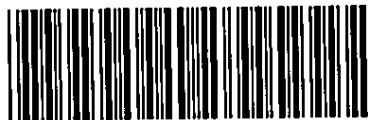


MANCHESTER UNITED FOOTBALL CLUB LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 30 JUNE 2007

MONDAY



A82JTX4X

A02

11/02/2008

165

COMPANIES HOUSE

Company Number: 95489

MANCHESTER UNITED FOOTBALL CLUB LIMITED

CONTENTS

DIRECTORS' REPORT	Page 2
PROFIT AND LOSS ACCOUNT	Page 4
BALANCE SHEET	Page 5
NOTES TO THE FINANCIAL STATEMENTS	Page 6
INDEPENDENT AUDITORS' REPORT	Page 14

MANCHESTER UNITED FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements of Manchester United Football Club Limited for the year ended 30 June 2007

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

The Manchester United team maintained a high level of performance, finishing 1st in the FA Premier League and competing in the semi-finals of the UEFA Champions League

Turnover increased by £37.9m million to £143.8 million (2006 - £105.9 million), representing an increase of 35.8%

Operating profit before amortisation of players and depreciation increased to £38.0 million (2006 - £11.7 million)

The Company made a profit before taxation of £19.5 million (2006 - £3.5 million loss). The directors do not recommend the payment of a dividend (2006 £nil)

The profit after taxation of £14.4 million has been retained and transferred to reserves (2006 - £4.5 million loss)

Details of post balance sheet events are detailed in note 23 to the financial statements

Strategy

The three key elements for the company's strategy for growth are

- Maintaining playing success
- Treating fans as customers
- Developing club media rights

The Key Performance Indicators of the Company relate to the above three key elements and our performance in relation to these are evident from the attached financial statements

Future developments – Outlook for 2007/08

- The 2007/08 season represents the first year of the Premier League's new three year television deal which will result in domestic media revenues increasing by over 50%
- A record 64,500 season tickets were sold before the start of the 2007/08 season
- The team qualified for the UEFA Champions League for the 11th consecutive season by finishing 1st in the FA Premier League in 2006/07 and will benefit from an increased share of the UEFA English TV pool in 2007/08

Risks and uncertainties

Management has responsibility for the identification and evaluation of significant risks applicable to their area of business. The board continually assesses risks to the Group through regular management meetings and the monthly review of financial statements. The key business risks and uncertainties affecting the Group are considered to relate to maintaining playing success, recruitment and retention of key employees (including playing and coaching staff) and the safety and security of supporters at the Old Trafford stadium

Financial risk management

The Company's operations are also exposed to a variety of financial risks that include credit risk and currency risk. The Board reviews and agrees policies for managing these risks which are then implemented by the finance department. The policies have remained unchanged throughout the year and are summarised below

Credit risk

Where considered appropriate, the Company performs credit checks using an external credit rating agency to evaluate the credit risk of potential customers. In relation to significant one-off transactions such as transfer agreements or sponsorship contracts, the Company reviews the credit risk based on information available and obtains bank guarantees where necessary

Currency risk

The Company enters into forward contracts to purchase and sell foreign currency on sales and purchases transactions (including player transfers) where considered appropriate in order to minimise the impact of currency movements on the Company's financial performance

Liquidity risk

The Company's liquidity position and short-term debt finance ensures that it has sufficient funds available for short term working capital requirements and for investment in the playing squad and other capital projects

Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest at a variable rate. Interest bearing liabilities include a revolving credit facility and bank overdraft which bear interest at a variable rate

Directors

The directors serving during the year and up to the date of signing the financial statements were as follows

J M Edelson
Sir R Charlton CBE
E M Watkins
D A Gill
N W Humby (resigned January 2007)

MANCHESTER UNITED FOOTBALL CLUB LIMITED

DIRECTORS' REPORT (CONTINUED)

General information

During the year the Company made charitable donations amounting to £nil (2006 - £11,640). The Company made no political contributions in the year (2006 - £nil).

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. This is achieved through a broad base of communications including staff briefings, announcements and the staff newsletter 'Redlines'. Employees' views are sought through annual staff surveys.

