

# **Manchester City Football Club Plc**

## **Directors' report and Financial statements**

**For the year ended 31 May 2004**

Registered number 40946



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# Manchester City Football Club Plc

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# **Manchester City Football Club Plc**

## **Directors and Advisers**

### **Directors**

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

### **Secretary**

JB Halford

### **Registered Office**

City of Manchester Stadium, SportCity, Manchester M11 3FF

### **Bankers**

Co-operative Bank Plc, 1 Balloon Street, Manchester M60 4EP

### **Auditors**

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

### **Solicitors**

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

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

# Manchester City Football Club Plc

## Report of the Directors

The Directors submit their report and the financial statements for the year ended 31 May 2004.

### Results for the year

The loss for the financial year transferred to the reserves is £13,759,000 (2003: £14,103,000).

The Directors do not propose a dividend.

### Principal activity

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

### Directors and their interests

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

None of the Directors who held office at 31 May 2004 had any disclosable interest in the shares of the Company. The interests of the Directors in the shares of the ultimate holding company are disclosed in the accounts of that company.

### Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £25,400 (2003: £4,180).

### Supplier payment policy

The Company policy is normally to pay suppliers according to agreed terms of business rather than following any code or standard on payment practice. These terms are agreed upon entering into binding contracts and the Company seeks to adhere to the payment terms providing the relevant goods and services have been supplied in accordance with the contracts.

In accordance with SI 1997 The Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997 the Company had 45 days of purchases outstanding at the end of the financial year.

### Employee involvement

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

# Manchester City Football Club Plc

## Report of the Directors (continued)

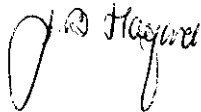
### Disabled employees

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

### Auditors

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

By order of the Board



**JB Halford**  
*Secretary*

# **Manchester City Football Club Plc**

## **Statement of Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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 Plc

## Report of the Independent Auditors to the members of Manchester City Football Club Plc

We have audited the financial statements on pages 7-24

This report is made solely to the company's members, as a body, in accordance with section 255 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

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

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


### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2004 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc** 23/12/04  
Chartered Accountants  
Registered Auditor  
St James' Square  
Manchester  
M2 6DS

# Manchester City Football Club Plc

## Profit and Loss Account

for the year ended 31 May 2004

	Note	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
<b>Turnover</b>	2	<b>61,932</b>	49,028
Operating expenses before amortisation of players	3	<b>(57,920)</b>	(47,310)
<b>Operating profit before amortisation of players</b>		<b>4,012</b>	1,718
Amortisation of players		<b>(14,821)</b>	(12,983)
<b>Operating loss after amortisation of players</b>		<b>(10,809)</b>	(11,265)
Profit on sale of fixed assets		<b>1,487</b>	-
Loss on disposal of players		<b>(1,886)</b>	(1,880)
<b>Loss before interest and taxation</b>		<b>(11,208)</b>	(13,145)
Interest receivable and similar income	6	<b>330</b>	288
Interest payable and similar charges	7	<b>(2,881)</b>	(1,246)
<b>Loss on ordinary activities before and after taxation</b>	19	<b>(13,759)</b>	(14,103)

The results for the two years are from continuing operations.

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



# Manchester City Football Club Plc

## Statement of Total Recognised Gains and Losses

for the year ended 31 May 2004

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Loss for the financial year	(13,759)	(14,103)
Unrealised surplus on revaluation of properties	76,050	-
<b>Total recognised gains/(losses) for the year</b>	<b>62,291</b>	<b>(14,103)</b>

## Note of Historical Cost Profits and Losses

for the year ended 31 May 2004

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Reported loss on ordinary activities before and after taxation	(13,759)	(14,103)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	897	-
<b>Historical cost loss on ordinary activities before and after taxation</b>	<b>(12,862)</b>	<b>(14,103)</b>

