

# **Manchester City Football Club Limited**

## **Directors' report and financial statements**

**For the year ended 31 May 2010**

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  
J Macbeath  
M Al Mazrouei

### **Club Secretary**

R Baker

### **Registered Office**

City of Manchester Stadium, SportCity, 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 2010

The Directors submit their report and the financial statements for the year ended 31 May 2010

### Principal activity

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

### Business review

The financial year to 31 May 2010 reflects the continuation of the planned investment strategy which was developed and commenced in the prior year. Throughout the year there has been substantial investment made in all areas of the Club both on and off the pitch as we seek to build upon the foundations that were laid in 2008-09.

Not surprisingly, the substantial investment has had a significant impact upon this year's financial results and we are reporting an increase in net losses over the prior year. However, the Club's overall financial performance for 2009-10 is in line with the Board and management team's long-term financial and operating strategies and consistent with expectations at this stage of the transformation process.

At an operating level, the most positive development in the 2009-10 financial results is that efforts to expand the Club's revenue generating capacity appear to be gaining traction. For the first time in the Club's history we have reported revenues in excess of £100m with a 44% rise in turnover to £125.1m.

The Club achieved significant growth across all of its revenue streams, with particular success in the attraction and retention of an increasingly international stable of corporate partners and sponsors. The Club's best ever performance in the Premier League and record number of televised matches in the 2009-10 Season has also helped drive total revenues to a Club record level.

Financial highlights for 2009-10 include

- Corporate partnership revenue increasing by £25.9m to £32.4m, an increase of nearly 400% on the previous year, driven by new long term deals with a number of key partners, including Etihad Airways, Abu Dhabi Tourism Authority, Aabar and Etisalat
- Ticketing revenues increasing by £2.8m (18.6%) to £18.2m largely driven by extended runs in the FA and Carling Cups
- Season ticket revenues up by £0.9m to £9.6m, as season ticket numbers for the 2009-10 season increased by more than 10% on the previous year
- Television rights fee income increasing by £5.7m (11.8%) to £54m reflecting the Club's highest-ever Premier League finishing position (5<sup>th</sup>) and record number of live televised Premier League matches (23)
- Match day hospitality revenue growing by £0.7m (13%) on the previous year to £6.1m
- Retail sales and merchandise revenue increasing by £2.9m (60%) to £7.9m in first year of a new kit supply partnership with Umbro

For the 2009-10 financial year, the Club has reported a net loss of £117.8m. Importantly, this loss includes the first full season's cost of the summer 2009 transfer acquisitions (Tevez, Adebayor, Kolo Toure, Barry, Santa Cruz and Lescott), and the amortisation of player contracts, which is up from £39.4m in 2008/9 to £71.0m in 2009/10.

The Club's operating loss before amortisation of players for 2009-10 is £55.1m, which is up £20.9m (61%) on 2008-09, principally driven by significant increases in both player and non-player wage costs which have been only partially offset by substantial growth in the Club's commercial and other revenues.

# **Manchester City Football Club Limited**

## **Report of the Directors for the year ended 31 May 2010 (*continued*)**

A significant portion of the Club's investment in the last financial year has been to address pressing historical needs for our players, coaches and staff, and to continue the establishment of a solid foundation upon which a more sustainable commercial performance can be achieved in the future

The Club has also expanded its corporate social responsibility capabilities, investing in the flagship City in the Community program and broader community initiatives in the 2009-10 financial year. These initiatives are highly valued by our owner, Board, management, staff and fans, and are central to fulfilling the role of Manchester City Football Club as a responsible institution at the heart of the Greater Manchester area

Many investments made by the Club in the last financial year are designed to reduce potential costs and drive revenue in the years ahead. For example, ongoing investment in youth development, training facilities and the Academy are intended to deliver both short and long-term cost savings when assembling a competitive squad in seasons to come. The Club's investment in assets such as stadium infrastructure, land, hospitality facilities and public catering are designed to expand our revenue generating capacity at the same time

As the Club continues to assess the level of investment required to compete at the highest level, it does so whilst proactively engaging with all relevant stakeholders involved in the evolving debate around how to create greater commercial sustainability within football clubs

It is also fair to say that the scale of the Club's recent investment in the transfer market is unlikely to be repeated in the near future now that the playing squad is of a sufficient quality and depth to be competitive in both England and Europe. This will reduce the impact of player transfers and salary costs on financial performance in the years ahead

### **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 £423,856 (*2009 £18,989*)

### **Supplier payment policy**

The Company had 27 days (*2009 59 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

# Manchester City Football Club Limited

## Report of the Directors for the year ended 31 May 2010 (*continued*)

### Directors

K Al Mubarak (Chairman)  
G Cook (Chief Executive)  
M Edelman  
S Pearce  
J Macbeath (Appointed 30 January 2010)  
M Al Mazrouei (Appointed 30 January 2010)  
T Srisumrit (Resigned 18 September 2009)

