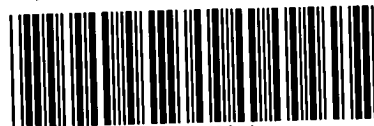


Registered Number: 00095489

Manchester United Football Club Limited  
Annual report and financial statements  
for the year ended 30 June 2017

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# Manchester United Football Club Limited

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# Manchester United Football Club Limited

## Strategic report

Manchester United Football Club Limited (the "Company") is a professional football club and part of the Red Football Limited (the parent undertaking of the smallest group of undertakings to consolidate these financial statements) group (the "Group"). The directors present their Strategic report on the Company for the year ended 30 June 2017.

### Review of the business

During the year Old Trafford staged 32 (2016: 30) match day events comprising 31 (2016: 29) Manchester United home games (19 FA Premier League, 7 European competition and 5 domestic cup) and 1 (2016: 1) Rugby League Grand Final.

Revenue for the year was £289.0 million (2016: £230.3 million). Operating loss before profit/(loss) on disposal of intangible assets for the year was £117.1 million (2016: £99.7 million). Profit on disposal of intangible assets for the year amounted to £10.9 million (2016: loss of £9.8 million). Loss before tax for the year was £110.0 million (2016: £111.7 million). Loss before tax for the year includes net finance costs of £3.8 million (2016: £2.3 million).

On 10 May 2017 the directors resolved that a substantial part of the business (trade and assets) of Manchester United Limited should be transferred ('hived-down') to the Company with effect from 1 July 2017. The hive-down will be accounted for at predecessor values (i.e. carrying value in the books of the Manchester United Limited).

On 1 July 2017 Manchester United Limited waived its right to receive certain amounts from the Company. Consequently loans owed by the Company amounting to £300,000,000 (see note 15) will be written off and a corresponding amount recognised as a capital contribution.

### Principal risks and uncertainties

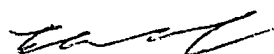
The principal risk and uncertainty facing the Company is that it will be unable to service and repay its liabilities. However, following the hive-down of a substantial part of the business of Manchester United Limited and subsequent waiver by Manchester United Limited of £300,000,000 owed by the Company (both referred to above) the directors consider it appropriate to produce the financial statements on a going concern basis.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Red Football Limited Group's Annual Report and financial statements which does not form part of this report. The Annual Report and financial statements of the Red Football Limited Group can be obtained from the Company Secretary, Red Football Limited, Old Trafford, Manchester, M16 0RA.

### Key performance indicators

The directors of Red Football Limited manage the Group's operations on a group basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Manchester United Football Club Limited. The development, performance and position of the Group, which includes the Company, are discussed in the Red Football Limited Group's Annual Report and financial statements, which does not form part of this report.

On behalf of the board



E Woodward  
Director

11 December 2017

# Manchester United Football Club Limited

## Directors' report

The directors present their report and audited financial statements of the Company for the year ended 30 June 2017.

### Dividends

An interim dividend of £nil was paid during the year (2016: £nil). The directors do not recommend the payment of a final dividend (2016: £nil).

### Future developments

The Company continues to explore new commercial opportunities within the United Kingdom and overseas to further leverage the business. A substantial part of the business (trade and assets) of Manchester United Limited was transferred ('hived-down') to the Company with effect from 1 July 2017.

### Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate 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*

##### *(i) Currency risk*

The Company is exposed to the following currency risks:

- Significant amount of revenue denominated in Euro.
- Payments and receipts of transfer fees may also give rise to foreign currency exposures.

##### *(ii) 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 any bank overdraft which bears interest at a variable rate.

#### *b) Credit risk*

Credit risk arises from cash and cash equivalents and trade and other receivables (excluding amounts owed by group undertakings, corporation tax receivable and prepayments). Management does not expect any material losses from non-performance by the counterparties.

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 receivables balance of £47,811,000 (2016: £48,953,000), £46,343,000 (2016: £46,646,000) 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 Manchester United plc. The Executive Directors use management information tools including budgets and cash flow forecasts to constantly monitor and manage current and future liquidity. 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.

### Events after the reporting date

Information about events after the reporting date can be found in note 23 to the financial statements.

# **Manchester United Football Club Limited**

## **Directors' report (continued)**

### **Directors**

The directors who held office throughout the year and up to the date of signing the financial statements (unless otherwise stated) were as follows:

R Arnold  
Sir R Charlton CBE  
J M Edelson  
Sir A Ferguson CBE  
D A Gill  
A Glazer  
B Glazer  
J Glazer  
K Glazer  
D Glazer Kassewitz  
E Glazer  
E Woodward

### **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 has been in force throughout the financial year.

### **Employment policies**

The Company is committed to its 'people philosophy' and, as a result, to promoting policies which ensure that employees and applicants for employment are treated fairly and consistently. The Company has an equal opportunities policy, the aim of which is to ensure employees or applicants for employment are not discriminated against on the grounds of age, disability, ethnic origin, nationality or national origin, religion, race, gender, sexual orientation, gender re-assignment, 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.