The Company is committed to its 'people philosophy' and, as a result, to promoting policies to ensure that employees and applicants for employment are treated fairly and consistently. The Company has an equal opportunities policy, the aim of which is not to discriminate against employees or applicants for employment on the grounds of age, disability, ethnic origin, nationality or national origin, religion, race, gender, sexual orientation, marital status or family circumstances. Entry into and progression within the Company is determined solely by the job criteria and personal ability/competence.

The Company also seeks to apply best practice in the employment, training, development and promotion of disabled persons. The Company takes seriously its statutory obligations relating to disabled persons and seeks not to discriminate against current or prospective employees and their disability. If an existing employee becomes disabled, such steps as are practical and reasonable are taken, in respect of adjustments to premises or employment arrangements, to retain him/her in employment. Where appropriate, rehabilitation and suitable training are given.

The Company maintains its own health, safety and environmental policies covering all the activities of the Company. Adherence to the policies is monitored by the Board. The Company is aware of its environmental responsibilities and seeks to minimise the impact of its operations on the environment.

The Company does not have a standard creditor payment policy. Payment terms are normally agreed with suppliers at the time of placing orders. All suppliers fulfilling the conditions of order will be paid in accordance with the terms agreed. At 30 June 2007 the number of days' purchases outstanding was 35 (2006 - 20 days). This figure excludes creditors in respect of player acquisitions which are paid on the date payment is contractually due.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 those financial statements, the directors are required to

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

The directors confirm that the above requirements have been complied with in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each director in office at the date of approval confirms

- a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) each director has taken all the steps necessary as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Annual General Meetings and Auditors

The Company has passed resolutions to dispense with the holding of Annual General Meetings, the laying of the report and accounts before the company and the obligation to appoint auditors annually.

The directors' report has been approved by the board and signed on its behalf by:



P C D Stewart

Secretary

Registered office

Sir Matt Busby Way

Old Trafford

Manchester

Old Trafford

M16 0RA

Company registered in England and Wales No. 95489
8 February 2008

MANCHESTER UNITED FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2007

	Note	12 months ended 30 June 2007 £ 000	12 months ended 30 June 2006 £ 000
Turnover	2	143,823	105 925
Operating expenses	3	(136,448)	(118 737)
Operating expenses exceptional items	4	(3 039)	(3 039)
Total operating expenses		(136,448)	(121 776)
Operating profit/(loss)		7,375	(15 851)
Analysed as			
Operating profit before depreciation and amortisation of intangible fixed assets		38,013	11 651
Depreciation		(6,386)	(4 075)
Amortisation		(24,252)	(23 427)
		7,375	(15 851)
Profit on disposal of players		11,760	12 462
Net interest receivable/(payable)	5	406	(97)
Profit/(loss) on ordinary activities before taxation		19,541	(3 486)
Taxation	7	(5,167)	(1 060)
Profit/(loss) for the financial year	17	14,374	(4 546)

The results for both the current and prior year derive from continuing activities

There were no recognised gains or losses in the period other than stated above and therefore no statement of recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

The accompanying notes on pages 6 to 13 are an integral part of these accounts

MANCHESTER UNITED FOOTBALL CLUB LIMITED

BALANCE SHEET

At 30 June 2007

	Note	At 30 June 2007 £'000	At 30 June 2006 £'000
Fixed assets			
Intangible assets	8	123,091	73 865
Tangible assets	9	135,436	133 249
		<u>258,527</u>	<u>207 114</u>
Current assets			
Debtors - amounts falling due within one year	10	14,055	22 777
Debtors - amounts falling due after more than one year	10	2,100	835
Cash at bank and in hand		8,501	
		<u>24,656</u>	<u>23 612</u>
Creditors - amounts falling due within one year	11	<u>(150,676)</u>	<u>(126 884)</u>
Net current liabilities		<u>(126,020)</u>	<u>(103 272)</u>
Total assets less current liabilities		132,507	103 842
Creditors - amounts falling due after more than one year	12	<u>(19,665)</u>	<u>(5 677)</u>
Provision for liabilities and charges	13	<u>(2,931)</u>	<u>(6 514)</u>
Accruals and deferred income			
Deferred grant income	14	(528)	(623)
Other deferred income	15	(50,044)	(46 063)
		<u>59,339</u>	<u>44 965</u>
Net assets			
Capital and reserves			
Share capital	16	1,009	1 009
Profit and loss account	17	58,330	43 956
		<u>59,339</u>	<u>44 965</u>
Total shareholders' funds	18		