### 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 2010 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 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 2010 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 11 February 2011*

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 2010

	Note	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Turnover	2	125,050	87,033
Operating expenses before amortisation of players	3	(180,153)	(121,228)
<b>Operating loss before amortisation of players</b>		<b>(55,103)</b>	<b>(34,195)</b>
Amortisation of players	3	(71,006)	(39,403)
<b>Operating loss after amortisation of players</b>		<b>(126,109)</b>	<b>(73,598)</b>
Profit/(loss) on disposal of players		10,262	(28)
<b>Loss before interest and taxation</b>		<b>(115,847)</b>	<b>(73,626)</b>
Interest receivable and similar income	6	696	356
Interest payable and similar charges	7	(485)	(14,456)
Stadium finance lease charges		(2,157)	(1,966)
<b>Loss on ordinary activities before and after taxation</b>	19	<b>(117,793)</b>	<b>(89,692)</b>

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 2010

	Note	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Loss for the financial year		(117,793)	(89,692)
Unrealised deficit on revaluation of properties	10	(1,726)	(8,157)
<b>Total recognised losses for the year</b>		<b>(119,519)</b>	<b>(97,849)</b>

## Note of Historical Cost Profits and Losses

for the year ended 31 May 2010

	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Loss on ordinary activities before and after taxation	(117,793)	(89,692)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,214	1,486
<b>Historical cost loss on ordinary activities before and after taxation</b>	<b>(116,579)</b>	<b>(88,206)</b>

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

# Manchester City Football Club Limited

## Balance Sheet

as at 31 May 2010

Registered number 40946

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Intangible assets	9	199,028	131,788
Tangible assets	10	179,910	175,304
Investments	11	-	-
		<b>378,938</b>	<b>307,092</b>
<b>Current assets</b>			
Stocks	12	481	398
Debtors	13	87,544	9,959
Cash at bank and in hand		34,601	18,647
		<b>122,626</b>	<b>29,004</b>
<b>Creditors</b>			
Amounts falling due within one year	14	(561,541)	(282,726)
		<b>(438,915)</b>	<b>(253,722)</b>
<b>Net current liabilities</b>		<b>(438,915)</b>	<b>(253,722)</b>
<b>Total assets less current liabilities</b>		<b>(59,977)</b>	<b>53,370</b>
<b>Creditors</b>			
Amounts falling due after more than one year	15	(73,095)	(82,875)
Deferred income	17	(28,507)	(12,555)
		<b>(161,579)</b>	<b>(42,060)</b>
<b>Capital and reserves</b>			
Called up share capital	18	1,342	1,342
Share premium account	19	45,008	45,008
Revaluation reserve	19	91,084	92,810
Profit and loss account	19	(299,013)	(181,220)
<b>Shareholders' deficit</b>	21	<b>(161,579)</b>	<b>(42,060)</b>

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

These financial statements were approved by the Board of Directors on 9 February 2011 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. 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

#### **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 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 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 2010 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 2010 £000	Year ended 31 May 2009 £000
Gate receipts	18,220	15,356
Television	53,962	48,259
Other commercial activities	52,814	23,323
Donations from development association	54	95
	<b>125,050</b>	<b>87,033</b>

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 2010 £000	Year ended 31 May 2009 £000
Raw materials and consumables	10,501	8,047
Remuneration of auditors and its associates		
Audit fees	44	35
Other services	48	115
Hire of other assets – operating leases	558	312
Capital grants released and amortised	(3,164)	(52)
Other external charges	34,396	26,655
Staff costs (note 5)	133,306	82,633
Amortisation of players	71,006	39,403
Depreciation of tangible fixed assets		
Owned	1,696	920
Leased	2,768	2,563
	<b>251,159</b>	<b>160,631</b>
Operating expenses comprise		
Operating expenses before amortisation of players	180,153	121,228
Amortisation of players	71,006	39,403
	<b>251,159</b>	<b>160,631</b>

### 4 Directors' remuneration

	2010 £000	2009 £000
Directors' emoluments	1,821	2,290
Company contributions to money purchase pension schemes	135	92
Amounts paid to third parties in respect of Directors' services	313	34

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £1,821,000 (2009 £1,425,000) and Company pension contributions of £135,000 (2009 £90,000) 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 2010	31 May 2009
Football staff – including players	190	156
Commercial/administration staff	223	146
	<b>413</b>	<b>302</b>

The aggregate payroll costs of these persons were as follows

	Year ended	Year ended
	31 May 2010	31 May 2009
	£000	£000
Wages and salaries	118,359	73,685
Social security costs	13,833	8,547
Other pension costs	1,114	401
	<b>133,306</b>	<b>82,633</b>