Employees are regularly updated on the performance of the Company. This is achieved through a broad base of communications including monthly management meetings, staff briefings and announcements. 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 which focus 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.

# Manchester United Football Club Limited

## Directors' report (continued)

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

### Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken 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 Section 418 of the Companies Act 2006.

On behalf of the board



E Woodward  
Director

11 December 2017

# **Manchester United Football Club Limited**

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

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Manchester United Football Club Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 30 June 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements.

#### **Basis for our opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

# **Manchester United Football Club Limited**

## **Independent auditors' report to the members of Manchester United Football Club Limited (continued)**

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.



**Manchester United Football Club Limited**  
**Independent auditors' report to the members of Manchester United Football Club Limited (continued)**

**Other required reporting**

*Companies Act 2006 exception reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

*PricewaterhouseCoopers LLP*

Graham Parsons (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

*11 December 2017*

# Manchester United Football Club Limited

## Income statement

	Note	Year ended 30 June	
		2017 £'000	2016 £'000
<b>Revenue</b>	4	<b>289,038</b>	230,271
Operating expenses - excluding exceptional items	5	(410,880)	(314,809)
Operating expenses - exceptional items	6	4,753	(15,135)
<b>Total operating expenses</b>		<b>(406,127)</b>	(329,944)
<b>Operating loss before profit/(loss) on disposal of intangible assets</b>		<b>(117,089)</b>	(99,673)
Profit/(loss) on disposal of intangible assets		10,926	(9,786)
<b>Operating loss</b>		<b>(106,163)</b>	(109,459)
Finance costs		(4,206)	(2,381)
Finance income		367	99
<b>Net finance costs</b>	8	<b>(3,839)</b>	(2,282)
<b>Loss before tax</b>		<b>(110,002)</b>	(111,741)
Tax credit	9	24,301	29,021
<b>Loss for the year</b>		<b>(85,701)</b>	(82,720)

# **Manchester United Football Club Limited** **Statement of comprehensive income**

	Note	Year ended 30 June	
		2017 £'000	2016 £'000
<b>Loss for the year</b>		<b>(85,701)</b>	<b>(82,720)</b>
<b>Other comprehensive loss:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Cash flow hedges		(83)	-
Tax credit relating to cash flow hedges	9	14	-
Other comprehensive loss for the year, net of tax		(69)	-
<b>Total comprehensive loss for the year</b>		<b>(85,770)</b>	<b>(82,720)</b>

# Manchester United Football Club Limited

## Balance sheet

		As at 30 June	
	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	140,247	139,672
Intangible assets	11	290,520	241,724
Derivative financial instruments	12	811	708
Trade and other receivables	13	15,399	11,223
Deferred tax asset	16	2,940	-
		<b>449,917</b>	<b>393,327</b>
<b>Current assets</b>			
Derivative financial instruments	12	2,359	5,692
Trade and other receivables	13	193,401	194,006
Cash and cash equivalents		278,719	149,361
		<b>474,479</b>	<b>349,059</b>
<b>Total assets</b>		<b>924,396</b>	<b>742,386</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	1,009	1,009
Hedging reserve		(69)	-
Accumulated losses		(215,126)	(129,425)
<b>Total equity</b>		<b>(214,186)</b>	<b>(128,416)</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	12	-	927
Trade and other payables	15	83,587	41,450
Deferred revenue		139	435
Deferred tax liability	16	-	5,094
		<b>83,726</b>	<b>47,906</b>
<b>Current liabilities</b>			
Derivative financial instruments	12	1,253	2,800
Trade and other payables	15	997,225	767,344
Deferred revenue		56,378	52,752
		<b>1,054,856</b>	<b>822,896</b>
<b>Total equity and liabilities</b>		<b>924,396</b>	<b>742,386</b>

The notes on pages 14 to 35 are an integral part of these financial statements. The financial statements on pages 10 to 35 were approved by the board of directors on 11 December 2017 and were signed on its behalf by

E Woodward

Director

Registered Number: 00095489

# **Manchester United Football Club Limited** **Statement of changes in equity**

	Share capital £'000	Hedging reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 July 2015	1,009	-	(46,705)	(45,696)
Loss for the year	-	-	(82,720)	(82,720)
Balance at 30 June 2016	1,009	-	(129,425)	(128,416)
Loss for the year	-	-	(85,701)	(85,701)
Cash flow hedges	-	(83)	-	(83)
Tax credit relating to cash flow hedges	-	14	-	14
Total comprehensive loss for the year	-	(69)	(85,701)	(85,770)
<b>Balance at 30 June 2017</b>	<b>1,009</b>	<b>(69)</b>	<b>(215,126)</b>	<b>(214,186)</b>

Details of movements on the hedging reserve are provided in note 22.2.

