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THE MANCHESTER UNITED FOOTBALL CLUB PLC

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991

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Grant Thornton  
Chartered Accountants  
Manchester M2 5HD



REPORT OF THE AUDITORS

TO THE DIRECTORS OF THE MANCHESTER UNITED FOOTBALL CLUB PLC

We have audited the financial statements on pages 2 to 12 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31st January 1991 and of its profit and source and application of funds for the six months then ended and have been prepared in accordance with the Companies Act 1985, so far as is applicable.

*Grant Thornton*

GRANT THORNTON

CHARTERED ACCOUNTANTS

MANCHESTER

15 May 1991

ACCOUNTING POLICIES

The principal accounting policies of the Company are set out below. The policies have remained unchanged from the previous period apart from those relating to grants and lottery donations. Previously grants received from the Football Grounds' Improvement Trust and lottery donations were credited to capital reserve. The effect of the changes in policy is shown in note 6.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified in that fixed assets purchased before 17th June 1947 are brought into account at the book value thereof at that date.

b) Turnover

Turnover represents match and box receipts, lottery donations and sales invoiced, exclusive of Value Added Tax.

c) Depreciation

Depreciation is provided on fixed assets on a reducing balance basis at annual rates appropriate to the estimated useful lives of fixed assets as follows:

General plant and machinery	25%
Executive Suite, plant and machinery	20%
General fixtures and fittings	15%
Executive Suite fixtures and fittings	100%

Depreciation is not provided on freehold or long leasehold properties. It is the Company's policy to maintain all its properties in such a condition that the estimated aggregate residual disposal values are at least equal to their book values. Consequently, any element of depreciation would, in the opinion of the directors, be immaterial.

d) Stocks

Stocks which comprise raw materials, consumables and goods held for resale are valued at the lower of cost and net realisable value.

e) Playing staff

Fees payable to and receivable from other football clubs on the transfer of players' registrations, together with associated costs, are dealt with through the profit and loss account in the period in which the transfer takes place.

f) Finance leases

Assets held under finance leases are included in fixed assets at total rental cost less finance charges. Finance charges are taken to the profit and loss account using the sum-of-the-digits method.

ACCOUNTING POLICIES (CONTINUED)

g) Grants

Grants received from the Football Grounds' Improvement Trust in respect of capital expenditure are credited to profit and loss account over the period of the useful life of the relevant fixed assets. The grants shown in the balance sheet as deferred income represent the total grants receivable to date less the amounts so far credited to profits.

h) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

i) Pension costs

Defined contribution pension arrangements are made for certain employees. The Company's contributions are charged against the profit and loss account in the year in which they become payable. The assets of pension schemes are held separately from those of the Company in independently administered funds.

THE MANCHESTER UNITED FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991

	<u>Notes</u>	<u>6 months ended</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Turnover	1	10,426	11,592
Operating expenses	2	6,705	9,073
Operating profit		3,721	2,519
Net interest receivable/(payable)	4	66	(90)
Profit before transfer fees		3,787	2,429
Net transfer fees receivable/(payable)	5	38	(5,157)
Profit/(loss) on ordinary activities before taxation	6	3,825	(2,728)
Taxation	7	(844)	207
Retained profit/(loss)	15	2,981	(2,521)
		=====	=====

The accounting policies and notes on pages 2 and 3 and 7 to 12  
form part of these financial statements

BALANCE SHEET AS AT 31ST JANUARY 1991

	<u>Notes</u>	<u>At</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>At</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Fixed assets			
Tangible assets	8	7,592	7,699
Current assets			
Stocks	9	401	371
Debtors	10	1,336	1,627
Cash at bank and in hand	11	1,580	296
		<u>3,317</u>	<u>2,294</u>
Creditors: amounts falling due within one year	12	(3,478)	(5,915)
Net current liabilities		<u>(161)</u>	<u>(3,621)</u>
Total assets less current liabilities		7,431	4,078
Creditors: amounts falling due after more than one year	13	(1,142)	(752)
Deferred income			
Football Grounds' Improvement Trust grants		(406)	(424)
		<u>5,883</u>	<u>2,902</u>
Capital and reserves			
Called up share capital	14	1,009	1,009
Profit and loss account	15	4,874	1,893
		<u>5,883</u>	<u>2,902</u>

The financial statements were approved by the board of directors on 15 May 1991 and signed on its behalf by:

C.M. EDWARDS

DIRECTOR

The accounting policies and notes on pages 2 and 3 and 7 to 12 form part of these financial statements.

THE MANCHESTER UNITED FOOTBALL CLUB PLC

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991

	<u>6 months ended</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Source of funds		
Profit/(loss) on ordinary activities before taxation	3,825	(2,728)
Items not involving the movement of funds		
Grants released	(18)	(43)
Depreciation	206	417
(Profit) on disposal of tangible fixed assets	(9)	(17)
Funds generated from/(absorbed by) operations	4,004	(2,371)
Funds from other sources		
Tax received	-	207
Proceeds from disposal of tangible fixed assets	237	667
Receipt of grants	-	125
	4,241	(1,372)
Application of funds		
Purchase of tangible fixed assets	(327)	(977)
Net inflow/(outflow) of funds	3,914	(2,349)
	=====	=====
Increases/(decreases) in working capital		
Stock	30	208
Debtors	(291)	174
Creditors	2,891	(1,593)
	2,630	(1,211)
Net liquid funds		
Cash at bank and in hand	1,284	(1,138)
	3,914	(2,349)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991

1. Turnover

Turnover is derived entirely in the UK and represents match and box receipts, lottery donations and sales invoiced during the period, exclusive of Value Added Tax.

