31 May 2009 as in the Company's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered.

Leases

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

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

Manchester City Football Club Limited

Notes (continued)

1 Accounting policies (continued)

Capital grants

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

Foreign currency transactions

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

Pensions

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

2 Turnover

	Year ended 31 May 2009 £000	Year ended 31 May 2008 £000
Gate receipts	15,356	13,565
Television	48,259	43,254
Other commercial activities	23,323	25,368
Donations from development association	95	108
	87,033	82,295

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

Manchester City Football Club Limited

Notes (continued)

3 Operating expenses

	Year ended 31 May 2009 £000	Year ended 31 May 2008 £000
Raw materials and consumables	8,047	9,007
Remuneration of auditors and its associates:		
Audit fees	35	35
Other services	115	10
Hire of other assets – operating leases	312	234
Capital grants released and amortised	(52)	(65)
Other external charges	26,655	17,425
Staff costs (note 5)	82,633	54,222
Amortisation of players	39,403	25,389
Depreciation of tangible fixed assets:		
Owned	920	660
Leased	2,563	2,365
	160,631	109,282
Operating expenses comprise:		
Operating expenses before amortisation of players	121,228	83,893
Amortisation of players	39,403	25,389
	160,631	109,282

4 Directors' remuneration

	2009 £000	2008 £000
Directors' emoluments	2,290	575
Company contributions to money purchase pension schemes	92	11
Amounts paid to third parties in respect of Directors' services	34	-

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £1,425,000 (2008: £466,000) and Company pension contributions of £90,000 (2008: £11,000) were made to a money purchase scheme on his behalf.

Manchester City Football Club Limited

Notes (continued)

5 Staff numbers and costs

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

Number of employees	Year ended	Year ended
	31 May	31 May
	2009	2008
Football staff – including players	156	128
Commercial/administration staff	146	130
	302	258

The aggregate payroll costs of these persons were as follows:

	Year ended	Year ended
	31 May	31 May
	2009	2008
	£000	£000
Wages and salaries	73,685	47,483
Social security costs	8,547	6,592
Other pension costs	401	147
	82,633	54,222

6 Interest receivable and similar income

	Year ended	Year ended
	31 May	31 May
	2009	2008
	£000	£000
Bank interest	356	461
Other	-	-
	356	461

7 Interest payable and similar charges

	Year ended	Year ended
	31 May	31 May
	2009	2008
	£000	£000
Bank loans and overdrafts	1,691	1,441
Other loans	12,656	6,257
Finance lease interest	109	-
	14,456	7,698

Manchester City Football Club Limited

Notes (continued)

8 Taxation

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

	Year ended 31 May 2009 £000	Year ended 31 May 2008 £000
Current tax		
UK corporation tax at 28% (2008: 30%) on profits for the year	-	-
Adjustments in respect of prior years	-	-
Tax on profits from ordinary activities	-	-

(b) Factors affecting tax charge for the year:

The current tax charge for the year varies from the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	Year ended 31 May 2009 £000	Year ended 31 May 2008 £000
Loss on ordinary activities before taxation	(89,692)	(29,657)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	(25,114)	(8,797)
Effects of:		
Expenses not deductible for tax purposes	345	292
Fixed asset timing differences	977	179
Other timing differences	124	1,231
Tax losses incurred in the year	23,656	7,091
Group relief not paid for	12	4
Current tax charge for the year	-	-

The Company has corporation tax losses available for carry forward of approximately £117 million (2008: £88 million).

c) Factors that may affect future tax charges:

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

Manchester City Football Club Limited

Notes (continued)

9 Intangible fixed assets

Amounts paid for players' registrations:	£000
Cost	
As at 1 June 2008	76,385
Additions	138,473
Disposals	(29,578)
As at 31 May 2009	185,280
Amortisation	
As at 1 June 2008	30,629
Charge for the year	39,403
Disposals	(16,540)
As at 31 May 2009	53,492
Net book value	
As at 31 May 2009	131,788
As at 1 June 2008	45,756