# Manchester United Football Club Limited

## Notes to the financial statements

### 1 General information

Manchester United Football Club Limited (the “Company”) is a private company limited by share capital domiciled and incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Sir Matt Busby Way, Old Trafford, Manchester, M16 0RA. The registered number of the Company is 00095489.

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements of Manchester United Football Club Limited have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (FRS 101).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of International Financial Reporting Standards (“IFRS”) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, “Financial Instruments: Disclosures”;
- Paragraphs 91 to 99 of IFRS 13, “Fair value measurement” (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, “Presentation of financial statements” comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 “Property, plant and equipment”;
  - (iii) paragraph 118(e) of IAS 38 “Intangible assets”; and
  - (iv) paragraphs 76 and 79(d) of IAS 40 “Investment property”.
- The following paragraphs of IAS 1 “Presentation of financial statements”:
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, “Statement of cash flows”;
- Paragraphs 30 and 31 of IAS 8 “Accounting policies, changes in accounting estimates and errors” (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, “Related party disclosures” (key management compensation);
- The requirements in IAS 24, “Related party disclosures” to disclose related party transactions entered into between two or more members of a group.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.2 Consolidation

The Company is a wholly owned subsidiary of Manchester United Limited and of its ultimate parent undertaking and controlling party, Manchester United plc. It is included in the consolidated financial statements of Manchester United plc which can be obtained from the website [www.manutd.com](http://www.manutd.com).

These financial statements are company only financial statements.

#### 2.3 Segment reporting

The Company has one reportable segment, being the operation of a professional football club. The chief operating decision maker (being the Board and executive officers of Manchester United plc), who is responsible for allocating resources and assessing performance obtains financial information, being the Consolidated income statement, Consolidated balance sheet and Consolidated statement of cash flows, and the analysis of changes in net debt, about the Group as a whole.

#### 2.4 Foreign currency translation

##### *a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in pounds sterling, which is the Company's presentation currency.

##### *b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where settlements of such transactions and from the translation at year-end exchange rates items are re-measured. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to unhedged amounts owed to group undertakings are presented in the income statement within net finance costs. All other foreign exchange gains and losses are presented in the income statement within operating expenses.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from the Company's principal activities excluding transfer fees and value added tax. The Company's principal revenue streams are Commercial, Broadcasting and Matchday. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

##### *a) Commercial*

Commercial revenue comprises revenue receivable from the Premier League in relation to various sponsorship contracts that the Premier League negotiates centrally.

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

##### *b) Broadcasting*

Broadcasting revenue represents revenue receivable from all UK and overseas broadcasting contracts, including contracts negotiated centrally by the Premier League and UEFA.

Distributions from the 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 (based on finishing position in the league, 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 Premier League clubs in the competition) and fixed amounts for participation in individual matches (which are recognised when the matches are played).

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

##### *c) Matchday*

Matchday revenue is recognised based on matches played throughout the year with revenue from each match being recognised when the match has been played.

Matchday revenue includes revenue 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 domestic cup matches not played at Old Trafford and fees for arranging other events at the Old Trafford stadium. As the Company acts as principal in the sale of match tickets, the share of gate receipts payable to the other participating club and competition organisers for domestic cup matches played at Old Trafford is treated as an operating expense.

Matchday revenue 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 revenue. The deferred revenue is then released to revenue as the matches are played.



# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.5 Revenue recognition (continued)

##### *d) Accrued revenue*

Revenue from Matchday activities, broadcasting and commercial contracts, which is received after the period to which it relates, is accrued as earned.

##### *e) Deferred revenue*

Revenue from Matchday activities, broadcasting and commercial contracts, received or receivable prior to the period end in respect of future periods, is deferred.

#### 2.6 Operating leases

Leases in which a substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

#### 2.7 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

#### 2.8 Pension costs

The Company is one of a number of participating employers in The Football League Limited Pension and Life Assurance Scheme ('the scheme' – see note 20.1). 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's contributions into this scheme are reflected within the income statement when they fall due. Full provision has been made for the additional contributions that the Company has been requested to pay to help fund the scheme deficit.

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 income statement when they fall due.

#### 2.9 Current and deferred tax

The tax expense or credit for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income.

The current tax charge or expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to (or recovered from) the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.9 Current and deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to 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.

#### 2.10 Property, plant and equipment

Property, plant and equipment is initially measured at cost (comprising the purchase price, after deducting discounts and rebates, and any directly attributable costs) and is 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 Company 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 income statement during the financial period in which they are incurred.

With the exception of leasehold property, depreciation is calculated using the straight-line method to write-down assets to their residual value over their estimated useful lives as follows:

Computer equipment and software (included within	
Plant and machinery)	3 years
Plant and machinery	4-5 years
Fixtures and fittings	7 years

Leasehold property is 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 the end of each reporting period.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment charges arising are recognised in the income statement when the carrying amount of an asset is greater than the estimated recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use, and are calculated with reference to future discounted cash flows that the asset is expected to generate when considered as part of a cash-generating unit. Prior impairments are reviewed for possible reversal at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating expenses within the income statement.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.11 Intangible assets - 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 key football management 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 and key football management staff in equal annual instalments over the term of the 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 income statement (as operating expenses) on a straight-line basis over the financial year. Signing-on fees paid form part of cash flows from operating activities.

