

THE MANCHESTER UNITED FOOTBALL CLUB plc
REPORT AND ACCOUNTS
YEAR ENDED 31 JULY 1994

CONTENTS

DIRECTORS' REPORT	Page 2
PROFIT AND LOSS ACCOUNT	Page 4
BALANCE SHEET	Page 5
CASH FLOW STATEMENT	Page 6
STATEMENT OF ACCOUNTING POLICIES	Page 7
NOTES TO THE ACCOUNTS	Page 8
STATEMENT OF DIRECTORS' RESPONSIBILITIES	Page 13
AUDITORS' REPORT	Page 13



THE MANCHESTER UNITED FOOTBALL CLUB plc DIRECTORS' REPORT

The directors present their report together with the accounts for the year ended 31 July 1994.

Principal activity

The principal activity of the Company continues to be the operation of a professional football club together with related and ancillary activities.

Business review, results and dividend

During the year the Club won the Premier League Championship for the second year in succession, the FA Cup and the Charity Shield. Turnover has increased by 48.3% from £14,084,000 in 1993 to £20,852,000 in 1994. Profit before transfer fees reduced by 7.4% to £3,558,000 (1993 - £3,841,000). Net expenditure on player transfers amounted to £675,000, leaving a profit before taxation of £2,881,000 (1993 (loss) - £145,000).

The directors do not recommend the payment of a dividend.

The directors have transferred £2,750,000 to the transfer fee reserve leaving a retained loss of £537,000 to be deducted from reserves.

Events since the year end and future developments

Since the year end the Club has sold Dion Dublin to Coventry City for £1,850,000.

Aggregate value attributable to players

The Company's accounting policy for expenditure and receipts in respect of player transfers is to deal with these through the profit and loss account. This means that no value is attributed to players in the balance sheet. The directors will continue this policy unchanged but have commissioned an independent report on the aggregate value of the first team squad of players.

In the opinion of Touche Ross & Co., Chartered Accountants, the aggregate of the individual amounts attributed to the players comprising the first team playing squad together with first and second year professionals, as at 31 July 1994, was £35 million (1993 - £30 million). This assumes willing buyers for the relevant player's services on normal contractual terms in the present domestic market and an orderly disposal over a period of time. Touche Ross & Co. have drawn to our attention that the amounts attributable to individual players can fluctuate rapidly as a result of selection policy, personal form, injury, international representation and other matters.

Fixed assets

Movements in fixed assets are set out in Note 7 to the Accounts.

Directors and their interests

The directors serving during the year were as follows:

C M Edwards (Chairman)

J M Edelson

Sir Bobby Charlton

E M Watkins

A M AlMidani (resigned 18 January 1994)

R L Olive

R P Launders

The interests of C M Edwards, E M Watkins and R P Launders, who are directors of the parent undertaking, in the shares of Manchester United PLC, are disclosed in that Company's accounts. The interests of the other directors in the shares of Manchester United PLC are shown below.

	31 July 1994	1 August 1993
J M Edelson	145,281	152,281
Sir Bobby Charlton	2,000	2,000
R L Olive	11,310	13,110

The Company maintains directors' liability insurance.

In accordance with the Articles of Association, J M Edelson and Sir Bobby Charlton retire by rotation, and, being eligible, offer themselves for re-election.

THE MANCHESTER UNITED FOOTBALL CLUB plc
DIRECTORS' REPORT (CONTINUED)

Charitable and political contributions

The Company contributed £5,334 (1993 - £83,760) to charities and made no political contributions in the year (1993 - £nil).

Auditors

Grant Thornton have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Secretary

David A. Mennell 14/2/95

Old Trafford
Manchester
M16 0RA

THE MANCHESTER UNITED FOOTBALL CLUB plc
PROFIT AND LOSS ACCOUNT

For the 12 months ended 31 July 1994

	Note	1994 £'000	1993 £'000
Turnover	1	20,852	14,004
Operating expenses	2	(17,646)	(10,785)
Operating profit		3,206	3,219
Interest receivable	3	350	562
Profit before transfer fees		3,556	3,811
Net transfer fees	4	(675)	(3,986)
Profit/(loss) on ordinary activities before taxation		2,881	(145)
Taxation	8	(668)	(15)
Profit/(loss) for the year		2,213	(160)
Appropriation (to) / from transfer fee reserve	16	(2,750)	1,000
Retained (loss)/profit for the year	16	<u>(537)</u>	<u>840</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 12 months ended 31 July 1994

There were no recognised gains or losses in 1994 or 1993 other than the profit/(loss) for the year.

