

Manchester City Football Club Limited

Directors' report and financial statements

For the year ended 31 May 2011

Registered number 40946



Manchester City Football Club Limited

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Manchester City Football Club Limited

Directors and Advisors

Directors

K Al Mubarak (Chairman)
J Macbeath (Acting Chief Executive)
M Edelman
S Pearce
M Al Mazrouei

Club Secretary

R Baker

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

Report of the Directors for the year ended 31 May 2011

The Directors submit their report and the financial statements for the year ended 31 May 2011

Principal activity

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

Business review

The 2010-11 financial year has been characterised by ongoing investment in Manchester City Football Club's capabilities both on and off the pitch as part of a long-term transformation plan for the organisation

The primary focus of this investment, as with that of the prior reporting period, has been to provide the Club with a strong foundation upon which it can achieve long-term success and sustainability over time

There is evidence to suggest the Club is moving in the right direction

In terms of the team's performance on the pitch and the ongoing expansion of the Club's capacity to generate revenue we have made significant progress in recent years. In the last year alone the Club's turnover has increased by 22.5% (from £125.1m to £153.2m) and exceeded the £150m threshold for the first time in our history

However, the comprehensive nature of the transformation strategy and the pace at which it is being implemented continues to have a significant impact on our annual financial performance

For 2010-11 the Club has reported a net loss on a recurrent operations basis of £160.5m with additional exceptional charges of £34.4m for the current year, principally related to the revised carrying values of intangible assets

The overall result reflects an increase in operating expenses principally driven by staff costs and player compensation in addition to increased costs for the amortisation of player contracts

However, it also marks the peak of a major period of investment in the playing squad with player compensation and contract amortisation costs for Yaya Toure, David Silva, Mario Balotelli, Aleksandar Kolarov, James Milner, Jerome Boateng and Edin Dzeko, all of whom joined the Club in 2010-11, being reported for the first time

Losses of this scale will not be repeated. Consistent with the Club's transformation strategy and stated ambition of commercial sustainability, and mindful of the incoming UEFA Financial Fair Play regulations, this year's results are expected to represent the bottoming out of financial losses at Manchester City before the Club is able to move towards a more sustainable position in all aspects of its operations in the years ahead

This is already evident in the Club's approach to player transfers. Having purchased seven full international first team players during the 2010-11 season, the summer 2011 transfer window has seen the Club reduce first team player acquisitions to 6 new players while selling 6 and putting 16 out on loan. In addition, the Club has continued to invest in the acquisition and development of youth talent through our highly respected Academy

Manchester City Football Club Limited

Report of the Directors for the year ended 31 May 2011 (*continued*)

Most encouragingly of all, the Club has demonstrated a further expansion of its capacity to generate revenue from multiple sources during 2010-11, with key highlights as follows

- Match day ticketing revenue increasing by 8.2% on the previous year (from £18.2m to £19.7m), driven by increased average attendances, UEFA Europa League matches and FA Cup matches
- Television rights income increasing by 27.4% on the previous year (from £54m to £68.8m), largely driven by highest-ever finishing position in the Premier League, participation in the UEFA Europa League and the Club's historic run in the FA Cup
- Commercial partnership revenue increasing by 49.7% on the previous year (from £32.4m to £48.5m), driven by the full year impact of continued long-term partnership deals with Etihad Airways, Umbro, Aabar, Abu Dhabi Tourism Authority and Etisalat
- Match day hospitality, catering, conference and events revenue increasing by 6.1% on the previous year (from £9.8m to £10.4m), reflecting increased demand for match day hospitality products throughout the stadium
- Profitability from retail activities increasing to £2.6m following the entering into a long-term partnership with leading online retailer Kitbag to handle all club retail operations, including the opening of new retail stores in both Manchester and Abu Dhabi

In addition to the projected benefits of participating in the UEFA Champions League in the season ahead, a number of developments announced in the post year-end period are also expected to expand the Club's financial and operational capabilities

The signing of a comprehensive ten-year partnership between the Club and Etihad Airways in July 2011 is expected to have a positive impact on the Club's financial position over the next decade while providing new opportunities for our two organisations to expand cooperation between our businesses, most notably on the site of the new Etihad Campus

Meanwhile, the commencement of a public consultation process and subsequent planning application for the proposed development of a world-class youth training and football development facility in East Manchester represents a unique opportunity for the Club to expand its in-house player development capabilities and reduce the level of investment required for inward player transfers in the future

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 £695,825 (2010 £423,856)

Manchester City Football Club Limited

Report of the Directors for the year ended 31 May 2011 (*continued*)

Supplier payment policy

The Company had 11 days (*2010 27 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

The Directors who held office during the year were as follows

K Al Mubarak (Chairman)
J MacBeath (Acting Chief Executive)
G Cook (Resigned 9 September 2011)
M Edelman
S Pearce
M Al Mazrouei

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.