Loyalty fees are bonuses which are paid to players and key football management staff 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 contract. These loyalty bonuses require no future service and are not subject to any claw-back provisions were the individual 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. Loyalty bonuses for ongoing service are typically paid in arrears in equal annual instalments over the term of the contract. These are paid at the beginning of the next financial year and the related charge is recognised within operating expenses in the income statement on a straight-line basis over the current financial year.

##### *b) Initial recognition*

The costs associated with the acquisition of players' and key football management staff 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 19.2. Costs are fully amortised using the straight-line method over the period covered by the player's and key football management staff contract.

##### *c) Renegotiation*

Where a 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 and loan fee income*

Assets available for sale (principally players' registrations) are classified as assets held for sale when their carrying value is expected to be recovered principally through a sale transaction and a sale is considered to be highly probable. Highly probable is defined as being actively marketed by the club, with unconditional offers having been received prior to a period end. These assets would be stated at the lower of the carrying amount and fair value less costs to sell.

Gains and losses on disposal of players' and key football management staff 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 intangible assets. Where a part of the consideration receivable is contingent on specified performance conditions, this amount is recognised in the income statement on the date the conditions are met.

Loan fee income on players temporarily loaned to other football clubs is recognised separately in the income statement within profit on disposal of intangible assets.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.11 Intangible assets - registrations and football staff remuneration (continued)

##### *e) Impairment*

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

#### 2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedging relationship. The Company designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company hedges the foreign exchange risk on a portion of contracted, and hence highly probable, future US dollar revenues whenever possible using a portion of the Company's US dollar net amounts owed to group undertakings as the hedging instrument. Foreign exchange gains or losses arising on re-translation of the Company's US dollar net amounts owed to group undertakings are initially recognised in other comprehensive income, rather than being recognised in the income statement immediately. The foreign exchange gains or losses arising on re-translation of the Company's unhedged US dollar amounts owed to group undertakings are recognised in the income statement immediately.

The Company documents at inception of the hedge the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items. The Company uses a variety of methods to assess hedge effectiveness depending on the nature and type of the hedging relationship, including critical terms comparison and dollar offset method.

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

# **Manchester United Football Club Limited**

## **Notes to the financial statements (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **2.12 Derivative financial instruments and hedging activities (continued)**

Amounts previously recognised in other comprehensive income and accumulated in the hedging reserve within equity are reclassified to the income statement in the periods when the hedged item affects the income statement (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### **2.13 Trade and other receivables**

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

#### **2.14 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and, if applicable, other short-term highly liquid investments with original maturities of three months or less.

#### **2.15 Share capital and reserves**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds of the issue.

#### **2.16 Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Amounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 3 Critical accounting estimates and judgments

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 3.1 Critical accounting estimates and assumptions

The Company makes estimates, judgments and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, judgments and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *a) Intangible assets - registrations*

The costs associated with the acquisition of players' and key football management staff registrations are capitalised at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the player's and key football management staff 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 basis. The maximum additional amount that could be payable as of 30 June 2017 is disclosed in note 19.2.

The Company will perform an impairment review on intangible assets, including player and key football management staff registrations, if adverse events indicate that the amortized carrying value of the asset may not be recoverable. Whilst no individual 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 an individual is taken out of the CGU, when it becomes clear that they will not participate with the club's first team again, for example, a player sustaining a career threatening injury or is permanently removed from the first team squad for another reason. If such circumstances were to arise, the carrying value of the individual would be assessed against the Company's best estimate of the individual's fair value less any costs to sell.

### 4 Revenue

The principal activity of the Company is the operation of a professional football club. All of the activities of the Company support the operation of the football club and the success of the first team is critical to the ongoing development of the Company. Consequently the chief operating decision maker regards the Company as operating in one material segment, being the operation of a professional football club.

All revenue derives from the Company's principal activity in the United Kingdom. Revenue can be analysed into its three main components as follows:

	2017 £'000	2016 £'000
Commercial	4,329	4,022
Broadcasting	185,145	131,395
Matchday	99,564	94,854
	<b>289,038</b>	<b>230,271</b>

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 5 Operating expenses - excluding exceptional items

	2017 £'000	2016 £'000
Employee benefit expense (note 7)	(211,958)	(184,946)
Operating lease costs – land and buildings	(2,000)	(2,000)
Operating lease costs – plant and machinery	(243)	(214)
Auditors' remuneration: audit services	(33)	(32)
Loss on disposal of property, plant and equipment	(43)	(62)
Depreciation (note 10)	(6,802)	(6,386)
Amortisation (note 11)	(123,696)	(87,853)
Other operating expenses	(66,105)	(33,316)
	<b>(410,880)</b>	<b>(314,809)</b>