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

# Manchester City Football Club Plc

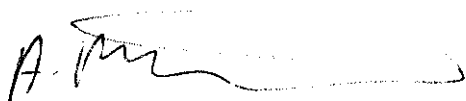
## Balance Sheet

as at 31 May 2004

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible Assets	9	27,959	38,822
Tangible Assets	10	158,500	45,302
Investments	11	-	-
		<b>186,459</b>	<b>84,124</b>
<b>Current assets</b>			
Stocks	12	796	240
Debtors	13	7,337	9,342
Cash at bank and in hand		30	11
		<b>8,163</b>	<b>9,593</b>
<b>Creditors</b>			
Amounts falling due within one year	14	(62,337)	(59,798)
<b>Net current liabilities</b>		<b>(54,174)</b>	<b>(50,205)</b>
<b>Total assets less current liabilities</b>		<b>132,285</b>	<b>33,919</b>
<b>Creditors</b>			
Amounts falling due after more than one year	15	(90,114)	(50,815)
Accruals and deferred income	17	(19,825)	(23,049)
<b>Net assets/(liabilities)</b>		<b>22,346</b>	<b>(39,945)</b>
<b>Capital and reserves</b>			
Called up share capital	18	962	962
Share premium account	19	59	59
Revaluation reserve	19	76,050	9,519
Profit and loss account	19	(54,725)	(50,485)
<b>Equity shareholders' funds/(deficit)</b>		<b>22,346</b>	<b>(39,945)</b>

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

These Financial Statements were approved by the Board of Directors on 14<sup>th</sup> December 2004 and were signed on its behalf by:



**A Mackintosh**  
*Chief Executive*

# Manchester City Football Club Plc

## Notes

(forming part of the financial statements)

### 1 Accounting policies

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

#### **Basis of accounting**

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

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

Under FRS1 (revised) "Cash Flow Statements" the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

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

#### **Consolidation**

The financial statements contain information about Manchester City Football Club Plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Manchester City Plc, a company registered in England and Wales.

#### **Turnover**

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

#### **Fixed assets and depreciation**

Depreciation has been charged on tangible fixed assets as follows:

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

Cost includes directly attributable finance costs.

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

# Manchester City Football Club Plc

Notes *(continued)*

## 1 Accounting policies *(continued)*

### Signing on fees

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

### Stocks

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

### Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised over the contract period on a straight line basis. Impairments in value below the amortised value, are provided for when management become aware of the impairment.

### Deferred tax

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

No deferred tax asset has been recognised as at 31 May 2004 as in the Company's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered.

### Leases

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

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

### Capital grants

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

### Foreign currency transactions

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

# Manchester City Football Club Plc

Notes (continued)

## 1 Accounting policies (continued)

### Disposal of Maine Road

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

## 2 Turnover

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Gate receipts	17,113	9,524
Television	25,487	23,976
Other commercial activities	19,186	15,418
Donations from development association	146	110
	<b>61,932</b>	<b>49,028</b>

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

## 3 Operating expenses

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Raw materials and consumables	6,739	3,928
Remuneration of auditors and its associates:		
Audit fees	26	26
Other services	36	7
Hire of other assets	291	457
Capital grants amortisation	(2,030)	(105)
Other external charges	12,675	6,999
Staff costs (note 5)	37,744	35,371
Amortisation of players	14,821	12,983
Depreciation of tangible fixed assets:		
Owned	942	752
Leased	1,497	-
Profit on disposal of fixed assets	-	(125)
	<b>72,741</b>	<b>60,293</b>
Operating expenses comprise:		
Operating expenses before amortisation of players	57,920	47,310
Amortisation of players	14,821	12,983
	<b>72,741</b>	<b>60,293</b>

# Manchester City Football Club Plc

Notes (continued)

## 4 Directors' emoluments

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Aggregate emoluments	276	346
Compensation for loss of office	-	140
Sums paid to third parties for Directors' services	-	101
	<b>276</b>	<b>587</b>

### Highest paid Director

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Aggregate emoluments	201	108
Compensation for loss of office	-	140
	<b>201</b>	<b>248</b>

## 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 2004	Year ended 31 May 2003
Players	47	53
Football administration staff	54	46
Commercial/Administration staff	98	85
	<b>199</b>	<b>184</b>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Wages and salaries	33,820	31,705
Social security costs	3,805	3,561
Other pension costs	119	105
	<b>37,744</b>	<b>35,371</b>

# Manchester City Football Club Plc

Notes (continued)

## 6 Interest receivable and similar income

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Bank interest	149	79
Other	181	209
	<b>330</b>	<b>288</b>

## 7 Interest payable and similar charges

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Bank loans and overdrafts	409	744
Other interest	819	499
Finance lease interest	1,653	3
	<b>2,881</b>	<b>1,246</b>