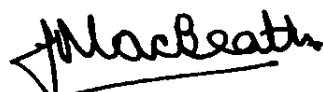
Disabled employees

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



J MacBeath

Acting Chief Executive

Date 24 February 2012

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 2011 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, 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 Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm

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 2011 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 *27 FEBRUARY 2012*

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 2011

	Note	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Turnover	2	153,186	125,050
Operating expenses - other	3	(229,822)	(180,153)
Operating expenses - amortisation of players		(83,847)	(71,006)
Operating loss before exceptional items		(160,483)	(126,109)
Operating expenses – exceptional items	3	(34,448)	-
Total operating expenses		(348,117)	(251,159)
Operating loss		(194,931)	(126,109)
Profit on disposal of players		5,344	10,262
Loss before interest and taxation		(189,587)	(115,847)
Interest receivable and similar income	6	88	696
Interest payable and similar charges	7	(1,924)	(485)
Stadium finance lease charges		(3,382)	(2,157)
Loss on ordinary activities before and after taxation	19	(194,805)	(117,793)

The results for both years relate to continuing operations

The notes on pages 12 to 25 form part of these financial statements

Manchester City Football Club Limited

Statement of Total Recognised Gains and Losses

for the year ended 31 May 2011

	Note	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Loss for the financial year		(194,805)	(117,793)
Unrealised deficit on revaluation of properties		-	(1,726)
Total recognised losses for the year		(194,805)	(119,519)

Note of Historical Cost Profits and Losses

for the year ended 31 May 2011

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Loss on ordinary activities before and after taxation	(194,805)	(117,793)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,214	1,214
Historical cost loss on ordinary activities before and after taxation	(193,591)	(116,579)

The notes on pages 12 to 25 form part of these financial statements

Manchester City Football Club Limited

Balance Sheet

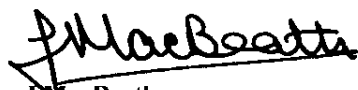
as at 31 May 2011

Registered number 40946

	Note	2011 £000	2010 £000
Fixed assets			
Intangible assets	9	231,771	199,028
Tangible assets	10	187,370	179,910
Investments	11	-	-
		419,141	378,938
Current assets			
Stocks	12	-	481
Debtors	13	69,645	87,544
Cash at bank and in hand		30,330	34,601
		99,975	122,626
Creditors			
Amounts falling due within one year	14	(783,819)	(561,541)
		(683,844)	(438,915)
Net current liabilities		(683,844)	(438,915)
Total assets less current liabilities		(264,703)	(59,977)
Creditors			
Amounts falling due after more than one year	15	(61,536)	(73,095)
Deferred income	17	(30,145)	(28,507)
		(356,384)	(161,579)
Capital and reserves			
Called up share capital	18	1,342	1,342
Share premium account	19	45,008	45,008
Revaluation reserve	19	91,084	91,084
Profit and loss account	19	(493,818)	(299,013)
		(356,384)	(161,579)
Shareholders' deficit		(356,384)	(161,579)

The notes on pages 12 to 25 form part of these financial statements

These financial statements were approved by the Board of Directors on 24 February 2012 and were signed on its behalf by



J MacBeath
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. 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

Match revenue is recognised over the period of the football season as games are played. Commercial and other partnership revenues are recognised over the life of the relevant contracts

Investments

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

Stocks

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

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 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

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

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 2011 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 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 2011 £000	Year ended 31 May 2010 £000
Gate receipts	19,676	18,220
Television	68,827	53,962
Other commercial activities	64,683	53,814
Donations from development association	-	54
	153,186	125,050

All turnover originates in the United Kingdom.

Manchester City Football Club Limited

Notes (continued)

3 Operating expenses

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Direct cost of sales and consumables	5,093	10,501
Remuneration of auditors and its associates		
Audit fees	38	44
Other services	77	48
Hire of other assets – operating leases	654	558
Capital grants released and amortised	(53)	(3,164)
Other external charges	44,179	34,396
Staff costs (note 5)	173,977	133,306
Amortisation of player’s registrations	83,847	71,006
Depreciation of tangible fixed assets		
Owned	3,115	1,696
Leased	2,742	2,768
Exceptional items		
Impairment of players’ registrations	29,448	-
Provision for disputed employment costs settlement	5,000	-
	348,117	251,159
Operating expenses comprise		
Operating expenses before amortisation of players	234,822	180,153
Amortisation of players and impairment of players’ registrations	113,295	71,006
	348,117	251,159