### 6 Interest receivable and similar income

	Year ended	Year ended
	31 May 2010	31 May 2009
	£000	£000
Bank interest	34	356
Other	662	-
	<b>696</b>	<b>356</b>

### 7 Interest payable and similar charges

	Year ended	Year ended
	31 May 2010	31 May 2009
	£000	£000
Bank loans and overdrafts	392	1,691
Other loans	-	12,656
Finance lease interest	93	109
	<b>485</b>	<b>14,456</b>

# Manchester City Football Club Limited

## Notes (continued)

### 8 Taxation

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

	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Current tax		
UK corporation tax at 28% (2009 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% (2009 28%). The differences are explained below

	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Loss on ordinary activities before taxation	(117,793)	(89,692)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	(32,982)	(25,114)
Effects of		
Expenses not deductible for tax purposes	144	345
Fixed asset timing differences	1,288	977
Other timing differences	816	124
Tax losses incurred in the year	30,734	23,656
Group relief not paid for	-	12
Current tax charge for the year	-	-

The Company has corporation tax losses available for carry forward of approximately £273 million (2009 £117 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
<b>Cost</b>	
As at 1 June 2009	185,280
Additions	145,444
Disposals	(24,245)
<b>As at 31 May 2010</b>	<b>306,479</b>
<b>Amortisation</b>	
As at 1 June 2009	53,492
Charge for the year	71,006
Disposals	(17,047)
<b>As at 31 May 2010</b>	<b>107,451</b>
<b>Net book value</b>	
<b>As at 31 May 2010</b>	<b>199,028</b>
As at 1 June 2009	131,788

### 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
<b>Cost/valuation</b>						
As at 1 June 2009	4,803	641	163,143	1,240	11,011	180,838
Additions	-	788	6,390	-	7,522	14,700
Disposals	(2)	-	(3,916)	-	(889)	(4,807)
Revaluation adjustment	-	-	(1,726)	-	-	(1,726)
Transfer on completion	-	1,240	-	(1,240)	-	-
<b>As at 31 May 2010</b>	<b>4,801</b>	<b>2,669</b>	<b>163,891</b>	<b>-</b>	<b>17,644</b>	<b>189,005</b>
<b>Depreciation</b>						
As at 1 June 2009	1,303	125	318	-	3,788	5,534
Charge for the year	95	53	2,566	-	1,750	4,464
Disposals	-	-	(349)	-	(554)	(903)
<b>As at 31 May 2010</b>	<b>1,398</b>	<b>178</b>	<b>2,535</b>	<b>-</b>	<b>4,984</b>	<b>9,095</b>
<b>Net book value</b>						
<b>As at 31 May 2010</b>	<b>3,403</b>	<b>2,491</b>	<b>161,356</b>	<b>-</b>	<b>12,660</b>	<b>179,910</b>
As at 1 June 2009	3,500	516	162,825	1,240	7,223	175,304

# 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'

	2010 £000
At depreciated replacement cost	161,193
Aggregate depreciation thereon	<u>(2,158)</u>
<b>Net book value</b>	<b>159,035</b>
Historical cost of revalued assets	80,832
Aggregate depreciation thereon	<u>(7,052)</u>
<b>Historical cost net book value</b>	<b>73,780</b>

Tangible fixed assets are shown at their original cost to the Group with the exception of the City of Manchester 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.

The revaluation adjustment relates to a difference in the interpretation of the prior year valuation of the City of Manchester Stadium which has been corrected in the current year. This item was not considered so material that it required a prior year restatement.

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 2010 includes £160,104,000 (2009 £161,759,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,768,000 (2009 £2,563,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2009 £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.

# Manchester City Football Club Limited

## Notes (continued)

### 10 Tangible fixed assets (continued)

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

### 11 Fixed asset investments

	Shares in Subsidiary Undertakings £000
Cost and net book value at 31 May 2010	-
Cost and net book value at 31 May 2009	-

	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

	2010 £000	2009 £000
Goods for resale	481	398

### 13 Debtors

	2010 £000	2009 £000
<b>Amounts falling due within one year</b>		
Trade debtors	47,325	705
Debtors arising from player transfers	8,427	4,475
Amounts owed by group companies	27,728	-
Other debtors	-	1
Prepayments and accrued income	4,064	4,778
	<b>87,544</b>	<b>9,959</b>

# Manchester City Football Club Limited

## Notes (continued)

### 14 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank loans and overdrafts	-	11,293
Other loans (Note 16)	179	191
Obligations under finance leases (Note 16)	348	414
Trade creditors	3,180	6,818
Creditors arising from player transfers	61,697	56,221
Amounts owed to parent company	477,594	194,413
Other creditors including tax and social security	7,581	5,355
Accruals	10,962	8,021
	<b>561,541</b>	<b>282,726</b>