The financial statements on pages 4 to 13 were approved by the Board of directors on 8 February 2008 and signed on its behalf by


D A Gill
Director

The accompanying notes on pages 6 to 13 are an integral part of these accounts

MANCHESTER UNITED FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The results have been prepared on the same basis and using the same accounting policies as those used in the preparation of the accounts to the year ended 30 June 2008 and have been applied consistently throughout the year

Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and have been drawn up to comply with applicable accounting standards in the United Kingdom and the Companies Act 1985

Turnover

Turnover represents income receivable from the Company's principal activities excluding transfer fees and value added tax
Turnover is analysed between Matchday Media and Commercial revenue streams

Matchday

Matchday turnover comprises income receivable from all matchday activities from Manchester United games at Old Trafford together with our share of gate receipts from cup matches not played at Old Trafford and fees receivable for the team undertaking pre season tours and for arranging other events at the Old Trafford stadium The share of gate receipts payable to the other participating club and competition organiser for domestic cup matches played at Old Trafford is treated as an operating expense

Media

Media turnover represents income receivable from all UK and overseas media contracts including contracts negotiated centrally by the FA Premier League and UEFA

Commercial

Commercial turnover comprises income receivable from the exploitation of the Manchester United brand through sponsorship and other commercial agreements

Deferred income

Income from matchday activities, media and commercial contracts which has been received prior to the year end in respect of future football seasons is treated as deferred income

Tangible fixed assets

Depreciation is calculated to write down the cost less estimated residual value of tangible fixed assets over their expected useful lives as follows

	Reducing Balance	Straight Line
Leasehold property	1 33%	75 years
Assets in the course of construction	nil	nil
Plant and machinery	20% 25%	4-5 years
General fixtures and fittings	15%	7 years

The leasehold buildings are depreciated over the shorter of the expected period of the lease and the expected useful economic life of the assets

Tangible fixed assets acquired prior to 31 July 1999 are depreciated on a reducing balance basis at the rates stated above Tangible fixed assets acquired after 1 August 1999 are depreciated on a straight line balance basis at the rates stated above

Intangible fixed assets

The costs associated with the acquisition of player registrations are capitalised as intangible fixed assets These costs are fully amortised over the period covered by the player's initial contract

Where a playing contract is extended any costs associated with securing the extension are added to the unamortised balance at the date of the amendment and that book value is amortised over the remaining revised contract life

Where a part of the consideration payable on acquiring a players registration is contingent on a future event this amount is recognised once it is probable rather than possible that the event will occur and is amortised from the start of the year in which the contingent payment becomes probable The total amount which is currently considered possible but not probable is disclosed in note 19c

Where a player's registration is secured on a temporary basis all associated costs are expensed through the profit and loss account during the period in which they are incurred

Signing-on fees

Staff costs include signing-on fees payable to players representing part of their remuneration which are charged to the profit and loss account evenly over the period covered by the player's contract

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

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Corporation taxation payable is provided on taxable profits at the current rate

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction

Monetary assets and liabilities held at the year end are translated at year end exchange rates or the exchange rate of a related forward exchange contract where appropriate The resulting exchange gain or loss is dealt with in the profit and loss account

MANCHESTER UNITED FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account in the year to which they relate (note 22)

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the lease term

2 Turnover

Turnover all of which arises from the Company's principal activity can be analysed into its main components as follows

	12 months ended 30 June 2007 £'000	12 months ended 30 June 2006 £'000
Matchday	83,993	60,764
Media	57,295	43,559
Commercial	2,535	1,602
	<u>143,823</u>	<u>105,925</u>

Turnover all of which originates in the United Kingdom can be analysed by destination as follows

	12 months ended 30 June 2007 £'000	12 months ended 30 June 2006 £'000
United Kingdom	142,027	103,334
Rest of World	1,796	2,591
	<u>143,823</u>	<u>105,925</u>

