

Manchester United Football Club Limited
Annual Report and financial statements
for the year ended 30 June 2012

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Manchester United Football Club Limited

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Manchester United Football Club Limited

Directors' report

The directors present their report and audited financial statements of Manchester United Football Club Limited ('the Company') for the year ended 30 June 2012

Principal activities

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

Business review

The Manchester United team maintained a high level of performance on the pitch, finishing as runners-up on goal difference in the FA Premier League

During the year Old Trafford staged 27 (2011 32) match day events comprising 25 (2011 29) Manchester United home games (comprising 19 FA Premier League, 3 UEFA Champions League, 2 UEFA Europa League and 1 domestic cup), 1 Rugby League Grand Final, and 1 Soccer Aid.

Turnover decreased by £25.7 million to £187.4 million (2011: £213.1 million), representing a decrease of 12.1%. Operating profit before depreciation, amortisation of, and profit on disposal of, players' registrations amounted to £23.9 million (2011 £52.5 million). The Company made a loss on ordinary activities before taxation of £9.5 million (2011 £13.0 million profit). Loss on ordinary activities before taxation includes profit on disposal of players' registrations amounting to £9.7 million (2011 £4.5 million).

Strategy

The three key elements for the Company's strategy for growth are.

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

Manchester United Football Club Limited

Directors' report (continued)

Summary of key performance indicators for 2011/12

| Description | Target | Achieved | Detail |
|----------------------------------------------|-------------------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------------|
| Team performance | Minimum third place finish in the FA Premier League | Yes | FAPL runners up |
| | Last 16 of the UEFA Champions League | No | Exited at the group stage and entered UEFA Europa League (UEL) Exited UEL at round of 16 stage |
| | Last 8 of domestic cup competitions - FA Cup - Carling Cup | No Yes | Exited at 4 th round Exited at quarter final stage |
| Matchday income | Maximum achievable attendance at home FA Premier League and UEFA Champions League matches | Yes | FA Premier League and UEFA Champions league home games largely sold out |
| Customer relationship management fan records | Customer base growth | Yes | 54% increase |

Future developments and outlook for 2012/13

- Over 59,000 season tickets comprising both general admission and executive facility seats were sold before the start of the 2012/13 season
- The team qualified for the UEFA Champions League for the 17th consecutive season by finishing runners up in the FA Premier League in 2011/12
- FA Premier League recently announced sale of domestic broadcasting rights for the three seasons through to the end of 2015/16 football season at significantly increased prices

Principal risks and uncertainties

The Company is exposed to a range of risks and uncertainties which have the potential to affect its long term performance. The executive directors of the Company's parent company (Manchester United Limited) meet by telephone on a weekly basis and face to face several times a year with the directors of the Company's indirect parent company, Red Football Shareholder Limited. At these meetings the keys risks faced by the Company are monitored and mitigating actions discussed. In addition to these discussions, the management of day to day operational risks within the business is delegated to the Group Executive (the senior management team including all the executive directors of Manchester United Limited).

The key business risks and uncertainties affecting the Company are considered to relate to,

- the performance and popularity of the first team,
- negotiation and pricing of key broadcasting contracts,
- recruitment and retention of key employees (including playing and coaching staff), and
- the safety and security of supporters at the Old Trafford stadium

Manchester United Football Club Limited

Directors' report (continued)

Principal risks and uncertainties (continued)

The performance and popularity of our first team

The turnover is dependent on the performance and popularity of the first team. Significant sources of our turnover are the result of strong performances in the English domestic and European competitions. Turnover varies significantly depending on the first team's participation and performance in these competitions. The first team's performance affects matchday turnover through ticket sales and broadcasting turnover through frequency of appearance and performance. Participation in the UEFA Champions League, which is dependent upon the first team's performance in the FA Premier League, is particularly important. During the year our participation in European Competitions generated matchday turnover of £8.4 million (2011: £12.8 million) and broadcasting turnover of £33.9 million (2011: £46.9 million). The business seeks to maintain playing success by continually investing in the squad either via the youth academy or by acquiring new talent via our extensive team of scouts who operate both domestically and internationally.

Negotiation and pricing of key broadcasting contracts

During the year 99.0% (2011: 97.7%) of our broadcasting turnover was generated from broadcasting rights for FA Premier League and UEFA Champions League matches. Contracts for these broadcasting rights are negotiated collectively by the FA Premier League and UEFA respectively. We do not participate and therefore do not have direct influence on the outcome of contract negotiations. Furthermore, the limited number of bidders for these rights may result in reduced prices paid for these rights in the future.

Recruitment and retention of key employees (including playing and coaching staff)

We face strong competition from other football clubs in England and Europe in attracting and retaining talent. We aim to recruit and retain the best playing, coaching and general staff by offering attractive remuneration packages, by ensuring regular communication with our employees and offering regular reviews of performance and training.