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

	2010 £000	2009 £000
Other loans (Note 16)	159	306
Obligations under finance leases (Note 16)	38,969	42,975
Creditors arising from player transfers	19,107	20,440
Amounts owed to group undertakings	14,860	19,154
	<b>73,095</b>	<b>82,875</b>

### 16 Borrowings

	Other Loans £000	Finance Leases £000	2010 Total £000	2009 Total £000
Within one year	179	348	527	11,898
Between one and two years	159	378	537	944
Between two and five years	-	478	478	400
After more than five years	-	38,113	38,113	41,937
	<b>338</b>	<b>39,317</b>	<b>39,655</b>	<b>55,179</b>

#### 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:

	2010 £000	2009 £000
Within one year	2,203	2,712
In the second to fifth year	8,240	10,191
Over five years	121,304	143,199
Less future finance charges	(92,430)	(112,713)
	<b>39,317</b>	<b>43,389</b>

# Manchester City Football Club Limited

## Notes (continued)

### 17 Deferred income

	2010 £000	2009 £000
Within one year		
Deferred income	27,178	8,062
Deferred credit for capital grants	53	53
	<b>27,231</b>	<b>8,115</b>
More than one year		
Deferred income	-	-
Deferred credit for capital grants	1,276	4,440
	<b>1,276</b>	<b>4,440</b>
<b>Total deferred income</b>	<b>28,507</b>	<b>12,555</b>

#### Deferred credit for capital grants

	£000
The movements in deferred credit for capital grants during the year were as follows	
At 1 June 2009	4,493
Grants received in year	-
Grants released in year	(3,164)
<b>At 31 May 2010</b>	<b>1,329</b>

### 18 Called up share capital

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

	2010 Number of shares	2010 £000	2009 Number of shares	2009 £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
	<b>1,344,984</b>	<b>1,342</b>	<b>1,344,984</b>	<b>1,342</b>

# Manchester City Football Club Limited

## Notes (continued)

### 19 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 June 2009	45,008	92,810	(181,220)
Retained loss for the year	-	-	(117,793)
Issue of shares	-	-	-
Revaluation adjustment	-	(1,726)	-
At 31 May 2010	45,008	91,084	(299,013)

### 20 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £43,100,000 (2009 £22,896,000) 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

	2010 £000	2009 £000
Loss for the financial year	(117,793)	(89,692)
Revaluation adjustment	(1,726)	(8,157)
Issue of shares	-	45,329
Net decrease to shareholders' funds	(119,519)	(52,520)
Opening shareholders' (deficit)/funds	(42,060)	10,460
Total closing shareholders' deficit	(161,579)	(42,060)

### 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 2010 a Minimum Funding Requirement Deficit was identified in the scheme, of which £186,113 (2009 £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 £27,648 (2009 £19,116).



# Manchester City Football Club Limited

## Notes (continued)

### 23 Commitments

The annual commitment for payments in respect of other operating leases

	2010	2009
Expiring	£000	£000
Within one year	57	57
Within two and five years	164	331
After five years	-	-
	<b>221</b>	<b>388</b>

The capital commitments contracted but not provided for are as follows

	2010	2009
	£000	£000
Contracted but not provided for	<b>2,581</b>	<b>3,063</b>

### 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 2010 was

	Total	Floating rate	Fixed rate	Non-
	£000	financial	Financial	Interest
		liabilities	Liabilities	Financial
		£000	£000	Liabilities
				£000
As at 31 May 2010	39,655	306	39,317	32
As at 31 May 2009	55,179	453	54,682	44

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

The floating rate financial liabilities comprise other loans of £306,000 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 finance lease obligations of £39,317,000 as detailed in note 16.

The maturity profile of the Company's financial liabilities as at 31 May 2010 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

### **26 Post balance sheet events**

Since the year-end the football registrations of Edin Dzeko (from VfL Wolfsburg), Jerome Boateng (from Hamburg S V), David Silva (from Valencia), Yaya Toure (from Barcelona FC), Aleksandar Kolarov (from S S Lazio), Mario Balotelli (from Inter Milan) and James Milner (from Aston Villa FC) have been acquired. The registrations of Valeri Bojinov (to Parma FC), Stephen Ireland (to Aston Villa FC), Javier Garrido (to S S Lazio), Robinho (to AC Milan), Robert Mak (to FC Nuremburg) and Adam Clayton (to Leeds United FC) were sold. The net expenditure on these transactions including contingent fees was approximately £127.1 million.

### **27 Ultimate parent company**

As at 31 May 2010 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.