## 8 Taxation

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

	Year ended 31 May 2004 £000	Year ended 31 May 2003 £000
Current Tax		
UK Corporation tax at 30% (2003: 30%) on losses for the year	-	-
Adjustments in respect of prior years	-	-
Tax on losses from ordinary activities	-	-

# Manchester City Football Club Plc

Notes (continued)

## 8 Taxation (continued)

(b) Factors affecting tax charge for the year:

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £000	2003 £000
Loss on ordinary activities before taxation	(13,759)	(14,103)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(4,128)	(4,231)
Effects of:		
Expenses not deductible for tax purposes	58	70
Capital allowances in excess of depreciation	(276)	-
Depreciation for the year in excess of capital allowances	-	176
Intangible asset – players	33	55
Ineligible depreciation	562	34
Capital gain in excess of accounting profits on disposal	-	(4)
Other timing differences	115	52
Tax losses incurred in the year	3,636	3,848
Current tax charge for the year	-	-

The Company has corporation tax losses available for carry forward of approximately £60 million (2003: £49.5 million).

c) Factors that may affect future tax charges:

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

The elements of deferred tax are as follows:

	2004 £000	2003 £000
Intangible fixed assets	4	36
Accelerated capital allowances	(4)	(36)
Undiscounted provision	-	-

The company has unrecognised deferred tax assets in respect of tax losses, accelerated capital allowances and other short term timing differences. The assets have not been recognised as the likelihood of the Company recovering these assets in the foreseeable future is considered to be remote.



# Manchester City Football Club Plc

Notes (continued)

## 9 Intangible fixed assets

Amounts paid for players registrations	£000
Cost	
As at 1 June 2003	67,347
Additions	8,081
Disposals	(20,585)
<b>As at 31 May 2004</b>	<b>54,843</b>
Amortisation	
As at 1 June 2003	28,525
Charge for the year	14,821
Disposals	(16,462)
<b>As at 31 May 2004</b>	<b>26,884</b>
Net book value	
<b>As at 31 May 2004</b>	<b>27,959</b>
As at 31 May 2003	38,822

## 10 Tangible fixed assets

	Freehold Land and Buildings £000	Fixtures, Fittings & Equipment £000	Motor Vehicles £000	Assets Under Construction £000	Total £000
Cost/valuation					
As at 1 June 2003	32,647	5,969	39	13,903	52,558
Additions	37,548	2,550	-	30	40,128
Revaluation	76,050	-	-	-	76,050
Transfers	14,062	(129)	-	(13,933)	-
Disposals	(2,050)	(4,586)	(39)	-	(6,675)
<b>As at 31 May 2004</b>	<b>158,257</b>	<b>3,804</b>	<b>-</b>	<b>-</b>	<b>162,061</b>
Depreciation					
As at 1 June 2003	2,847	4,378	31	-	7,256
Charge for the year	1,872	567	-	-	2,439
Disposals	(2,050)	(4,053)	(31)	-	(6,134)
<b>As at 31 May 2004</b>	<b>2,669</b>	<b>892</b>	<b>-</b>	<b>-</b>	<b>3,561</b>
Net book value					
<b>As at 31 May 2004</b>	<b>155,588</b>	<b>2,912</b>	<b>-</b>	<b>-</b>	<b>158,500</b>
As at 1 June 2003	29,800	1,591	8	13,903	45,302

# Manchester City Football Club Plc

Notes (continued)

## 10 Tangible fixed assets (continued)

### (b) Analysis of land buildings

The net book value of land and buildings comprises:

	2004 £000	2003 £000
Freehold	5,889	29,800
Long leasehold	149,699	-
Short leasehold	-	-
	<b>155,588</b>	<b>29,800</b>

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

	2004 £000
At depreciated replacement cost	151,434
Aggregate depreciation thereon	(1,735)
<b>Net book value</b>	<b>149,699</b>
<hr/>	
Historical cost of revalued assets	75,384
Aggregate depreciation thereon	(838)
<b>Net book value</b>	<b>74,546</b>

Tangible fixed assets are shown at their original cost to the Company with the exception of the City of Manchester Stadium. The Directors obtained an external valuation of the land and buildings from Dunlop Heywood, Consultants Surveyors, as at 1 May 2004. The valuation was prepared on a depreciated replacement cost basis and was made in accordance with the Royal Institution of Chartered Surveyors Asset Statements of Valuation Practice and Guidance Notes. This valuation has been incorporated into the financial statements and the resulting revaluation adjustment has been taken to the revaluation reserve.