The safety and security of supporters at the Old Trafford stadium

We place the security of our supporters at Old Trafford at the top of the agenda and the board continually reviews the safety and security arrangements both with our own security staff, the local authorities and external consultants to ensure that best practice is followed at all times.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and cash flow risk), credit risk and liquidity risk. The Company uses derivative financial instruments to hedge certain exposures.

The policy for each of the above risks is described in more detail below.

a) Market risk

Currency risk

The Company is exposed to the following currency risks:

- Significant turnover received in Euros primarily as a result of participation in European cup competitions. During the year ended 30 June 2012 the Company received a total of €38.7 million of turnover denominated in Euros (2011: €53.8 million). The Company seeks to hedge the majority of the currency risk of this turnover by placing forward contracts at the point at which it becomes reasonably certain that it will receive the turnover.

Manchester United Football Club Limited

Directors' report (continued)

Financial risk management (continued)

a) Market risk (continued)

Currency risk (continued)

- Payment and receipts of transfer fees may also give rise to foreign currency exposures. Due to the nature of player transfers the Company may not always be able to predict such cash flows until the transfer has taken place. Where possible and depending on the payment profile of transfer fees payable and receivable the Company will seek to hedge future payments and receipts at the point it becomes reasonably certain that the payments will be made or the income will be received. When hedging income to be received, the Company also takes account of the credit risk of the counterparty.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

Interest rate risk

The Company has no significant interest bearing assets other than cash on deposit which attracts interest at a small margin above UK base rates. Interest bearing liabilities include a revolving credit facility and any bank overdraft which bears interest at a variable rate.

Cash flow risk

Cash flow forecasting is performed on a regular basis which includes rolling forecasts of the Company's liquidity requirements to ensure that the Company has sufficient cash to meet operational needs.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash held and debtors (excluding prepayments and amounts owed by parent and fellow subsidiary undertakings) – the maximum credit exposure is £65,364,000 (2011 £139,189,000). Management does not expect any material losses from non-performance by these counterparties and there are no significant concentrations of credit risk within the Company.

Credit terms offered by the Company vary depending on the type of sale. For seasonal matchday facilities payment is usually required in advance of the season to which the sale relates. For other sales the credit terms typically range from 14 - 30 days, although specific agreements may be negotiated in individual contracts with terms beyond 30 days. For player transfer activities, credit terms are determined on a contract by contract basis. Of the total trade debtors balance of £10,363,000 (2011 £7,766,000), £6,879,000 (2011 £4,167,000) relates to amounts receivable from various other football clubs in relation to player trading.

c) 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. The annual cash flow is cyclical in nature with a significant portion of cash inflows being received prior to the start of the playing season. Ultimate responsibility for liquidity risk management rests with the Executive Directors of the Company's immediate parent company Manchester United Limited. The Executive Directors use management information tools including budgets and cash flow forecasts to constantly monitor and manage current and future liquidity.

Manchester United Football Club Limited

Directors' report (continued)

Post balance sheet events

Information about post balance sheet events can be found in note 20 to the financial statements.

Dividends

An interim dividend of £nil was paid during the year (2011 £nil) The directors do not recommend the payment of a final dividend (2011 £nil)

Directors

The directors who held office throughout the year and up to the date of signing the financial statements were as follows

Sir R Charlton CBE

J M Edelson

D A Gill

E M Watkins CBE (resigned 30 June 2012)

Qualifying third party indemnity provisions

At the time the report was approved a qualifying third party indemnity provision, made by the Manchester United plc Group was in place for the directors of Manchester United plc and its subsidiary companies This replaced the qualifying indemnity provision, made by Red Football Shareholder Group, which had been in force throughout the financial year

Differences between market and balance sheet value of land and buildings

The directors consider that the market value of interests in leasehold property is at least that shown as the net book value of the assets

Charitable and political donations

During the year the Company made no charitable or political donations (2011 £nil)

Employment policies

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 because of a reason relating to their disability If an existing employee becomes disabled, such steps that 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

Manchester United Football Club Limited

Directors' report (continued)

Employment policies (continued)

Employees are regularly updated on the performance of the Company. This is achieved through a broad base of communications including staff briefings, announcements and the staff newsletter 'RedLines'. Employees' views are sought through staff surveys and action plans are then developed to target priority for improvement areas. The Company is continuing with its focus on reward and recognition of performance as one of these priorities for improvement and its focus on a total reward strategy which has three principal components: compensation (pay package), benefits and the work experience. Schemes are continually introduced focusing on rewarding individual performance.

The Company has established its Vision and Values and these are communicated to all employees. Our Vision and Values are directly linked to performance and development review procedures, training and organisational change programmes and reward and recognition initiatives, which apply to all our employees.

Environmental policies

The Company recognises its responsibility to ensure a safe and healthy environment and will endeavour to maintain sound environmental performance through the continued maintenance of our proactive environmental management system, which is integrated into our overall business activities.