The accompanying notes on pages 7 to 12 are an integral part of these accounts.

THE MANCHESTER UNITED FOOTBALL CLUB plc
BALANCE SHEET

At 31 July 1994

	Note	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	7	18,604	15,305
		<u>18,604</u>	<u>15,305</u>
Current assets			
Debtors	8	909	1,228
Marketable securities	9	3,388	4,914
Cash at bank and in hand		6,001	1,448
		<u>10,278</u>	<u>7,760</u>
Creditors			
Amounts falling due within one year	11	8,087	8,691
Net current assets/(liabilities)		<u>1,191</u>	<u>(931)</u>
Total assets less current liabilities		19,795	14,374
Provision for liabilities and charges	12	147	308
Accruals and deferred income			
Deferred grant income	13	1,937	563
Other deferred income	14	9,382	7,367
Net assets		<u>8,329</u>	<u>6,116</u>
Capital and reserves			
Share capital	15	1,009	1,009
Transfer fee reserve	16	4,000	1,250
Profit and loss account	16	3,320	3,857
Shareholders' funds	17	<u>8,329</u>	<u>6,116</u>

Approved by the board of directors on *14th February 1995*

Director

J. McGraw

The accompanying notes on pages 7 to 12 are an integral part of these accounts.

THE MANCHESTER UNITED FOOTBALL CLUB plc
CASH FLOW STATEMENT

For the 12 months ended 31 July 1994

	1994 £'000	1993 £'000
Net cash inflow from operating activities	5,457	9,168
Return on investments and servicing of finance		
Interest received	350	562
Net cash outflow from return on investments and servicing of finance	350	562
Taxation		
Tax paid	(107)	(538)
	(107)	(538)
Investing activities		
Transfer of fixed assets from parent undertaking	-	(292)
Sale of tangible fixed assets	179	38
Purchase of tangible fixed assets	(4,512)	(11,723)
Sale of marketable securities	4,829	2,211
Purchase of marketable securities	(3,388)	(2,864)
Longer term bank deposit proceeds	-	2,000
Net cash outflow from investing activities	(2,872)	(10,632)
Net cash inflow / (outflow) before financing	2,828	(1,440)
Financing		
Grants received (Note 13)	1,725	92
Net cash inflow from financing	1,725	92
Increase/(decrease) in cash and cash equivalents (Note 10)	4,553	(1,348)
Net cash generated from operating activities		
Operating profit	3,279	3,279
Net transfer fees	(3,986)	(3,986)
Depreciation charges	977	494
Loss on disposal of tangible fixed assets	57	3
Loss / (profit) on disposal of marketable securities	85	(173)
Grants released	(351)	(45)
Decrease in debtors	489	1,307
Increase in creditors	1,669	8,339
Net cash inflow from operating activities	5,457	9,168

The accompanying notes on pages 7 to 12 are an integral part of these accounts.

THE MANCHESTER UNITED FOOTBALL CLUB plc STATEMENT OF ACCOUNTING POLICIES

Accounting policies

The principal accounting policies, which have been consistently applied, are set out below:

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Turnover

Turnover represents gate receipts, lottery donations and sales invoiced, exclusive of value added tax.

Depreciation

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

Plant and machinery	20% - 25%
General fixtures and fittings	15%

Depreciation is not provided on leasehold properties. It is the Company's and the parent undertaking's policy to maintain all 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. Residual disposal values are appraised each year by reference to the estimated depreciated replacement cost of the properties in aggregate. Provision will be made against the cost of the properties in the event of any permanent diminution in their value.

Transfer fees

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 accounting period in which the transfer fee is payable or receivable.

Grants

Grants receivable from the Football Trust and the former Football Grounds Improvement Trust in respect of capital expenditure are treated as deferred income and released to the profit and loss account so as to match the depreciation charged on the fixed assets purchased with the grant. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account.

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.

Pension costs

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

THE MANCHESTER UNITED FOOTBALL CLUB plc
NOTES TO THE ACCOUNTS

1 Turnover

Turnover, which all originates in the United Kingdom, can be analysed into its principal components as follows.

	1994 £'000	1993 £'000
Gate receipts and programme sales	16,190	9,628
Television	3,955	3,849
Sponsorship, royalties and advertising	40	11
Other	667	576
	<u>20,852</u>	<u>14,064</u>

Turnover arises from the principal activity of the Company.