Media income from European Cup competitions is distributed by the Football Association and is therefore classified as being of United Kingdom origin and destination

3 Operating expenses

	12 months ended 30 June 2007 £'000	12 months ended 30 June 2006 £'000
Operations excluding player amortisation and trading	76,685	69,899
Staff costs (note 6)	6,386	4,075
Depreciation - owned assets	2,044	2,091
Operating lease charges - land and buildings	27,158	19,415
Other operating charges	15	15
Auditors' remuneration - audit services	(95)	(113)
Grants released (note 14)	3	(72)
Loss/(profit) on disposal of tangible fixed assets	<u>112,196</u>	<u>95,310</u>
Player amortisation and trading	24,252	23,427
Amortisation of player registrations	<u>136,448</u>	<u>118,737</u>

4 Operating expenses - exceptional items

	12 months ended 30 June 2007 £'000	12 months ended 30 June 2006 £'000
Player and other employee terminations		2,639
Football League pension scheme deficit		400
		<u>3,039</u>

MANCHESTER UNITED FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Net interest receivable/(payable)

	12 months ended 30 June 2007 £ 000	12 months ended 30 June 2006 £ 000
Bank interest receivable	461	12
Interest payable - bank loans / overdrafts	(55)	(109)
	<u>406</u>	<u>(97)</u>

6 Staff costs

Particulars of employee costs are as shown below:

	12 months ended 30 June 2007 £ 000	12 months ended 30 June 2006 £ 000
Wages and salaries	68,098	60,910
Social security costs	8,159	7,600
Other pension costs (note 22)	428	1,389
	<u>76,685</u>	<u>69,899</u>

The average monthly number of employees during the year including directors was as follows

	12 months ended 30 June 2007 Number	12 months ended 30 June 2006 Number
By activity		
Players	63	68
Ground staff	94	86
Ticket office and membership	48	39
Administration and other	65	83
	<u>270</u>	<u>276</u>

The Company also employs approximately 935 temporary staff on match days (2006: 866)

The directors did not receive any emoluments in respect of their services to the Company (2006: £nil)

E M Watkins was a director of Manchester United Football Club Limited throughout the period. Legal fees of £279,255 were paid in the period (2006: £592,753) in the ordinary course of business to Brabners Chaffe Street (James Chapman & Co. prior to its merger with Brabners Chaffe Street on 1 May 2006) a firm in which E M Watkins is the senior partner.

Sir Bobby Charlton provides consultancy services to companies within the Manchester United Group. The amount paid for these services during the year was £100,000 (2006: £113,000).

There were no other material transactions with related parties as defined by FRS 8 'Related party transactions'.

MANCHESTER UNITED FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Taxation

	12 months ended 30 June 2007 £ 000	12 months ended 30 June 2006 £ 000
Corporation tax at 30 per cent (2006 - 30 per cent) on the profit/(loss) for the year	7,647	(1 089)
Adjustment in respect of previous years	1,103	1 668
Total current tax	8,750	579
Deferred taxation origination and reversal of timing differences	(1,976)	427
Adjustment in respect of previous years	(1,607)	54
Total deferred tax (note 13)	(3,583)	481
Tax on profit/(loss) on ordinary activities	5,167	1 060
	12 months ended 30 June 2007 £ 000	12 months ended 30 June 2006 £ 000
Profit/(loss) on ordinary activities before tax	19,541	(3 486)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	5,862	(1 046)
Effect of		
Adjustment to tax in respect of previous years	1,103	1 668
Expenses not deductible for tax purposes	(191)	384
Excess depreciation / capital allowances	1,976	(427)
	8,750	579

The effect of the changes to be enacted in the Finance Act 2007 are to reduce the deferred tax liability provided at 30 June 2007 by £208 629. This decrease in deferred tax liability results in an increase in profit for the year by £208 629 and is due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008.