Policy on payment of creditors

The Company's policy on payment of creditors is to negotiate payment terms when agreeing the terms of each transaction. In the majority of cases this involves payment within 30 days of the invoice date, however, where discounts are available it is generally the policy to pay earlier and benefit accordingly. Creditors in respect of player acquisitions are paid on their contractual due dates.

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 prepared the Company 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 United Football Club Limited

Directors' report (continued)

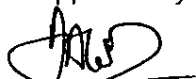
Statement of disclosure of information to auditors

Each director who is a director at the date of approval of this annual report confirms that

- a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he ought to have taken as a director in order to make himself 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 s418 of the Companies Act 2006

Approved by the Board and signed on its behalf by



D A Gill

Director

Registered office

Old Trafford

Manchester

M16 0RA

Company registered in England and Wales number 00095489

19 October 2012

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 2012 which comprise the profit and loss account, the balance sheet 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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 directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 June 2012 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 matter 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.

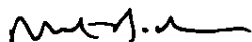
Manchester United Football Club Limited

Independent auditors' report to the members of Manchester United 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



Nicholas Boden (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 October 2012

Manchester United Football Club Limited

Profit and loss account

| | Note | 2012 £'000 | 2011 £'000 |
|----------------------------------------------------------------------------------------------------------|-------|---------------|---------------|
| Turnover | 2 | 187,369 | 213,091 |
| Operating expenses - excluding exceptional items | 3 | (204,546) | (204,581) |
| Operating expenses - exceptional items | 4 | (1,791) | - |
| Total operating expenses | | (206,337) | (204,581) |
| Operating (loss)/profit before profit on disposal of players' registrations | | (18,968) | 8,510 |
| Analysed as | | | |
| Operating profit before depreciation, amortisation of, and profit on disposal of, players' registrations | | 23,915 | 52,461 |
| Depreciation | | (4,621) | (4,706) |
| Amortisation of players' registrations | | (38,262) | (39,245) |
| Profit on disposal of players' registrations | | 9,691 | 4,538 |
| Operating (loss)/profit | | (9,277) | 13,048 |
| Net interest payable | 5 | (257) | (20) |
| (Loss)/profit on ordinary activities before taxation | | (9,534) | 13,028 |
| Tax on (loss)/profit on ordinary activities | 7 | 7,256 | (3,571) |
| (Loss)/profit for the financial year | 15,16 | (2,278) | 9,457 |

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

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

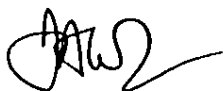
There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents

Manchester United Football Club Limited

Balance sheet

| | Note | 2012 £'000 | 2011 £'000 |
|----------------------------------------------------------|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets – players' registrations | 8 | 112,399 | 130,194 |
| Tangible fixed assets | 9 | 135,533 | 129,773 |
| | | 247,932 | 259,967 |
| Current assets | | | |
| Debtors – amounts falling due within one year | 10 | 71,413 | 53,463 |
| Debtors – amounts falling due after more than one year | 10 | 3,000 | - |
| Cash at bank and in hand | | 53,771 | 126,867 |
| | | 128,184 | 180,330 |
| Creditors – amounts falling due within one year | 11 | (250,829) | (302,789) |
| Net current liabilities | | (122,645) | (122,459) |
| Total assets less current liabilities | | 125,287 | 137,508 |
| Creditors – amounts falling due after more than one year | 12 | (8,650) | (10,424) |
| Provision for liabilities | 13 | (4,663) | (11,995) |
| Deferred income | | (48,274) | (49,111) |
| Net assets | | 63,700 | 65,978 |
| Capital and reserves | | | |
| Called up share capital | 14 | 1,009 | 1,009 |
| Profit and loss account | 15 | 62,691 | 64,969 |
| Total shareholders' funds | 16 | 63,700 | 65,978 |

The financial statements on pages 10 to 28 were approved by the board of directors on 19 October 2012 and signed on its behalf by



D A Gill

Director

Company number 00095489

Manchester United Football Club Limited

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared using the accounting policies described below which have been consistently applied to all years presented, unless otherwise stated

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 2006

Going concern

The directors have received confirmation that Manchester United Limited, the parent company intends to support the Company for at least one year after the financial statements are signed. On the basis of this undertaking the directors consider it appropriate to produce the accounts on a going concern basis

Turnover

Turnover represents income receivable from the Company's principal activities excluding transfer fees and value added tax. Turnover is analysed between Commercial, Broadcasting and Matchday

a) Commercial

Commercial turnover comprises income receivable from the FA Premier League in relation to various sponsorship contracts that the FA Premier League negotiates centrally

Commercial turnover which is received in advance of a period end but relating to future periods is treated as deferred income. The deferred income is then released to turnover on an accruals basis in accordance with the substance of the relevant agreements

b) Broadcasting

Broadcasting turnover represents income receivable from all UK and overseas broadcasting contracts, including contracts negotiated centrally by the FA Premier League and UEFA