	<u>6 months ended</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Football	5,174	6,062
Commercial activities	4,358	4,653
Catering	894	877
	<u>10,426</u>	<u>11,592</u>
	=====	=====

2. Operating expenses

	<u>6 months ended</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Staff costs (note 3)	2,418	4,016
Other operating charges	3,954	4,437
Depreciation	206	417
Auditors' remuneration and expenses	13	22
Plant and vehicle hire	14	42
Profit on disposal of tangible fixed assets	(9)	(17)
Operating leases	109	156
	<u>6,705</u>	<u>9,073</u>
	=====	=====

3. Staff numbers and costs

The average number of employees during the period was as follows:

	<u>6 months ended</u> <u>31st January</u> <u>1991</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u>
Players	43	47
Ground staff	21	21
Administration	60	58
Catering	38	38
	<u>162</u>	<u>164</u>
	===	===

The aggregate payroll costs of these employees were as follows:

	<u>6 months ended</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Wages and salaries	2,174	3,584
Social security costs	193	324
Other pension costs	51	108
	<u>2,418</u>	<u>4,016</u>
	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991 (CONTINUED)

## 3. Staff numbers and costs (continued)

The Chairman, as Chief Executive, received remuneration of £51,783 for the 6 months ended 31st January 1991 (year to 31st July 1990: £106,541) excluding pension contributions. No other Director received any emoluments.

## 4. Net interest receivable/(payable)

	<u>6 months ended</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Interest receivable	90	63
Interest payable on bank overdrafts repayable within five years	(12)	(150)
Hire purchase interest payable	(12)	(3)
	<u>66</u>	<u>(90)</u>
	=====	=====

## 5. Net transfer fees receivable/(payable)

	<u>6 months ended</u> <u>31st January</u> <u>1991</u> <u>£'000</u>	<u>Year ended</u> <u>31st July</u> <u>1990</u> <u>£'000</u>
Transfer fees payable	(112)	(5,212)
Transfer fees receivable	150	55
	<u>38</u>	<u>(5,157)</u>
	=====	=====

## 6. Profit/(loss) on ordinary activities before taxation

During the period the Company changed its accounting policies in respect of grants received from the Football Grounds' Improvement Trust and lottery donations. Previously grants and donations received were credited to Capital Reserve. Grants received in respect of capital expenditure are now credited to profit and loss account over the period of the useful life of the relevant fixed assets in accordance with Statement of Standard Accounting Practice 4. Grants shown in the balance sheet as deferred income represent the total grants receivable to date, less the amounts so far credited to profits. Lottery donations received are now credited to profit and loss account in the period of receipt. Figures for 1990 have been restated to reflect these changes of policy. The effect of these changes at 31st January 1991 is to increase turnover by £206,000 (1990: £300,000) and reduce operating expenses by £18,000 (1990: £43,000).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991 (CONTINUED)

## 7. Taxation

<u>6 months ended</u>	<u>Year ended</u>
<u>31st January</u>	<u>31st July</u>
<u>1991</u>	<u>1990</u>
<u>£'000</u>	<u>£'000</u>

The taxation charge/(credit) comprises:

UK Corporation Tax at 34% (1990: 35%)	1,043	(406)
Less advance corporation tax previously written off	(199)	-
Adjustment in respect of prior periods	-	199
	<u>844</u>	<u>(207)</u>
	=====	=====

The taxation charge has been reduced by approximately £285,000 due to the utilisation of tax losses brought forward and other timing differences.

## 8. Tangible fixed assets

	<u>Freehold</u>	<u>Leasehold</u>	<u>Plant</u>	<u>Fixtures</u>	
	<u>Property</u>	<u>Property</u>	<u>and</u>	<u>and</u>	
	<u>£'000</u>	<u>£'000</u>	<u>Machinery</u>	<u>Fittings</u>	<u>Total</u>
			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost					
At 1st August 1990	5,355	392	973	4,305	11,025
Additions	64	-	76	187	327
Disposals	-	(228)	-	-	(228)
At 31st January 1991	<u>5,419</u>	<u>164</u>	<u>1,049</u>	<u>4,492</u>	<u>11,124</u>
Depreciation					
At 1st August 1990	94	-	662	2,570	3,326
Charge for period	-	-	62	144	206
At 31st January 1991	<u>94</u>	<u>-</u>	<u>724</u>	<u>2,714</u>	<u>3,532</u>
Net book value					
At 31st January 1991	<u>5,325</u>	<u>164</u>	<u>325</u>	<u>1,778</u>	<u>7,592</u>
At 31st July 1990	<u>5,261</u>	<u>392</u>	<u>311</u>	<u>1,735</u>	<u>7,699</u>

At 31st January 1991, the net book value of assets held under hire purchase agreements was £62,157, (31st July 1990: £77,036). Depreciation on these assets in the period to 31st January 1991 was £14,879.