10 Tangible fixed assets

	Land and Buildings (Freehold)	Land and Buildings (Short Leasehold)	Land and Buildings (Long Leasehold)	Assets under course of construction	Fixtures, Fittings & Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost/valuation						
As at 1 June 2008	4,803	639	175,430	-	6,373	187,245
Additions	-	2	606	1,240	4,638	6,486
Revaluation	-	-	(12,893)	-	-	(12,893)
As at 31 May 2009	4,803	641	163,143	1,240	11,011	180,838
Depreciation						
As at 1 June 2008	1,197	98	2,572	-	2,920	6,787
Charge for the year	106	27	2,482	-	868	3,483
Revaluation	-	-	(4,736)	-	-	(4,736)
As at 31 May 2009	1,303	125	318	-	3,788	5,534
Net book value						
As at 31 May 2009	3,500	516	162,825	1,240	7,223	175,304
As at 1 June 2008	3,606	541	172,858	-	3,453	180,458

Manchester City Football Club Limited

Notes (continued)

10 Tangible fixed assets (continued)

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

	2009 £000
At depreciated replacement cost	160,565
Aggregate depreciation thereon	-
Net book value	160,565
Historical cost of revalued assets	80,196
Aggregate depreciation thereon	(5,983)
Historical cost net book value	74,213

Tangible fixed assets are shown at their original cost to the Group with the exception of the City of Manchester Stadium. The Directors obtained an external valuation of the Stadium from Dunlop-Heywood Lorenz, Consultant Surveyors, as at 1 May 2004. The valuation was prepared on a depreciated replacement cost basis and was made in accordance with the Royal Institute of Chartered Surveyors' Asset Statements of Valuation Practice and Guidance Notes. A full valuation was obtained by the Directors as at 31 May 2009 from GVA Grimley Ltd, also on a depreciated replacement cost basis. 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 2009 includes £161,759,000 (2008: £171,151,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,563,000 (2008: £2,299,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2008: £283,000).

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

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

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

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

Manchester City Football Club Limited

Notes (continued)

11 Fixed asset investments

	Shares in Subsidiary Undertakings £000
Cost and net book value at 31 May 2009	-
Cost and net book value at 31 May 2008	-

	Country of incorporation	Principle activities	Class and Percentage of shares held
Subsidiary undertakings			
Manchester City Investments Limited	England and Wales	Issuer of Loan Notes	100% ordinary shares
Manchester City Property Limited	England and Wales	Letting of Own Property	100% ordinary shares

12 Stocks

	2009 £000	2008 £000
Goods for resale	398	510

13 Debtors

	2009 £000	2008 £000
Amounts falling due within one year		
Trade debtors	705	1,996
Debtors arising from player transfers	4,475	515
Other debtors	1	7
Prepayments and accrued income	4,778	9,707
	9,959	12,225

14 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank loans and overdrafts	11,293	18,215
Other loans (Note 16)	191	241
Obligations under finance leases (Note 16)	414	48
Trade creditors	6,818	2,217
Creditors arising from player transfers	56,221	24,632
Amounts owed to parent company	194,413	52,900
Amounts owed to other group companies	-	19,195
Other creditors including tax and social security	5,355	6,841
Accruals	8,021	15,539
	282,726	139,828

Manchester City Football Club Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Bank loans and overdrafts	-	6,892
Other loans (Note 16)	306	453
Obligations under finance leases (Note 16)	42,975	42,320
Creditors arising from player transfers	20,440	10,025
Amounts owed to group undertakings	19,154	23,446
Accruals	-	481
	82,875	83,617

16 Borrowings

	Bank loans and Overdrafts £000	Other Loans £000	Finance Leases £000	2009 Total £000	2008 Total £000
Within one year	11,293	191	414	11,898	18,504
Between one and two years	-	147	797	944	7,108
Between two and five years	-	159	241	400	523
After more than five years	-	-	41,937	41,937	42,034
	11,293	497	43,389	55,179	68,169

Finance Leases

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

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

	2009 £000	2008 £000
Within one year	2,712	2,315
In the second to fifth year	10,191	9,467
Over five years	143,199	145,547
Less future finance charges	(112,713)	(114,961)
	43,389	42,368

Manchester City Football Club Limited

Notes (continued)

17 Deferred income

	2009 £000	2008 £000
Within one year:		
Deferred income	8,062	9,982
Deferred credit for capital grants	53	53
	8,115	10,035
More than one year:		
Deferred income	-	73
Deferred credit for capital grants	4,440	4,492
	4,440	4,565
Total deferred income	12,555	14,600