Distributions from the FA Premier League comprise a fixed element (which is recognised evenly as domestic home league matches are played), facility fees for live coverage and highlights of domestic home and away matches (which are recognised when the respective match is played), and merit awards (which are only recognised when they are known at the end of each football season)

Distributions from UEFA relating to participation in European cup competitions comprise market pool payments (which are recognised over the matches played in the competition, a portion of which reflects Manchester United's performance relative to the other FA Premier League clubs in the competition) and fixed amounts for participation in individual matches (which are recognised when the matches are played)

Broadcasting turnover which is received in advance of a period end but relating to future periods is treated as deferred income. The deferred income is then released to turnover on an accruals basis in accordance with the substance of the relevant agreements

Manchester United Football Club Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Turnover (continued)

c) Matchday

Matchday turnover is recognised based on matches played throughout the year with income from each match being recognised only after the match to which the income relates has been played

Matchday turnover includes income receivable from all domestic and European matchday activities from Manchester United games at Old Trafford, together with the Company's share of gate receipts from cup matches not played at Old Trafford (where applicable) and fees for arranging other events at the Old Trafford stadium. The share of gate receipts payable to the other participating club and competition organisers for cup matches played at Old Trafford (where applicable) is treated as an operating expense

Matchday turnover which is received in advance of a period end but relating to future periods (mainly the sale of seasonal facilities for first team matches at Old Trafford) is treated as deferred income. The deferred income is then released to turnover as the matches are played

Accrued income

Income from matchday activities, broadcasting and commercial contracts, which is received after the financial period to which it relates, is accrued as earned

Deferred income

Income from matchday activities, broadcasting and commercial contracts, which has been received or receivable prior to the period end in respect of future periods, is deferred

Tangible fixed assets

Tangible fixed assets are initially measured at cost (comprising the purchase price, after deducting discounts and rebates, and any directly attributable costs) and are subsequently carried at cost less accumulated depreciation and any provision for impairment

Subsequent costs, for example, capital improvements and refurbishment, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Where appropriate, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred

Manchester United Football Club Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write-down assets to their residual value over the estimated useful lives as follows

| | <u>Straight line</u> |
|-----------------------|----------------------|
| Leasehold property | 75 years |
| Plant and machinery | 4-5 years |
| Fixtures and fittings | 7 years |

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating expenses within the profit and loss account

Intangible assets – players' registrations and football staff remuneration

a) Remuneration

Remuneration is charged to operating expenses on a straight-line basis over the contract periods based on the amount payable to players and other football staff for that period. Any performance bonuses are recognised when the Company considers that it is probable that the condition related to the payment will be achieved

Signing-on fees are typically paid to players in equal annual instalments over the term of the player's contract. Instalments are paid at or near the beginning of each financial year and recognised as prepayments within trade and other receivables. They are subsequently charged to the profit and loss account (as operating expenses) on a straight-line basis over the financial year

Loyalty fees are bonuses which are paid to players either at the beginning of a renewed contract or in instalments over the term of their contract in recognition for either past or future performance. Loyalty bonuses for past service are typically paid in a lump sum amount upon renewal of a player's contract. These loyalty bonuses require no future service and are not subject to any claw-back provisions were the player to subsequently leave the club during their new contract term. They are expensed once the Company has a present legal or constructive obligation to make the payment, which arises when the new contract is agreed. Loyalty bonuses for ongoing service are typically paid in equal annual instalments over the term of the player's contract. These are paid at the beginning of each financial year and the related charge is recognised in the profit and loss account (as operating expenses) on a straight-line basis over the financial year

Manchester United Football Club Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Intangible assets – players' registrations and football staff remuneration (continued)

b) Initial recognition

The costs associated with the acquisition of players' registrations are capitalised at the fair value of the consideration payable. Costs include transfer fees, FAPL levy fees, agents' fees incurred by the club and other directly attributable costs. Costs also include the fair value of any contingent consideration, which is primarily payable to the player's former club (with associated levy fees payable to the FAPL), once payment becomes probable. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the player's registration. The estimate of the fair value of the contingent consideration payable requires management to assess the likelihood of specific performance conditions being met which would trigger the payment of the contingent consideration. This assessment is carried out on an individual player basis. The additional amount of contingent consideration potentially payable, in excess of the amounts included in the cost of players' registrations, is disclosed in note 17(c). Costs are fully amortised using the straight-line method over the period covered by the player's contract.

c) Renegotiation

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 the revised book value is amortised over the remaining revised contract life.

d) Disposals

Gains and losses on disposal of players' registrations are determined by comparing the fair value of the consideration receivable, net of any transaction costs, with the carrying amount and are recognised separately in the income statement within profit on disposal of players' registrations. Where a part of the consideration receivable is contingent on specified performance conditions, this amount is recognised in the profit and loss account on the date the conditions are met.

e) Impairment

Management does not consider that it is possible to determine the value in use of an individual football player in isolation as that player (unless via a sale or insurance recovery) cannot generate cash flows on his own. Whilst management does not consider any individual player can be separated from the single cash generating unit ("CGU"), being the operations of the Company as a whole, there may be certain circumstances where a player is taken out of the CGU, when it becomes clear that they will not be available to play again for the club, for example a player sustaining career threatening injury. If such circumstances were to arise, the carrying value of the player would be assessed against the Group's best estimate of the player's fair value less any costs to sell and an impairment charge made in operating expenses reflecting any loss arising.