4 Directors’ remuneration

	2011 £000	2010 £000
Directors’ emoluments	2,083	1,821
Company contributions to money purchase pension schemes	121	135
Amounts paid to third parties in respect of Directors’ services	195	313

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £2,083,000 (2010 £1,821,000) and Company pension contributions of £121,000 (2010 £135,000) 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 31 May 2011	Year ended 31 May 2010
Football staff – including players	205	190
Commercial/administration staff	181	223
	386	413

The aggregate payroll costs of these persons were as follows

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Wages and salaries	153,650	118,359
Social security costs	18,879	13,833
Other pension costs	1,448	1,114
	173,977	133,306

6 Interest receivable and similar income

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Bank interest	88	34
Other	-	662
	88	696

7 Interest payable and similar charges

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Bank loans and overdrafts	34	392
Other loans	1,825	-
Finance lease interest	65	93
	1,924	485

Manchester City Football Club Limited

Notes (continued)

8 Taxation

(a) Analysis of the tax charge in the year

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Current tax		
UK corporation tax at 28% (2010 28%) 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% (2010 28%) The differences are explained below

	Year ended 31 May 2011 £000	Year ended 31 May 2010 £000
Loss on ordinary activities before taxation	(194,805)	(117,793)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	(53,902)	(32,982)
Effects of		
Expenses not deductible for tax purposes	1,425	144
Fixed asset timing differences	1,001	1,288
Other timing differences	4,600	816
Tax losses incurred in the year	46,876	30,734
Current tax charge for the year	-	-

The Company has corporation tax losses available for carry forward of approximately £444 million (2010 £273 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 2010	306,479
Additions	165,063
Disposals	(57,498)
As at 31 May 2011	414,044
Amortisation	
As at 1 June 2010	107,451
Amortisation of player registrations	83,847
Impairment of player registrations	29,448
Disposals	(38,473)
As at 31 May 2011	182,273
Net book value	
As at 31 May 2011	231,771
As at 1 June 2010	199,028

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 2010	4,801	2,669	163,891	-	17,644	189,005
Additions	138	-	-	1,796	11,992	13,926
Disposals	-	(23)	(13)	-	(669)	(705)
As at 31 May 2011	4,939	2,646	163,878	1,796	28,967	202,226
Depreciation						
As at 1 June 2010	1,398	178	2,535	-	4,984	9,095
Charge for the year	104	59	2,534	-	3,161	5,858
Disposals	-	-	-	-	(97)	(97)
As at 31 May 2011	1,502	237	5,069	-	8,048	14,856
Net book value						
As at 31 May 2011	3,437	2,409	158,809	1,796	20,919	187,370
As at 1 June 2010	3,403	2,491	161,356	-	12,660	179,910

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'

	2011 £000
At depreciated replacement cost	161,180
Aggregate depreciation thereon	(4,692)
Net book value	156,488
Historical cost of revalued assets	80,832
Aggregate depreciation thereon	(8,121)
Historical cost net book value	72,711

Tangible fixed assets are shown at their original cost to the Group with the exception of the Etihad Stadium. A full valuation was obtained by the Directors as at 31 May 2009 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 2011 includes £157,610,000 (2010 £160,104,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,742,000 (2010 £2,768,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2010 £283,000).

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the Etihad 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.

Manchester City Football Club Limited

Notes (continued)

10 Tangible fixed assets (continued)

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

Subsequent to the year end the Club entered into a new lease agreement in relation to the Etihad Stadium which will reduce the variability of the annual rental charge for the remainder of the lease period. The impact on the finance lease liability will be recorded in the financial statements for the year ended 31 May 2012.

11 Fixed asset investments

			Shares in Subsidiary Undertakings £000
Cost and net book value at 31 May 2011			-
Cost and net book value at 31 May 2010			-
	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
Manchester City Developments Limited	England and Wales	Property Investment	100% ordinary shares

12 Stocks

	2011 £000	2010 £000
Goods for resale	-	481

Manchester City Football Club Limited

Notes (continued)

13 Debtors

	2011 £000	2010 £000
Amounts falling due within one year		
Trade debtors	8,608	47,735
Debtors arising from player transfers	18,363	8,427
Amounts owed by group companies	26,681	27,728
Other debtors	499	-
Prepayments and accrued income	15,494	4,064
	69,645	87,544

14 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Other loans (Note 16)	191	179
Obligations under finance leases (Note 16)	378	348
Trade creditors	2,420	3,180
Creditors arising from player transfers	75,993	61,697
Amounts owed to parent company	654,286	477,594
Amounts owed to related undertakings	7,457	-
Other creditors including tax and social security	16,159	7,581
Accruals	26,935	10,962
	783,819	561,541