2 Operating expenses

	1994 £'000	1993 £'000
Auditors' remuneration: audit fees	15	13
Auditors' remuneration: non audit services	2	14
Directors' remuneration (Note 5)	229	168
Staff costs (Note 5)	8,773	6,182
Depreciation	977	494
Operating leases	22	66
Fleet and vehicle hire	10	3
Other operating charges	7,827	4,090
Grants released (Note 13)	(351)	(95)
Loss on disposal of tangible fixed assets	57	3
Loss/(profit) on disposal of marketable securities	85	(173)
	<u>17,946</u>	<u>10,785</u>

3 Interest receivable

	1994 £'000	1993 £'000
Bank interest receivable	351	566
Bank overdraft interest payable	(1)	(4)
	<u>350</u>	<u>562</u>

4 Net transfer fees

	1994 £'000	1993 £'000
Transfer fees receivable	825	2,034
Transfer fees payable	(1,500)	(6,020)
	<u>(675)</u>	<u>(3,986)</u>

THE MANCHESTER UNITED FOOTBALL CLUB plc

5 Staff costs

Particulars of employee costs (excluding directors) are as shown below:

	1994 £'000	1993 £'000
Wages and salaries	7,329	5,405
Social security costs	1,251	628
Other pension costs	193	149
	<u>8,773</u>	<u>6,182</u>

The average number of employees was as follows:

	1994	1993
Players	42	43
Ground staff	31	28
Ticket office and membership	17	13
Administration and other	40	30
Average number of employees	<u>130</u>	<u>114</u>

The Group also employs approximately 750 temporary staff on match days.

The directors of the Company received the following remuneration:

	1994 £'000	1993 £'000
Remuneration for management services	214	174
Pension contributions	15	14
	<u>229</u>	<u>188</u>

The Chairman and Chief Executive of the Company received a remuneration of £214,000 excluding pension contributions (1993 - £174,500). Remuneration for 1994 included a bonus based on the achievement of a minimum profit before transfer fees figure. No other director received any remuneration.

Legal fees paid during the year to James Chapman & Co, of which E M Watkins is a partner, were £57,000, being services in the ordinary course of business as the Company's solicitors.

J M Edelson is a director of and shareholder in Conrad Continental plc. Conrad supplies goods and services to the Company on normal commercial terms with an approximate annual value of £nil (1993 - £2,000). The Company supplies hospitality, goods and services to Conrad on normal commercial terms with an approximate annual value of £nil (1993 - £21,000).

Sir Bobby Charlton is a director of and shareholder in Halba Travel Limited, which supplies the Company with some rail and air tickets with an approximate annual value of £17,000 (1993 - £17,000).

J M Edelson and Sir Bobby Charlton are directors of and shareholders in Bobby Charlton International Ltd, which supplies goods and services to the Company on normal commercial terms with an approximate annual value of £28,000 (1993 - £nil).

6 Taxation

	1994 £'000	1993 £'000
UK corporation tax based on the profit/(loss) for the year	(829)	(31)
Deferred taxation (Note 12)	161	16
	<u>(668)</u>	<u>(15)</u>
Statutory rate of corporation tax	<u>33.0%</u>	<u>33.0%</u>

THE MANCHESTER UNITED FOOTBALL CLUB plc

7 Tangible fixed assets

	Short Leasehold Property £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 1 August 1993	10,535	3,157	5,058	18,750
Additions	2,472	672	1,368	4,512
Disposals	-	(409)	(202)	(611)
At 31 July 1994	13,007	3,420	6,224	22,651
Depreciation				
At 1 August 1993	-	911	2,534	3,445
Charge for the year	-	451	526	977
Disposals	-	(173)	(202)	(375)
At 31 July 1994	-	1,189	2,858	4,047
Net Book Value				
At 31 July 1993	10,535	2,246	2,524	15,305
At 31 July 1994	13,007	2,231	3,366	18,604

Leasehold property represents improvements to the Old Trafford stadium for which the Club has a lease, with the parent undertaking, which expires in 2026.