Manchester United Football Club Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Taxation

Current tax, which comprises UK and overseas corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more (or less) tax in the future have occurred at the reporting date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses on tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply in the period in which the liability is settled or the asset is realised and is charged or credited in the profit and loss account. Deferred tax is measured on a non-discounted basis

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

Foreign currencies

Foreign currency transactions are translated into the local currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account

Financial instruments

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Derivative instruments utilised by the Company are typically forward currency contracts. The impact on the profit is deferred until the underlying transaction is recognised in the profit and loss account

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Any incentives received at the inception of the lease are recognised on a straight-line basis over the life of the lease

Pension costs

The Company is one of a number of participating employers in The Football League Limited Pension and Life Assurance Scheme ('the scheme'). The Company is unable to identify its share of the assets and liabilities of the scheme. As such the Company's contributions into the scheme are reflected within the profit and loss account when the contributions fall due

Manchester United Football Club Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Pension costs (continued)

The Company also operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The Company's contributions into this scheme are reflected within the profit and loss account when they fall due.

Cash flow statement

The Company is a wholly owned subsidiary of Manchester United Limited and is included in the consolidated financial statements of 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 'Cash Flow Statements'.

2 Turnover

Turnover, all of which arises from the Company's principal activity and originated in the United Kingdom, can be analysed into its main components as follows:

| | 2012 £'000 | 2011 £'000 |
|--------------|---------------|---------------|
| Commercial | 2,531 | 2,887 |
| Broadcasting | 96,078 | 110,032 |
| Matchday | 88,760 | 100,172 |
| | 187,369 | 213,091 |

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

The Company's activities are managed as one business and, as such, the operating expenses are not separately identifiable to any particular segment. As a result, no segmental analysis of operating performance or net assets is provided.

Manchester United Football Club Limited

Notes to the financial statements (continued)

3 Operating expenses - excluding exceptional items

| | 2012 £'000 | 2011 £'000 |
|------------------------------------------------------|---------------|---------------|
| Operations excluding player amortisation and trading | | |
| Staff costs (note 6) | 133,432 | 129,063 |
| Depreciation – owned assets (note 9) | 2,877 | 2,982 |
| Depreciation – leased assets (note 9) | 1,744 | 1,724 |
| Operating lease charges – land and buildings | 2,000 | 2,000 |
| Operating lease charges – other | 189 | 168 |
| Other operating charges | 26,022 | 29,393 |
| Auditors' remuneration audit services | 20 | 20 |
| Profit on disposal of tangible fixed assets | - | (14) |
| | 166,284 | 165,336 |
| Player amortisation | | |
| Amortisation of players' registrations (note 8) | 38,262 | 39,245 |
| | 204,546 | 204,581 |

4 Operating expenses - exceptional items

| | 2012 £'000 | 2011 £'000 |
|----------------------------------------|---------------|---------------|
| Football League pension scheme deficit | 1,791 | - |

The Football League pension scheme deficit reflects the present value of the additional contributions the Company is expected to pay to make good the increased deficit of the scheme as per the latest actuarial valuation at 31 August 2011 (see note 18 (a) for further details)

5 Net interest payable

| | 2012 £'000 | 2011 £'000 |
|--------------------------|---------------|---------------|
| Bank interest receivable | 131 | 476 |
| Interest payable | (388) | (496) |
| | (257) | (20) |

Manchester United Football Club Limited

Notes to the financial statements (continued)

6 Staff costs

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

| | 2012 Number | 2011 Number |
|--------------------------------------------|----------------|----------------|
| By activity | | |
| Football - players | 79 | 71 |
| Football - technical and coaching | 80 | 70 |
| Administration and other | 232 | 222 |
| Average monthly number of employees | 391 | 363 |

The Company also employs approximately 993 temporary staff on match days (2011 928)

Particulars of employee costs are as shown below.

| | 2012 £'000 | 2011 £'000 |
|-------------------------------|----------------|----------------|
| Wages and salaries | 117,830 | 114,586 |
| Social security costs | 14,912 | 13,850 |
| Other pension costs (note 18) | 690 | 627 |
| | 133,432 | 129,063 |

Directors emoluments amounting to £1,617,000 (2011 £1,481,000) for services provided to Manchester United Football Club were borne by Manchester United Limited. Emoluments of the highest paid director amounted to £1,617,000.