8 Intangible assets

	£ 000
Cost	
At 1 July 2006	151 566
Additions	78 998
Disposals	(22 668)
At 30 June 2007	207,896
Accumulated amortisation	
At 1 July 2006	77 701
Charge for the year	24 252
Disposals	(17 148)
At 30 June 2007	84,805
Net book amount	
At 30 June 2007	123 091
At 30 June 2006	73 865

9 Tangible fixed assets

	Leasehold Property £'000	Assets under construction £'000	Plant and Machinery £'000	Fixtures and Fittings £ 000	Total £ 000
Cost					
At 1 July 2006	93 289	40,876	16 955	10 953	162 073
Additions	6 841		1,249	513	8 603
Disposals	(13)	-	(33)	-	(46)
Transfers	31 242	(40 876)	5 919	3 715	-
At 30 June 2007	131 359	-	24,090	15,181	170,630
Accumulated depreciation					
At 1 July 2006	7 882		12 551	8 391	28 824
Charge for the year	1 617		3 307	1 462	6 386
Disposals			(16)		(16)
At 30 June 2007	9,499	-	15,842	9,853	35,194
Net book amount					
At 30 June 2007	121,859	-	8,249	5,328	135,436
At 30 June 2006	85 407	40,876	4 404	2 562	133 249

Leasehold property represents improvements to the Old Trafford stadium for which the Club has a lease for the land with the parent undertaking which expires in 2026. The Company has the right to extend the lease indefinitely.

MANCHESTER UNITED FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Debtors

	At 30 June 2007 £'000	At 30 June 2006 £'000
Amounts falling due within one year		
Trade debtors	9,023	18 051
Other debtors	550	473
Prepayments and accrued income	4,482	4 253
	<u>14,055</u>	<u>22 777</u>
Amounts falling due after more than one year		
Trade debtors	2,100	835
	<u>2,100</u>	<u>835</u>
	<u>16,155</u>	<u>23 612</u>

Trade debtors include transfer fees receivable from other football clubs of £11 515 000 excluding VAT (2006 - £15 281 000) of which £2 100 000 (2006 - £835 000 Nil) is receivable after more than one year

11 Creditors - Amounts falling due within one year

	At 30 June 2007 £ 000	At 30 June 2006 £ 000
Bank overdraft	-	23 114
Trade creditors	41,218	5 822
Amounts due to parent undertaking	102,098	83 380
Corporation tax	1,213	1,213
Social security and other taxes	-	5 170
Other creditors - pensions	155	1 442
Accruals	5,992	6 763
	<u>150,676</u>	<u>126 884</u>

Trade creditors include transfer fees and other associated costs in relation to the acquisition of player registrations of £37 133 000 (2006 - £2 473 000)

12 Creditors - Amounts falling due after one year

	At 30 June 2007 £ 000	At 30 June 2006 £ 000
Trade creditors	19,047	4 946
Other creditors - pensions	618	731
	<u>19,665</u>	<u>5 677</u>

Trade creditors include transfer fees and other associated costs in relation to the acquisition of player registrations of £19 047,000 (2006 - £4 946 000)

13 Provision for liabilities and charges

	At 30 June 2007 £ 000	At 30 June 2006 £ 000
This comprises deferred taxation attributable to		
Excess of tax allowances over book depreciation	3,437	7 093
Other timing differences	(506)	(579)
	<u>2,931</u>	<u>6 514</u>

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

	£'000
At 1 July 2006	6 514
Charged to the profit and loss account (note 7)	(3 583)
At 30 June 2007	<u>2,931</u>

MANCHESTER UNITED FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Deferred grant income

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

	At 30 June 2007 £ 000	At 30 June 2006 £'000
At 1 July 2006	623	736
Grants released to the profit and loss account	(95)	(113)
At 30 June 2007	<u>528</u>	<u>623</u>

15 Other deferred income

	At 30 June 2007 £ 000	At 30 June 2006 £ 000
Matchday	50 027	46 057
Commercial	17	6
	<u>50,044</u>	<u>46 063</u>

16 Share capital

	At 30 June 2007 £'000	At 30 June 2006 £ 000
Authorised 1 015 000 ordinary shares of £1 each	<u>1,015</u>	<u>1 015</u>
Allotted, called up and fully paid 1 008 546 ordinary shares of £1 each	<u>1,009</u>	<u>1 009</u>

17 Reserves

The movements during the year were as follows

	Profit and loss account £ 000
At 1 July 2006	43 956
Profit for the financial year	14 374
At 30 June 2007	<u>58,330</u>

Under the terms of certain lotteries past donations of £946 704 (2006 - £762 295) received by one of the Company's subsidiaries 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 on capital programmes relating to the provision of facilities for youth development or spectators at the Old Trafford football stadium. All past donations including £nil (2006 - £nil) expended during the year having been so applied are distributable. It is intended that the balance will be applied to such programmes and will thereby become distributable.