8 Debtors

	1994 £'000	1993 £'000
Trade debtors	344	528
Other debtors	140	165
Prepayments and accrued income	425	705
	909	1,398

9 Marketable securities

	1994 £'000	1993 £'000
Government securities - at cost	3,368	4,914
Government securities - at market value	3,368	5,020

10 Analysis of cash and cash equivalents

	At 1 August 1993 £'000	Movement in year £'000	At 31 July 1994 £'000
Cash at bank and in hand	1,448	4,553	6,001

Marketable securities have been excluded from cash and cash equivalents under a strict reading of FRS1 as having a maturity date at the time of purchase greater than three months. These government securities are held as part of the Company's cash management operations and are readily convertible into cash through the gilt edged market.

THE MANCHESTER UNITED FOOTBALL CLUB plc

11 Creditors - Amounts falling due within one year

	1994 £'000	1993 £'000
Trade creditors	1,477	4,098
Amounts due to parent undertaking	3,773	3,181
Social security and other taxes	840	(44)
Corporation tax	818	64
Accruals	2,181	1,362
	<u>9,087</u>	<u>8,691</u>

12 Provision for liabilities and charges

This comprises deferred taxation attributable to:

	1994 £'000	1993 £'000
Excess of tax allowances over book depreciation of fixed assets	510	328
Other timing differences	(363)	(18)
	<u>147</u>	<u>308</u>

There is no unprovided deferred taxation.

The movements in deferred tax balances during the year were as follows:

	1994 £'000
At 1 August 1993	308
Credit for the year	(161)
At 31 July 1994	<u>147</u>

13 Deferred grant income

The movements in deferred grant income during the year were as follows:

	1994 £'000
At 1 August 1993	563
Grants received in the year	1,725
Grants released in the year	(351)
At 31 July 1994	<u>1,937</u>

14 Other deferred income

	1994 £'000	1993 £'000
Deferred revenue income	<u>9,382</u>	<u>7,387</u>

Deferred income consists of season ticket, sponsorship and other elements of income which have been received prior to the year end in respect of the following football season.

15 Share capital

	1994 £	1993 £
Authorised		
1,015,000 ordinary shares of £1 each	<u>1,015,000</u>	<u>1,015,000</u>
Allotted, called up and fully paid		
1,008,546 ordinary shares of £1 each	<u>1,008,546</u>	<u>1,008,546</u>

THE MANCHESTER UNITED FOOTBALL CLUB plc

16 Reserves

The movements during the year were as follows:

	Profit and loss account £'000	Transfer fee reserve £'000
At 1 August 1993	3,857	1,250
Profit for the year	2,213	-
Appropriation to transfer fee reserve	(2,750)	2,750
At 31 July 1994	<u>3,320</u>	<u>4,000</u>

Under the terms of certain lotteries, past donations of £458,422 (1993 - £15,973) received by the Company's subsidiary, and included within the profit and loss account balance, are not available for distribution (and bank balances are restricted accordingly) until such monies have been expended within the terms of those lotteries. It is intended that the balance will be applied to capital programmes and will thereby become distributable. The transfer fee reserve is distributable.

17 Reconciliation of movement in shareholders' funds

	1994 £'000	1993 £'000
Profit/(loss) for the financial year	2,213	(160)
Net addition/(reduction) to shareholders' funds	2,213	(160)
Opening shareholders' funds	6,116	6,276
Closing shareholders' funds	<u>8,329</u>	<u>6,116</u>

18 Capital and other financial commitments

a. Capital commitments

At 31 July 1994, capital commitments were:

	1994 £'000	1993 £'000
Contracted but not provided for	<u>1,044</u>	<u>1,760</u>
Authorised but not contracted for	<u>156</u>	<u>500</u>

b. Transfer fees payable

Under the terms of certain contracts with other football clubs in respect of player transfers, certain additional amounts would be payable by the Group if conditions as to future team selection are met. The maximum that could be payable is £260,000 (1993 £600,000) of which £20,000 could arise in one year.

19 Ultimate parent undertaking

The ultimate parent undertaking is Manchester United PLC, which is registered in England and Wales.

THE MANCHESTER UNITED FOOTBALL CLUB plc
STATEMENT OF DIRECTORS' RESPONSIBILITIES
In respect of the preparation of the accounts

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit of the Group for that period. The financial statements must comply with the requirements of the Companies Act 1985.

It is the directors' responsibility to ensure that adequate accounting records are maintained, that the assets of the group are safeguarded and that fraud and other irregularities are prevented and detected.

The Board of Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements.

In addition, the directors confirm that applicable accounting standards have been followed.

AUDITORS' REPORT

To the members of Manchester United Football Club plc

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 July 1994, and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
Registered Auditors
Chartered Accountants
MANCHESTER

14/2/95