Manchester United Football Club Limited

Notes to the financial statements (continued)

7 Tax on (loss)/profit on ordinary activities

| | 2012 £'000 | 2011 £'000 |
|--------------------------------------------------------------------|----------------|----------------|
| Current tax | | |
| UK corporation tax on the (loss)/profit for the year | 76 | 6,145 |
| Total current tax | 76 | 6,145 |
| Deferred tax | | |
| Origination and reversal of timing differences | (3,337) | (3,463) |
| Adjustment in respect of previous years | (3,473) | 1,841 |
| Change in tax rate | (522) | (952) |
| Total deferred tax (note 13) | (7,332) | (2,574) |
| Tax (credit)/charge on (loss)/profit on ordinary activities | (7,256) | 3,571 |

The tax assessed for the year is higher (2011 higher) than that resulting from applying the weighted average UK Corporation tax rate of 25.5% (2011 27.5%). A reconciliation of current tax is shown below

| | 2012 £'000 | 2011 £'000 |
|-----------------------------------------------------------------------------------------------------------------------|----------------|---------------|
| (Loss)/profit on ordinary activities before taxation | (9,534) | 13,028 |
| (Loss)/profit on ordinary activities multiplied by the weighted average UK Corporation tax rate of 25.5% (2011 27.5%) | (2,431) | 3,583 |
| Effect of | | |
| Expenses not deductible for tax purposes | 445 | 474 |
| Capital allowances, rolled over gain on player disposals and other timing differences | 3,337 | 3,463 |
| UK/UK transfer pricing adjustments | (1,275) | (1,375) |
| Total current tax | 76 | 6,145 |

Factors that may affect future tax charges:

The main rate of UK corporation tax reduced from 26% to 24% from 1 April 2012. The reduction to 24% was enacted in March 2012 and consequently deferred tax balances have been re-measured to 24%.

A further reduction in the rate to 23% from 1 April 2013 was enacted on 17 July 2012. As this change was not substantively enacted at the reporting date, it is not reflected in the financial statements.

The overall effect of the further reductions from 24% to 23%, if these applied to the deferred tax balance at 30 June 2012, would be to reduce the deferred tax liability by £194,000 (expected to be recognised in 2013).

Manchester United Football Club Limited
Notes to the financial statements (continued)

8 Intangible assets – players’ registrations

| | Total £’000 |
|---------------------------------|----------------|
| Cost | |
| At 1 July 2011 | 293,855 |
| Additions | 22,762 |
| Disposals | (9,800) |
| At 30 June 2012 | 306,817 |
| Accumulated amortisation | |
| At 1 July 2011 | 163,661 |
| Charge for the year | 38,262 |
| Disposals | (7,505) |
| At 30 June 2012 | 194,418 |
| Net book amount | |
| At 30 June 2012 | 112,399 |
| At 30 June 2011 | 130,194 |

• **Manchester United Football Club Limited**
Notes to the financial statements (continued)

9 Tangible fixed assets

| | Leasehold property £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Total £'000 |
|---------------------------------|--------------------------------|---------------------------------|-----------------------------------|----------------|
| Cost | | | | |
| At 1 July 2011 | 136,329 | 28,402 | 21,993 | 186,724 |
| Additions | 7,715 | 791 | 1,875 | 10,381 |
| Disposals | - | (314) | (541) | (855) |
| At 30 June 2012 | 144,044 | 28,879 | 23,327 | 196,250 |
| Accumulated depreciation | | | | |
| At 1 July 2011 | 16,365 | 26,154 | 14,432 | 56,951 |
| Charge for the year | 1,744 | 728 | 2,149 | 4,621 |
| Disposals | - | (314) | (541) | (855) |
| At 30 June 2012 | 18,109 | 26,568 | 16,040 | 60,717 |
| Net book amount | | | | |
| At 30 June 2012 | 125,935 | 2,311 | 7,287 | 135,533 |
| At 30 June 2011 | 119,964 | 2,248 | 7,561 | 129,773 |

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 (note 17). The Company has the right to extend the lease indefinitely.