## Capital commitments:

	<u>At</u>	<u>At</u>
	<u>31st January</u>	<u>31st July</u>
	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
Contracted	175	201
Authorised but not contracted	214	282
	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991 (CONTINUED)

9. Stocks	<u>31st January</u> <u>1991</u> <u>£'000</u>	<u>31st July</u> <u>1990</u> <u>£'000</u>
Stocks comprise:		
Raw materials and consumables	95	80
Goods for resale	306	291
	<u>401</u>	<u>371</u>
	=====	=====

10. Debtors	<u>31st January</u> <u>1991</u> <u>£'000</u>	<u>31st July</u> <u>1990</u> <u>£'000</u>
Trade debtors	468	295
Other debtors	112	157
Prepayments and accrued income	756	1,175
	<u>1,336</u>	<u>1,627</u>
	=====	=====

Included in other debtors at 31st January 1991 is a loan of £70,000 to an officer of the Company.

## 11. Cash at bank and in hand

At 31st January 1991 under the terms of certain lotteries, cash at bank of £893,000 can only be expended in accordance with the terms of those lotteries.

## 12. Creditors: amounts falling due within one year

	<u>31st January</u> <u>1991</u> <u>£'000</u>	<u>31st July</u> <u>1990</u> <u>£'000</u>
Trade creditors	594	408
Other creditors	53	71
Other taxes and social security	353	392
Accruals and deferred income	2,453	4,991
Hire purchase creditors	24	52
Dividends payable	1	1
	<u>3,478</u>	<u>5,915</u>
	=====	=====

## 13. Creditors: amounts falling due after more than one year

	<u>31st January</u> <u>1991</u> <u>£'000</u>	<u>31st July</u> <u>1990</u> <u>£'000</u>
Corporation tax	844	-
Hire purchase creditor	-	2
Accruals and deferred income	298	750
	<u>1,142</u>	<u>752</u>
	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY 1991 (CONTINUED)

14. Share capital	<u>31st January</u> <u>1991</u> <u>£'000</u>	<u>31st July</u> <u>1990</u> <u>£'000</u>
Authorised:		
1,007,500 ordinary shares of £1 each	1,008	1,008
7,500 5.25% cumulative preference shares of £1 each	<u>7</u>	<u>7</u>
	<u>1,015</u> =====	<u>1,015</u> =====
Allotted, called up and fully paid:		
1,006,821 ordinary shares of £1 each	1,007	1,007
1,725 5.25% cumulative preference shares of £1 each	<u>2</u>	<u>2</u>
	<u>1,009</u> =====	<u>1,009</u> =====
15. Profit and loss account	<u>31st January</u> <u>1991</u> <u>£'000</u>	<u>31st July</u> <u>1990</u> <u>£'000</u>
Retained profits/(losses) at beginning of period		
- as previously reported	(2,724)	140
- prior year adjustment (note 6)	<u>4,617</u>	<u>4,274</u>
- as restated	<u>1,893</u>	<u>4,414</u>
Retained profit/(loss) for the period	<u>2,981</u>	<u>(2,521)</u>
Retained profits at end of period	<u>4,874</u> =====	<u>1,893</u> =====

At 31st January 1991, under the terms of certain lotteries, donations received of £893,000 are not available for distribution until such monies have been expended within the terms of those lotteries.

## 16. Operating lease commitments

The company had annual commitments under operating leases in respect of cars as follows:

	<u>31st January</u> <u>1991</u> <u>£'000</u>	<u>31st July</u> <u>1990</u> <u>£'000</u>
Leases expiring within 1 year	200	109
Leases expiring within 2 to 5 years	<u>78</u>	<u>278</u>
	<u>278</u> =====	<u>387</u> =====

NOTES TO THE FINANCIAL STATEMENTSFOR THE SIX MONTHS ENDED 31ST JANUARY 1991 (CONTINUED)

## 17. Deferred taxation

There is no deferred taxation liability at 31st January 1991, as set out below:

£'000

Accelerated capital allowances  
Other timing differences

305  
(305)

£ -  
=====

## 18. Transfer fees payable

At 31st January 1991 additional transfer fees of approximately £1.53m will arise if certain conditions in transfer contracts are fulfilled. Of this amount approximately £400,000 maybe payable within one year.

## 19. Post balance sheet events

Since 31st January 1991, the Company has entered into player transfer contracts involving net fees payable which could amount to £1,050,000.

On 22nd March 1991, by way of a share for share exchange, the Company became a subsidiary of Manchester United PLC.

## 20. Pensions

Eligible staff of the Company are members of the Football League Limited Pensions and Life Assurance Scheme. Certain employees are members of other schemes. Company contributions are charged against profit in the year in which they are made.

## 21. Close company

The company is a close company as defined by Section 414 of the Income and Corporation Taxes Act 1988.