### 6 Operating expenses - exceptional items

	2017 £'000	2016 £'000
Impairment reversal/(charge) – registrations (note 11)	4,753	(6,693)
Compensation paid for loss of office	-	(8,442)
	<b>4,753</b>	<b>(15,135)</b>

A registrations impairment charge amounting to £6,693,000 was originally made in the year ended 30 June 2016 in respect of a player who was no longer considered to be a member of the first team playing squad. This impairment was reversed during the year ended 30 June 2017 as the player was re-established as a member of the first team playing squad. The reversal was calculated to increase the carrying value of the player's registration to the value that would have been recognized had the original impairment not occurred (that is after taking account of normal amortization that would have been charged had no impairment occurred).

Compensation paid for loss of office relates to amounts payable to former team managers and certain members of the coaching staff.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 7 Employee benefit expense and average number of people employed

	2017 £'000	2016 £'000
Wages and salaries	(187,861)	(164,313)
Social security costs	(23,161)	(19,683)
Other pension costs (note 20)	(936)	(950)
	<b>(211,958)</b>	<b>(184,946)</b>

Directors' emoluments amounted to £4,123,000 (2016: £4,754,000), including Company contributions to defined contribution schemes of £3,000 (2016: £12,000). The number of directors who held office during the year and were members of a defined contribution scheme was 1 (2016: 1). Emoluments of the highest paid director amounted to £2,604,000 (2016: £2,962,000), including Company contributions to defined contribution schemes of £nil (2016: £nil).

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

	2017 Number	2016 Number
By activity:		
Football - players	74	74
Football - technical and coaching	136	94
Administration and other	210	206
Average number of employees	<b>420</b>	<b>374</b>

### 8 Net finance costs

	2017 £'000	2016 £'000
Interest payable on bank and other loans	(61)	(1)
Foreign exchange losses on retranslation of unhedged US dollar amounts owed to group undertakings	(1,744)	-
Unwinding of discount relating to registrations	(2,401)	(2,380)
Total finance costs	<b>(4,206)</b>	<b>(2,381)</b>
Total finance income - interest receivable on short-term deposits	367	99
Net finance costs	<b>(3,839)</b>	<b>(2,282)</b>



# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 9 Tax credit

	2017 £'000	2016 £'000
<b>Current tax</b>		
Group relief	17,509	32,665
Adjustments in respect of previous years	7	-
Foreign tax	(1,235)	-
<b>Total current tax credit</b>	<b>16,281</b>	<b>32,665</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	6,838	(1,923)
Adjustments in respect of previous years	952	(2,073)
Impact of change in UK corporation tax rate	230	352
<b>Total deferred tax credit/(expense)</b>	<b>8,020</b>	<b>(3,644)</b>
<b>Total tax credit</b>	<b>24,301</b>	<b>29,021</b>

A reconciliation of the total tax credit is shown below.

	2017 £'000	2016 £'000
<b>Loss before tax</b>	<b>(110,002)</b>	<b>(111,741)</b>
Loss before tax multiplied by the weighted average UK Corporation tax rate of 19.75% (2016: 20.00%)	21,725	22,349
Effect of:		
Expenses not deductible for tax purposes	(456)	(209)
Transfer pricing adjustments	4,184	8,388
Adjustments in respect of previous years	959	(2,073)
Foreign tax	(1,235)	-
Impact of change in UK corporation tax rate	(876)	566
<b>Total tax credit</b>	<b>24,301</b>	<b>29,021</b>

#### Factors that may affect future tax charges:

A reduction in the main rate of UK corporation tax has been enacted. The rate will reduce from 19% to 17% from 1 April 2020. As this change had been enacted at the balance sheet date it has been recognised in these financial statements.

In addition to the amount recognised in the income statement, the following amounts relating to tax have been recognised directly in other comprehensive loss:

	2017 £'000	2016 £'000
Deferred tax (note 16)	14	-
<b>Total tax credit recognised in other comprehensive loss</b>	<b>14</b>	<b>-</b>

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 10 Property, plant and equipment

	Leasehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>At 1 July 2016</b>				
Cost	148,991	27,720	38,251	214,962
Accumulated depreciation	(25,063)	(24,975)	(25,252)	(75,290)
Net book amount	123,928	2,745	12,999	139,672
<b>Year ended 30 June 2017</b>				
Opening net book amount	123,928	2,745	12,999	139,672
Additions	3	547	6,864	7,414
Disposals	-	-	(37)	(37)
Depreciation charge	(1,757)	(1,421)	(3,624)	(6,802)
Closing net book amount	122,174	1,871	16,202	140,247
<b>At 30 June 2017</b>				
Cost	148,994	25,606	43,997	218,597
Accumulated depreciation	(26,820)	(23,735)	(27,795)	(78,350)
Net book amount	122,174	1,871	16,202	140,247