• **Manchester United Football Club Limited**
Notes to the financial statements (continued)

10 Debtors

| | 2012 £'000 | 2011 £'000 |
|-----------------------------------------------------------|---------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 7,363 | 7,766 |
| Amounts owed by parent and fellow subsidiary undertakings | 58,156 | 35,953 |
| Other debtors | 1,179 | - |
| Prepayments and accrued income | 4,715 | 9,744 |
| | 71,413 | 53,463 |
| Amounts falling due after more than one year | | |
| Trade debtors | 3,000 | - |
| Total debtors | 74,413 | 53,463 |

Trade debtors include transfer fees receivable from other football clubs of £6,879,000 (2011: £4,167,000), of which £3,000,000 (2011: £nil) is receivable after more than one year

Amounts owed by parent and fellow subsidiary undertakings are unsecured, interest free, repayable on demand, and have no fixed dates of repayment

11 Creditors – amounts falling due within one year

| | 2012 £'000 | 2011 £'000 |
|-----------------------------------------------------------|----------------|----------------|
| Trade creditors | 26,567 | 59,656 |
| Amounts owed to parent and fellow subsidiary undertakings | 200,208 | 213,696 |
| Social security and other taxes | 11,608 | 9,277 |
| Other creditors | 1,368 | 6,000 |
| Accruals | 11,078 | 14,160 |
| | 250,829 | 302,789 |

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £22,647,000 (2011: £55,127,000)

Amounts owed to parent and subsidiary undertakings are unsecured, interest free, repayable on demand, and have no fixed dates of repayment

Manchester United Football Club Limited

Notes to the financial statements (continued)

12 Creditors – amounts falling due after more than one year

| | 2012 £'000 | 2011 £'000 |
|----------------------------|---------------|---------------|
| Trade creditors | 6,230 | 9,591 |
| Other creditors - pensions | 2,420 | 833 |
| | 8,650 | 10,424 |

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £6,230,000 (2011 £9,591,000)

Amounts due in respect of the pension scheme deficit are payable over 10 years from September 2012

13 Provision for liabilities

Deferred taxation

This provision for deferred taxation comprises

| | 2012 £'000 | 2011 £'000 |
|-------------------------------------|---------------|---------------|
| Accelerated capital allowances | 1,363 | 2,045 |
| Short term timing differences | (881) | (654) |
| Rolled over gain on player disposal | 4,181 | 10,604 |
| | 4,663 | 11,995 |

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

| | £'000 |
|-----------------------------------------------------|--------------|
| At 1 July 2011 | 11,995 |
| Amount credited to profit and loss account (note 7) | (7,332) |
| At 30 June 2012 | 4,663 |

Manchester United Football Club Limited

Notes to the financial statements (continued)

14 Called up share capital

| | 2012 £'000 | 2011 £'000 |
|--------------------------------------|---------------|---------------|
| Authorised | | |
| 1,015,000 ordinary shares of £1 each | 1,015 | 1,015 |
| Allotted, and fully paid | | |
| 1,008,546 ordinary shares of £1 each | 1,009 | 1,009 |

15 Profit and loss account

| | £'000 |
|-----------------------------|---------------|
| At 1 July 2011 | 64,969 |
| Loss for the financial year | (2,278) |
| At 30 June 2012 | 62,691 |

16 Reconciliation of movements in shareholders' funds

| | 2012 £'000 | 2011 £'000 |
|-----------------------------------------------|---------------|---------------|
| (Loss)/profit for the financial year | (2,278) | 9,457 |
| Net (decrease)/increase in shareholders funds | (2,278) | 9,457 |
| Opening shareholders' funds | 65,978 | 56,521 |
| Closing shareholders' funds | 63,700 | 65,978 |

17 Commitments and contingent liabilities

(a) Lease commitments

At 30 June 2012 the Company had annual commitments under non-cancellable operating leases, as follows

| | 2012 | | 2011 | |
|------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Expiry date | | | | |
| - within one year | - | 15 | - | 30 |
| - between two and five years | - | 118 | - | 78 |
| - after five years (note 9) | 2,000 | - | 2,000 | - |
| | 2,000 | 133 | 2,000 | 108 |

Manchester United Football Club Limited

Notes to the financial statements (continued)

17 Commitments and contingent liabilities (continued)

(b) Capital commitments

At 30 June 2012 the Company had capital commitments amounting to £8.3 million (2011: £1.3 million)

(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 Company if certain conditions are met. The maximum that could be payable is £19,371,000 (2011: £19,822,000)

At 30 June 2012, the potential amount payable by type of condition and category of player was

| | First team squad | Other | Total |
|-------------------------------|------------------|-------|--------|
| | £'000 | £'000 | £'000 |
| Type of condition | | | |
| MUFC appearances/new contract | 9,577 | 6,734 | 16,311 |
| International appearances | 2,700 | 360 | 3,060 |
| | 12,277 | 7,094 | 19,371 |

(d) Derivative contracts

At 30 June 2012, the Company had entered into derivative contracts for foreign currency. The amounts committed to as at 30 June 2012 are as follows,

GBP foreign currency derivative contracts.

| Currency | Principal Value £'000 | Average Rate |
|----------|--------------------------|--------------|
| Euro | 23,649 | 1.188 |

Euro foreign currency derivative contracts:

| Currency | Principal Value €'000 | Average Rate |
|----------|--------------------------|--------------|
| GBP | 11,000 | 1.251 |