No deferred tax is provided on the timing difference 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 2004 includes £135,540,000 (2003: *£nil*) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £1,497,000 (2003: *£nil*).

Interest capitalised relating to the City of Manchester Stadium included in additions during the year amounted to £30,000 (2003: £253,000). The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2003: £253,000).

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

# Manchester City Football Club Plc

Notes (continued)

## 10 Tangible fixed assets (continued)

A finance lease creditor equal to the future obligations under the lease has been established. In calculating the future obligations a number of assumptions have been made as the obligation varies with 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. The table below illustrates the sensitivity of the stadium finance lease creditor to changes in the assumptions on future attendance levels and inflation rates:

Attendance Levels	Inflation Rate %	Lease Obligation £000
35,000	1.0	7,714
35,000	2.0	8,738
35,000	3.0	10,132
45,000	1.0	32,355
45,000	2.0	37,809
45,000	3.0	45,228

## 11 Fixed asset investments

	Shares in group undertakings £000
Cost	
As at 1 June 2003	-
Additions	-
<b>As at 31 May 2004</b>	-
Net book value	-
<b>As at 31 May 2004</b>	-
As at 31 May 2003	-

	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 Football Club Plc

Notes (continued)

## 12 Stocks

	2004 £000	2003 £000
Goods for resale	796	240

## 13 Debtors

	2004 £000	2003 £000
<b>Amounts falling due within one year</b>		
Trade debtors	3,356	4,838
Other debtors	20	28
Prepayments and accrued income	3,961	4,476
	<b>7,337</b>	<b>9,342</b>

## 14 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank loans and overdrafts (Note 16)	1,143	3,430
Directors' loans (Note 16)	2,996	1,498
Other loans (Note 16)	7,051	6,043
Obligations under finance leases (Note 16)	46	-
Trade creditors	7,426	8,382
Amounts owed to parent company	31,054	31,104
Other creditors including tax and social security	2,622	3,880
Accruals	9,999	5,461
	<b>62,337</b>	<b>59,798</b>

## 15 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Bank loans (Note 16)	467	1,399
Directors' loans (Note 16)	1,499	2,997
Other loans (Note 16)	6,307	5,061
Obligations under finance leases (Note 16)	34,193	-
Trade creditors	7,207	9,681
Amounts owed to group undertakings	40,305	29,377
Accruals	136	2,300
	<b>90,114</b>	<b>50,815</b>

# Manchester City Football Club Plc

Notes (continued)

## 16 Borrowings

	<b>Bank loans and overdrafts</b>	<b>Directors' loans</b>	<b>Other loans</b>	<b>Finance Leases</b>	<b>2004 Total</b>	<b>2003 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	1,143	2,996	7,051	46	<b>11,236</b>	10,971
Between one and two years	467	1,499	4,914	48	<b>6,928</b>	4,405
Between two and five years	-	-	940	159	<b>1,099</b>	4,087
After more than five years	-	-	453	33,986	<b>34,439</b>	965
	<b>1,610</b>	<b>4,495</b>	<b>13,358</b>	<b>34,239</b>	<b>53,702</b>	20,428

### Bank loans and overdrafts

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

### Directors' Loans

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

### Other Loans

Other loans include £7,700,000 from JC Wardle a director of the parent company Manchester City Plc. The loan attracts interest at a rate of 5% per annum. Also included is an unsecured loan of £4,403,000 attracting interest at 7.5% repayable in two annual instalments commencing August 2004.