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 18). The Company has the right to extend the lease indefinitely.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 11 Intangible assets - registrations

	Total £'000
<b>At 1 July 2016</b>	
Cost	511,893
Accumulated amortisation	(270,169)
Net book amount	241,724
<b>Year ended 30 June 2017</b>	
Opening net book amount	241,724
Additions	205,091
Disposals	(37,352)
Amortisation charge	(123,696)
Reversal of impairment (note 6)	4,753
Closing net book amount	290,520
<b>At 30 June 2017</b>	
Cost	645,433
Accumulated amortisation	(354,913)
Net book amount	290,520

### 12 Derivative financial instruments

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
<b>Derivatives at fair value through profit or loss:</b>				
Forward foreign exchange contracts	3,170	(1,253)	6,400	(3,727)
	3,170	(1,253)	6,400	(3,727)
Less non-current portion:				
<b>Derivatives at fair value through profit or loss:</b>				
Forward foreign exchange contracts	811	-	708	(927)
<b>Non-current derivative financial instruments</b>	811	-	708	(927)
<b>Current derivative financial instruments</b>	2,359	(1,253)	5,692	(2,800)

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 13 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	50,498	51,581
Less: provision for impairment of trade receivables	(2,687)	(2,628)
Net trade receivables	47,811	48,953
Amounts owed by group undertakings	147,634	139,971
Other receivables	246	927
Accrued revenue	8,162	8,821
Prepayments	4,947	6,557
	<b>208,800</b>	<b>205,229</b>
Less: non-current portion:		
Trade receivables	15,399	11,223
<b>Non-current trade and other receivables</b>	<b>15,399</b>	<b>11,223</b>
<b>Current trade and other receivables</b>	<b>193,401</b>	<b>194,006</b>

Trade receivables include transfer fees receivable from other football clubs of £46,343,000 (2016: £46,646,000), of which £15,399,000 (2016: £11,223,000) is receivable after more than one year.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

### 14 Share capital

	2017 £'000	2016 £'000
Allotted and fully paid:		
1,008,546 (2016: 1,008,546) ordinary shares of £1 each	<b>1,009</b>	<b>1,009</b>

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 15 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	185,810	164,441
Amounts owed to group undertakings	144,934	600,407
Loans owed to group undertakings	700,779	-
Other payables	3,258	2,865
Accruals	30,126	28,228
Taxation and social security	15,905	12,853
	<b>1,080,812</b>	<b>808,794</b>
Less: non-current portion:		
Trade payables	82,866	40,304
Other payables – pension scheme deficit	721	1,146
<b>Non-current trade and other payables</b>	<b>83,587</b>	<b>41,450</b>
<b>Current trade and other payables</b>	<b>997,225</b>	<b>767,344</b>

Trade payables include transfer fees and other associated costs in relation to the acquisition of registrations of £179,133,000 (2016: £156,292,000) of which £82,866,000 (2016: £40,304,000) is due after more than one year.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Loans owed to group undertakings are unsecured, interest free and repayable on demand. On 1 July 2017 Manchester United Limited waived its right to receive certain amounts from the Company. Consequently loans owed amounting to £300,000,000 will be written off and a corresponding amount will be recognised as a capital contribution - see note 23.

## Manchester United Football Club Limited

### Notes to the financial statements (continued)

#### 16 Deferred tax

The deferred tax (asset)/liability comprise:

	2017 £'000	2016 £'000
Accelerated tax depreciation	1,555	2,045
Rolled over gain on player disposal	5,176	3,258
Losses carried forward	(8,716)	-
Other short-term timing differences	(955)	(209)
	<b>(2,940)</b>	<b>5,094</b>

Deferred tax assets are recognised only to the extent that it is probable that they will be available for use against future profits and that there will be sufficient future taxable profit available against which temporary differences can be utilised. At 30 June 2017, the current forecasts indicate that the Company will utilise losses and other short-term timing differences and accordingly, the associated deferred tax balances have recognised. These forecasts recognise that a substantial part of the business (trade and assets) of Manchester United Limited will be transferred ('hived-down') to the Company with effect from 1 July 2017 (see note 23).

The movement in the deferred tax (asset)/liability was as follows:

	2017 £'000	2016 £'000
At 1 July	5,094	1,450
(Credited)/expensed to income statement (note 9)	(8,020)	3,644
(Credited) to other comprehensive loss	(14)	-
<b>At 30 June</b>	<b>(2,940)</b>	<b>5,094</b>

#### 17 Contingencies

At 30 June 2017, the Company had no material contingent liabilities in respect of legal claims arising in the ordinary course of business (2016: none).