The fair value of the financial instruments are the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of the foreign currency swap agreements was estimated by calculating the present value, using appropriate discount rates in effect at the balance sheet date, of affected future cash flows translated, where appropriate, into pounds sterling at the market rates in effect at the balance sheet dates. The fair value asset of the foreign currency agreements was £967,000 (2011: deficit £630,000)

Manchester United Football Club Limited

Notes to the financial statements (continued)

17 Commitments and contingent liabilities (continued)

(e) Debt of fellow subsidiary company

Debt of subsidiary undertaking

MU Finance plc, a fellow subsidiary of the Company, has issued sterling and US dollar denominated senior secured notes that are secured by a first-ranking lien over all shares and substantially all property and assets of the issuer and guarantors, which by definition incorporates Red Football Limited, Red Football Junior Limited, Manchester United Limited and the Company. The notes are listed on the Luxembourg stock exchange and are traded on the Euro MTF market. The notes are due for repayment in 2017 and interest is paid on the notes semi-annually.

As at 30 June 2012 the outstanding senior secured notes of £514,593,000 (2011: £507,422,000) comprise

- a) £505,974,000 (2011: £504,566,000) of senior secured notes (net of £6,453,000 (2011: £7,860,000) of unamortised issue discount). The notes comprise principal amounts of £250 million of sterling senior secured notes attracting a fixed coupon rate of 8.75% and US\$425 million of US dollar denominated senior secured notes attracting a fixed coupon rate of 8.375%.
- b) £8,619,000 (2011: £2,856,000) of cumulative unrealised foreign exchange losses arising on the translation of the US dollar denominated senior secured notes.

18 Pensions

(a) Defined benefit scheme

Certain employees of the Company 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 92 participating employers, the Company 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 Company is advised only of the additional contributions required to pay to make good the deficit. The Company has received confirmation that the assets and liabilities of the Scheme cannot be split between the participating employers. Full provision has been made for the additional contributions that the Company has been requested to pay to help fund the deficit as it is principally attributable to employees who have left the Company or retired. These contributions could increase in the future if one or more of the participating employers exits the Scheme.

Based on the latest actuarial valuation at 31 August 2011, the Company has been advised that the overall deficit of the Scheme has increased to £25,700,000. A charge of £1,791,000 has been made to the income statement during the period (2011: £nil) being the present value of the additional contributions the Group is expected to pay to make good the increased deficit of the Scheme. The Company has agreed to make contributions of £3,839,000 over a period of ten years from September 2012. The discounted liability as at 30 June 2012 amounts to £204,743 (2011: £167,330) due within one year and £2,420,075 (2011: £833,405) due after more than one year and is included within other payables.

(b) Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the profit and loss account in the year to which they relate and for the year ended 30 June 2012 amounted to £690,000 (2011: £627,000).

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

Manchester United Football Club Limited

Notes to the financial statements (continued)

18 Pensions (continued)

(b) Defined contribution schemes (continued)

As at 30 June 2012, amounts accrued in relation to the defined contribution scheme amounted to £198,187 (2011: £186,810)

19 Related party transactions

E M Watkins was a director of Manchester United Football Club Limited throughout the year. Legal fees of £277,728 (2011: £315,595) were incurred during the year, in the ordinary course of business to Brabners Chaffe Street, a firm in which E M Watkins is the senior partner. Included within Company trade creditors are amounts of £9,865 (2011: £11,431) owed to Brabners Chaffe Street.

Sir R Charlton CBE provides consultancy services to companies within the Manchester United Group. The amount paid for these services during the year was £105,000 (2011: £105,000).

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8 (revised), 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Manchester United plc, whose financial statements are publicly available.

20 Post balance sheet events

The playing registrations of certain footballers have been disposed of, subsequent to the balance sheet date, for a total proceeds, net of associated costs of £6,478,000. The associated net book value was £1,898,000.

Subsequent to the reporting date the playing registrations of certain players were acquired or extended for a total consideration, including associated costs, of £32,735,000.

Subsequent to the reporting date MU Finance plc, a subsidiary of the Company repurchased the sterling equivalent of £155,251,000 of senior secured notes comprising £72,225,000 of Pound Sterling senior secured notes and \$133,730,000 of US Dollar denominated senior secured notes. The repurchased notes have now been retired.

21 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Manchester United Limited.

The ultimate parent undertaking and controlling party 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. Red Football Limited Partnership and Red Football General Partner, Inc. are controlled by family trusts affiliated with the Glazer family.

Manchester United plc, a company incorporated in the Cayman Islands and listed on the New York Stock Exchange, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2012. The consolidated financial statements of Manchester United plc can be obtained from the Company Secretary, Manchester United plc, Old Trafford, Manchester, M16 0RA.

Manchester United Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements 30 June 2012. The consolidated financial statements of Manchester United Limited can be obtained from the Company Secretary, Manchester United Limited, Old Trafford, Manchester, M16 0RA.