Deferred credit for capital grants

The movements in deferred credit for capital grants during the year were as follows:	£000
At 1 June 2008	4,545
Grants received in year	-
Grants released in year	(52)
At 31 May 2009	4,493

18 Called up share capital

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

	2009 Number of shares	2009 £000	2008 Number of shares	2008 £000
Authorised				
Ordinary shares of £1 each	1,600,000	1,600	1,600,000	1,600
Issued and called up				
Ordinary shares of £1 each	1,341,585	1,341	961,270	961
Ordinary shares of £1 each – 25p paid	3,399	1	3,399	1
	1,344,984	1,342	964,669	962

During the year 380,315 ordinary shares of £1 each were issued for a consideration of £119.19 per share. The total consideration was £45,329,000 and the premium of £44,949,000 has been included in the share premium account (see note 19).

Manchester City Football Club Limited

Notes (continued)

19 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 June 2008	59	100,967	(91,528)
Retained loss for the year	-	-	(89,692)
Issue of shares	44,949	-	-
Revaluation in the year	-	(8,157)	-
At 31 May 2009	45,008	92,810	(181,220)

20 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £22,896,000 (2008: £4,201,000) that will become payable upon the achievement of certain conditions contained within player and transfer contracts if they are still in the service of the Club on specific future dates are accounted for in the year in which they fall due for payment.

21 Reconciliation of movement in shareholders' funds

	2009 £000	2008 £000
Loss for the financial year	(89,692)	(29,657)
Revaluation in the year	(8,157)	-
Issue of shares	45,329	-
Net decrease to shareholders' funds	(52,520)	(29,657)
Opening shareholders' funds	10,460	40,117
Total closing shareholders' (deficit)/funds	(42,060)	10,460

22 Pensions

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

At 31 May 2009 a Minimum Funding Requirement Deficit was identified in the scheme, of which £199,139 was allocated to the Company.

The latest full actuarial valuation was carried out at 31 August 2009 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the year was £19,116 (2008: £19,116).

Manchester City Football Club Limited

Notes (continued)

23 Commitments

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

	2009	2008
Expiring:	£000	£000
Within one year	57	243
Within two and five years	331	54
After five years	-	-
	388	297

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

	2009	2008
	£000	£000
Contracted but not provided for	3,063	-

24 Financial instruments and risk management

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

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

Interest rate risk profile of financial assets and liabilities

The Company has no financial assets, other than short-term debtors and an amount of cash at bank. The interest rate risk profile of the Company's financial liabilities as at 31 May 2009 was:

	Total	Floating rate financial liabilities	Fixed rate Financial Liabilities	Non- Interest Financial Liabilities
	£000	£000	£000	£000
As at 31 May 2009	55,179	453	54,682	44
As at 31 May 2008	68,169	600	67,475	94

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

The floating rate financial liabilities comprise other loans of £453,000 repayable over 10 years attracting interest ranging from base minus 2.5% to base minus 4.5% over the term, to a minimum of 0% (this loan is secured over certain assets of the Company).

The fixed rate liabilities comprise bank loans of £11,293,000 and finance lease obligations of £43,389,000 as detailed in note 16.

The maturity profile of the Company's financial liabilities as at 31 May 2009 is shown in note 16.

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

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Notes (continued)

25 Related party transactions

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

26 Post balance sheet events

Since the year-end the football registrations of Roque Santa Cruz (from Blackburn Rovers), Gareth Barry (from Aston Villa), Emmanuel Adebeyor (from Arsenal), Carlos Tevez (from Manchester United), Kolo Toure (from Arsenal) and Joleon Lescott (from Everton) have been acquired. The registrations of Elano Blumer (to Galatasaray), Richard Dunne (to Aston Villa), Chedwyn Evans (to Sheffield United), Gelson Fernandes (to Saint Etienne) and Tal Ben-Haim (to Portsmouth) were sold. The net expenditure on these transactions was approximately £117 million.

27 Ultimate parent company

As at 31 May 2009 the Company's ultimate parent undertaking was Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by Sheikh Mansour.

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