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 18 Operating lease arrangements

#### 18.1 The Company as lessee

The Company leases various premises and plant and equipment under non-cancellable operating lease agreements. The majority of the lease agreements are renewable at the end of the lease period at market rate. The operating lease expenditure charged to the income statement during the year is disclosed in note 5. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 £'000	2016 £'000
No later than 1 year	2,183	2,188
Later than 1 year and no later than 5 years	8,125	8,164
Later than 5 years	8,000	10,000
	<b>18,308</b>	<b>20,352</b>

### 19 Capital commitments and contingent transfer fees

#### 19.1 Capital commitments

At 30 June 2017, the Company had capital commitments relating to property, plant and equipment amounting to £6.6 million (2016: £5.4 million).

#### 19.2 Contingent transfer fees

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. These excess amounts are only recognised within the cost of players' registrations when the Company considers that it is probable that the condition related to the payment will be achieved. The maximum additional amounts that could be payable is £44,633,000 (2016: £41,582,000).

At 30 June 2017, the potential amount payable by type of condition and category of player was

	First team squad £'000	Other £'000	Total £'000
Type of condition:			
MUFC appearances/new contract	26,845	6,453	33,298
International appearances	11,288	47	11,335
	<b>38,133</b>	<b>6,500</b>	<b>44,633</b>

At 30 June 2016, the potential amount payable by type of condition and category of player was

	First team squad £'000	Other £'000	Total £'000
Type of condition:			
MUFC appearances/new contract	26,133	4,462	30,595
International appearances	10,827	160	10,987
	<b>36,960</b>	<b>4,622</b>	<b>41,582</b>

Similarly, under the terms of contracts with other football clubs for player transfers, additional amounts would be payable to the Company if certain specific performance conditions are met. In accordance with the recognition criteria for contingent assets, such amounts are only disclosed by the Company when probable and recognized when virtually certain. As of 30 June 2017, the amount of such receipt considered to be probable was £0.8 million (2016: £1.6 million).

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 20 Pensions

#### 20.1 Defined benefit scheme

The Company participates in the Football League Pension and Life Assurance Scheme ("the Scheme"). The Scheme is a funded multi-employer defined benefit scheme, with 92 participating employers, and where members may have periods of service attributable to several 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 has received confirmation that the assets and liabilities of the Scheme cannot be split between the participating employers. The Company is advised only of the additional contributions it is required to pay to make good the deficit. These contributions could increase in the future if one or more of the participating employers exits the Scheme.

The last triennial valuation of the Scheme was carried out at 31 August 2014 where the total deficit on the ongoing valuation basis was £21.8 million. The accrual of benefits ceased within the Scheme on 31 August 1999, therefore there are no contributions relating to current accrual. The Company pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

The Company currently pays total contributions of £437,000 per annum, and based on the actuarial assumptions, will be sufficient to pay off the deficit by 28 February 2020.

As at 30 June 2017, the present value of the Company's outstanding contributions (i.e. its future liability) is £1,146,000 (2016: £1,566,000). This amounts to £425,000 (2016: £420,000) due within one year and £721,000 (2016: £1,146,000) due after more than one year and is included within other payables.

The funding objective of the Trustees of the Scheme is to have sufficient assets to meet the Technical Provisions of the Scheme. In order to remove the deficit revealed at the previous actuarial valuation (dated 31 August 2014), deficit contributions are payable by all participating clubs. Payments are made in accordance with a pension contribution schedule. As the Scheme is closed to accrual, there are no additional costs associated with the accruing of members' future benefits. In the case of a club being relegated from the Football League and being unable to settle its debt then the remaining clubs may, in exceptional circumstances, have to share the deficit.

Upon the wind-up of the Scheme with a surplus, any surplus will be used to augment benefits. Under the more likely scenario of there being a deficit, this will be split amongst the clubs in line with their contribution schedule. Should an individual club choose to leave the Scheme, they would be required to pay their share of the deficit based on a proxy buyout basis (i.e. valuing the benefits on a basis consistent with buying out the benefits with an insurance company).

#### 20.2 Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the income statement in the period in which they become payable and for the year ended 30 June 2017 amounted to £936,000 (2016: £950,000). As at 30 June 2017, contributions of £284,000 (2016: £247,000) due in respect of the current reporting period had not been paid over to the pension schemes.

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)

### 21 Debt of fellow subsidiary company

MU Finance plc, a fellow subsidiary of the Company, has issued 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 principal amount outstanding at 30 June 2017 was the pounds sterling equivalent of £323.1 million (\$425.0 million).

MU Finance plc also has a secured term loan facility. The loan is secured against substantially all of the assets of each of the guarantors, which by definition incorporates Red Football Limited, Red Football Junior Limited, Manchester United Limited, MU Finance plc and the Company. The principal amount outstanding at 30 June 2017 was the pounds sterling equivalent of £170.8 million (\$225.0 million)

### 22 Financial instruments

An explanation of the Company's financial instrument risk management objectives, policies and strategies are set out in the Directors' report on page 4.