### Finance Leases

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

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

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Within one year	<b>1,697</b>	-
In the second to fifth year	<b>6,787</b>	-
Over five years	<b>117,074</b>	-
Less future finance charges	<b>(91,319)</b>	-
	<b>34,239</b>	-

# Manchester City Football Club Plc

Notes (continued)

## 17 Accruals and deferred income

	2004 £000	2003 £000
Within one year:		
Deferred income	14,025	14,022
Deferred credit for capital grants	30	105
	<b>14,055</b>	<b>14,127</b>
More than one year:		
Deferred income	1,323	2,520
Deferred credit for capital grants	4,447	6,402
	<b>5,770</b>	<b>8,922</b>
<b>Total accruals and deferred income</b>	<b>19,825</b>	<b>23,049</b>

### Deferred credit for capital grants

	£000
The movements in deferred credit for capital grants during the year were as follows:	
At 1 June 2003	6,507
Grants received to 31 May 2004	-
Grants released to 31 May 2004	(2,030)
<b>At 31 May 2004</b>	<b>4,477</b>

## 18 Called up share capital

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

	2004 Number of shares	2004 £000	2003 Number of shares	2003 £000
Authorised				
Ordinary shares of £1 each	1,600,000	1,600	1,600,000	1,600
Issued and called up				
Ordinary shares of £1 each	961,270	961	961,270	961
Ordinary shares of £1 each – 25p paid	3,399	1	3,399	1
	<b>964,669</b>	<b>962</b>	<b>964,669</b>	<b>962</b>

# Manchester City Football Club Plc

Notes *(continued)*

## 19 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss account £000
At 1 June 2003	59	9,519	(50,485)
Retained loss for the year	-	-	(13,759)
Revaluation in the year	-	76,050	-
Transfer	-	(9,519)	9,519
<b>At 31 May 2004</b>	<b>59</b>	<b>76,050</b>	<b>(54,725)</b>

## 20 Contingent liabilities

Signing on and loyalty bonuses of £4,132,000 (2003: £4,641,000) which will become due to certain players if they are still in the service of the Club on specific future dates are accounted for in the year in which they fall due for payment.

## 21 Reconciliation of movement in shareholders funds/(deficit)

	2004 £000	2003 £000
Loss for the financial year	(13,759)	(14,103)
Revaluation in the year	76,050	-
Net change to shareholders' funds/(deficit)	62,291	(14,103)
Opening shareholders' deficit	(39,945)	(25,842)
Total closing shareholders' funds/(deficit)	22,346	(39,945)

## 22 Commitments

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

	2004 £000	2003 £000
Expiring:		
Within one year	134	7
Within two and five years	161	-
After five years	-	-
	295	7

# Manchester City Football Club Plc

Notes (continued)

## 23 Financial Instruments and Risk Management

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

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

### Interest rate risk profile of financial assets 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 2004 was:

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non- Interest financial liabilities
	£000	£000	£000	£000
As at 31 May 2004	53,702	2,796	50,837	69
As at 31 May 2003	20,428	6,165	14,194	69

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

The floating rate financial liabilities comprise bank overdraft and loans attracting interest at a margin over base rate and other loans of £1,186,000 repayable over 10 years attracting interest ranging from base minus 2.5% to base minus 4.5% over the term, to a minimum of 0% (this loan is secured over certain assets of the company).

The fixed rate liabilities comprise Director's loans of £4,495,000 and finance lease obligations of £34,239,000 as detailed in note 16. Also included is a loan of £7,700,000 from JC Wardle, a director of the parent company, attracting interest at 5% and an unsecured loan of £4,403,000 attracting interest at 7.5% repayable in two annual instalments commencing August 2004.

The maturity profile of the company's financial liabilities as at 31 May 2004 is shown in note 16.

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

## 24 Related Party Transactions

The loans from JC Wardle and DM Makin are described in note 16 of the accounts. The maximum liability outstanding during the year in respect of loans from JC Wardle was £7,700,000 and from DM Makin was £4,495,000.

Unpaid interest at 31 May 2004 on loans from JC Wardle amounted to £511,000 and on loans from DM Makin amounted to £381,000.

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



# Manchester City Football Club Plc

Notes *(continued)*

## **25 Post balance sheet events**

Since the year-end the football registrations of Danny Mills (from Leeds United AFC), Geert De Vlijer (from Williem II FC), Benjamin Thatcher (from Leicester City FC) and Ronald Waterreus (from PSV Eindhoven FC) have been acquired for a total cost of £100,000. The registrations of Paulo Wanchope (to Malaga Club de Futbol), Vincente Vuoso (to Santos Laguna S.A De C.V) and Stephen Elliott (to Sunderland FC) were sold for a total consideration of £1.4 million.

## **26 Ultimate holding company**

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