15 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Other loans (Note 16)	-	159
Obligations under finance leases (Note 16)	38,568	38,969
Creditors arising from player transfers	12,404	19,107
Amounts owed to group undertakings	10,564	14,860
	61,536	73,095

16 Borrowings

	Other Loans £000	Finance Leases £000	2011 Total £000	2010 Total £000
Within one year	191	378	569	527
Between one and two years	-	288	288	537
Between two and five years	-	256	256	478
After more than five years	-	38,024	38,024	38,113
	191	38,946	39,137	39,655

Manchester City Football Club Limited

Notes (continued)

16 Borrowings (continued)

Finance Leases

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

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

	2011 £000	2010 £000
Within one year	2,230	2,203
In the second to fifth year	7,912	8,240
Over five years	119,379	121,304
Less future finance charges	(90,575)	(92,430)
	38,946	39,317

17 Deferred income

	2011 £000	2010 £000
Within one year		
Deferred income	28,869	27,178
Deferred credit for capital grants	53	53
	28,922	27,231
More than one year		
Deferred income	-	-
Deferred credit for capital grants	1,223	1,276
	1,223	1,276
Total deferred income	30,145	28,507

Deferred credit for capital grants

	£000
The movements in deferred credit for capital grants during the year were as follows	
At 1 June 2010	1,329
Grants released in year	(53)
At 31 May 2011	1,276

18 Called up share capital

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

	2011 Number of shares	2011 £000	2010 Number of shares	2010 £000
Issued and called up				
Ordinary shares of £1 each	1,341,585	1,341	1,341,585	1,341
Ordinary shares of £1 each – 25p paid	3,399	1	3,399	1
	1,344,984	1,342	1,344,984	1,342

Manchester City Football Club Limited

Notes (continued)

19 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 June 2010	45,008	91,084	(299,013)
Retained loss for the year	-	-	(194,805)
At 31 May 2011	45,008	91,084	(493,818)

20 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £50,442,000 (2010 £43,100,000) 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

The Company has provided security to its subsidiary undertaking Manchester City Investments Limited in relation to loan notes issued by that company which at 31 May 2011 totalled £34 0m (2010 £35 6m). The security relates to match day and hospitality ticket sales of the Company. Should the Company be called on to make repayments on behalf of Manchester City Investments Limited it is anticipated by the Directors that the funding would be provided by ultimate parent company, Abu Dhabi United Group Investment & Development Limited in the form of equity investment.

21 Reconciliation of movement in shareholders' funds

	2011 £000	2010 £000
Loss for the financial year	(194,805)	(117,793)
Net decrease to shareholders' funds	(194,805)	(119,519)
Opening shareholders' deficit	(161,579)	(42,060)
Total closing shareholders' deficit	(356,384)	(161,579)

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 2011 a Minimum Funding Requirement Deficit was identified in the scheme, of which £170,496 (2010 £186,113) 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 £30,492 (2010 £27,648).

Manchester City Football Club Limited

Notes (continued)

23 Commitments

The annual commitment for payments in respect of other operating leases

	2011 £000	2010 £000
Expiring		
Within one year	196	57
Within two and five years	-	164
After five years	-	-
	196	221

The capital commitments contracted but not provided for are as follows

	2011 £000	2010 £000
Contracted but not provided for	-	2,581

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 2011 was

	Total £000	Floating rate financial liabilities £000	Fixed rate Financial Liabilities £000	Non- Interest Financial Liabilities £000
As at 31 May 2011	39,137	159	38,946	32
As at 31 May 2010	39,655	306	39,317	32

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

The floating rate financial liabilities comprise other loans of £159,000 repayable within 1 year 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 finance lease obligations of £38,946,000 as detailed in note 16.

The maturity profile of the Company's financial liabilities as at 31 May 2011 is shown in note 16.

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

Manchester City Football Club Limited

Notes *(continued)*

25 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

Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development Limited commenced trading in the prior year. The Company received funding on behalf of this company during the year and a balance of £7,457,000 (2010 debtor of £384,000) is included in creditors due within one year

26 Post balance sheet events

Since the year-end the football registrations of Sergio Aguero (from Atletico Madrid), Gael Clichy and Samir Nasri (from Arsenal FC), Denis Suarez (from Celta Vigo), Stefan Savic (from FK Partizan) and Costel Pantilimon (from FC Timisoara) have been acquired. The registrations of Jerome Boateng (to Bayern Munich), Shay Given (to Aston Villa FC), Joao de Silva (to Sport Club Internacional), Craig Bellamy (to Liverpool FC), Felipe Caicedo (to Levante UD), Nedum Onouha and Shaun Wright-Phillips (to Queens Park Rangers) were sold. The net expenditure on these transactions was approximately £52.9m

27 Ultimate parent company

As at 31 May 2011 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