#### 22.1 Financial risk factors

##### a) Market risk

##### (i) Currency risk

The Company is exposed to the following currency risks:

- Significant revenue received in Euros primarily as a result of participation in European cup competitions. During the year ended 30 June 2017 the Company received a total of €46.1 million of revenue denominated in Euros (2016: €41.8 million). The Company seeks to hedge the majority of the currency risk of this revenue either by using contracted future currency expenses or by placing forward contracts, at the point at which it becomes reasonably certain that it will receive the revenue.
- Payments 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. The following table details the forward foreign currency contracts outstanding at the balance sheet date:

	2017				2016			
	Average exchange rate	Foreign currency €'000	Notional value £'000	Fair value £'000	Average exchange rate	Foreign currency €'000	Notional value £'000	Fair value £'000
Buy Euro	1.1647	(115,283)	(98,980)	3,170	1.3122	(83,667)	(63,758)	6,400
Sell Euro	1.3262	10,000	7,540	(1,253)	1.3426	39,000	29,048	(3,727)

##### (ii) 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.

# Manchester United Football Club Limited

## Notes to the financial statements (continued)

### 22 Financial instruments (continued)

#### 22.1 Financial risk factors (continued)

##### b) Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables (excluding receivables owed by group undertakings and prepayments) – the maximum credit exposure is £334,938,000 (2016: £208,062,000). Management does not expect any material losses from non-performance by the counterparties.

#### 22.2 Hedging activities

The Company uses derivative financial instruments to hedge certain exposures, and has designated certain derivatives as hedges of cash flows (cash flow hedge).

The Company hedges the foreign exchange risk on contracted future US dollar revenues whenever possible using the Company's US dollar net amounts owed to group undertakings as the hedging instrument. The foreign exchange gains or losses arising on re-translation of the Company's US dollar net amounts owed to group undertakings used in the hedge are initially recognised in other comprehensive income, rather than being recognised in the income statement immediately. Amounts previously recognised in other comprehensive income and accumulated in the hedging reserve are subsequently reclassified into the income statement in the same accounting period, and within the same income statement line (i.e. Commercial revenue), as the underlying future US dollar revenues, which given the varying lengths of the commercial revenue contracts will be between July 2017 to June 2023. The foreign exchange gains or losses arising on re-translation of the Group's unhedged US dollar amounts owed to group undertakings are recognised in the income statement immediately. The table below details the net borrowings being hedged at the balance sheet date:

	2017 \$'000	2016 \$'000
USD borrowings	650,000	-
Hedged USD cash	(119,800)	-
Net USD debt	530,200	-
Hedged future USD revenues	(294,360)	-
Unhedged USD borrowings	235,840	-
Closing USD exchange rate (\$: £)	1.2988	-

The Company seeks to hedge the majority of the currency risk on revenue arising as a result of participation in European cup competitions, either by using contracted future foreign currency expenses or by placing forward foreign exchange contracts, at the point at which it becomes reasonably certain that it will receive the revenue.

Details of movements on the hedging reserve are as follows:

	Future US dollar revenues £'000	Other £'000	Total, before tax £'000	Tax £'000	Total, after tax £'000
Balance at 1 July 2016	-	-	-	-	-
Foreign exchange differences on hedged currency risks	64	(125)	(61)	10	(51)
Reclassified to income statement	-	(22)	(22)	4	(18)
Movement recognised in other comprehensive loss	64	(147)	(83)	14	(69)
Balance at 30 June 2017	64	(147)	(83)	14	(69)

# **Manchester United Football Club Limited**

## **Notes to the financial statements (continued)**

### **23 Events after the reporting date**

#### **23.1 Registrations**

The playing registrations of certain footballers have been disposed of, subsequent to 30 June 2017, for total proceeds, net of associated costs, of £19,941,000. This amount includes any contingent consideration receivable after 30 June 2017 in respect of previous playing registration disposals. The associated net book value was £2,844,000.

Subsequent to 30 June 2017 the playing registrations of certain players were acquired or extended for a total consideration, including associated costs, of £126,793,000. Payments are due within the next 5 years.

#### **23.2 Transfer of Manchester United Limited business**

On 10 May 2017 the directors resolved that a substantial part of the business (trade and assets) of Manchester United Limited should be transferred ('hived-down') to the Company with effect from 1 July 2017. The hive-down will be accounted for at predecessor values (i.e. carrying value in the books of Manchester United Limited).

On 1 July 2017 Manchester United Limited waived its right to receive certain amounts from the Company. Consequently loans owed by the Company amounting to £300,000,000 (see note 15) will be written off and a corresponding amount recognised as a capital contribution.

### **24 Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Manchester United Limited. The ultimate parent undertaking and controlling party is Manchester United plc, a company incorporated in the Cayman Islands and listed on the New York Stock Exchange. Manchester United plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2017. The consolidated financial statements of Manchester United plc can be obtained from the website [www.manutd.com](http://www.manutd.com). Manchester United plc is controlled by family trusts affiliated with the Glazer family.

Red Football Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements 30 June 2017. The consolidated financial statements of Red Football Limited can be obtained from the Company Secretary, Red Football Limited, Old Trafford, Manchester, M16 0RA.