MANCHESTER UNITED FOOTBALL CLUB LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Reconciliation of movement in shareholders' funds

	At 30 June 2007 £'000	At 30 June 2006 £'000
Profit/(loss) for the financial year	14,374	(4,546)
Opening Shareholders funds	44,965	49,511
Closing shareholders funds	<u>59,339</u>	<u>44,965</u>

19 Capital and other financial commitments

a Capital commitments

At 30 June 2007 capital commitments were

	At 30 June 2007 £'000	At 30 June 2006 £'000
Contracted but not provided for	<u>-</u>	<u>4,486</u>

b Lease commitments

At 30 June 2007 the Company had annual commitments under non-cancelable operating lease commitments in respect of land and buildings as follows

	At 30 June 2007 £'000	At 30 June 2006 £'000
Expiring after five years	<u>2,000</u>	<u>2,000</u>

c Transfer fees payable

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Group if certain conditions are met. The maximum that could be payable is £20,697,000 (2006: £11,104,000).

At 30 June 2007 the potential amount payable by type of condition and category of player was

Type of condition	First team squad £'000	Other £'000	Total £'000
MUFC appearances / new contract	9,200	8,377	17,577
International appearances	<u>1,000</u>	<u>2,120</u>	<u>3,120</u>
	<u>10,200</u>	<u>10,497</u>	<u>20,697</u>

d Debt of parent company

On 16 August 2006 the Company and its parent, Manchester United Limited, entered into a £575 million Senior Facilities Agreement as borrowers of the Revolving Credit Facility and as guarantors of the facilities borrowed by Red Football Limited. In addition, the Company and its parent provided security (by way of fixed first charges and floating charges over the assets and undertakings of the Company and its parent) in respect of £425 million of the new facility and guaranteed each other's obligations and the obligations of its parent company, Red Football Limited, under the £575 million Senior Facilities Agreement.

MANCHESTER UNITED FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Manchester United Limited

The largest parent undertaking for which group accounts will be drawn up is Red Football Shareholder Limited. Red Football Shareholder Limited will be required to prepare group accounts for its accounting period ending on 30 June 2007. The ultimate parent undertaking of Red Football Shareholder Limited is Red Football Limited partnership, a limited partnership formed in the State of Nevada, United States of America, whose general partner is Red Football General Partner, Inc., a corporation formed in the State of Nevada, United States of America.

21 Cash flow statement and related party disclosures

Manchester United Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Manchester United Limited group.

22 Pensions

a Defined benefit scheme

Certain employees of the Group are members of The Football League Limited Pension and Life Assurance Scheme ("the Scheme"). Accrual of benefits under a final salary basis was suspended with effect from 31 August 1999 following an actuarial review which revealed a substantial deficit.

As one of a number of participating employers, the Group is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme. The Group is advised only of its share of the deficit in the Scheme and the contributions required to make good the deficit. A cumulative amount of £2,424,000 has been charged to the profit and loss account in full in prior periods as it is principally attributable to employees who have left the Group or retired.

The revised deficit is being paid off over a period of ten years commencing from April 2006. The next actuarial valuation is due to be carried out as at 31 August 2008.

b Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the profit and loss account in the year in which they become payable and amounted to £428,000 (2006 - £1,389,000).

The assets of all pension schemes to which the Company contributes are held separately from the Company in independently administered funds.

23 Post balance sheet events

The playing registrations of certain footballers have been disposed of subsequent to the balance sheet date for a total consideration net of associated costs of £23,600,000. The associated net book value was £5,177,000.

Subsequent to the balance sheet date, the playing registration of certain players was acquired for a total consideration including associated costs of £9,910,000.

MANCHESTER UNITED FOOTBALL CLUB LIMITED

Independent auditors' report to the members of Manchester United Football Club Limited

We have audited the financial statements of Manchester United Football Club Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

8 February 2008