

Registered Number: 00095489

Manchester United Football Club Limited
Annual report and financial statements
for the year ended 30 June 2019

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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 2019.

Review of the business

The Company adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' with effect from 1 July 2018. The implementation of IFRS 9 did not have an impact on the Company's financial statements as at 1 July 2018. The implementation of IFRS 15 did have an impact on the Company's financial statements as at 1 July 2018 and consequently prior year amounts have been restated. Further details can be found in note 28 to the financial statements.

Revenue for the year was £601,935,000 (2018: £571,093,000). Operating profit before other income, other expense and profit on disposal of intangible assets for the year was £31,854,000 (2018: £38,427,000). Other income for the year was £9,513,000 (2018: £11,648,000), other expense for the year was £10,040,000 (2018: £2,198,000) and profit on disposal of intangible assets for the year was £25,799,000 (2018: £18,119,000). Profit before tax for the year was £28,379,000 (2018: £46,691,000). Profit before tax for the year includes net finance costs of £28,747,000 (2018: £19,305,000).

Financial position

Overall, the net assets of the Company decreased by £14,245,000 to £115,753,000 as at 30 June 2019.

Principal risks and uncertainties

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.

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.

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.

On behalf of the board



E Woodward
Director

20 December 2019

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 2019.

Dividends

Dividends amounting to £23,326,000 were paid during the year (2018: £21,982,000). The directors do not recommend the payment of a final dividend (2018: £nil).

Future developments

The Company continues to explore new commercial opportunities within the United Kingdom and overseas to further leverage the business.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value 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) Foreign exchange risk

The Company is exposed to the following foreign exchange risks:

- Significant amount of sponsorship revenue denominated in US dollars
- Significant amount of broadcasting revenue denominated in Euros
- US dollar denominated borrowings
- Payments and receipts of transfer fees may also give rise to foreign currency exposures.

(ii) Cash flow and fair value 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.

The Company's interest rate risk arises from its borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are denominated in US dollar. Full details of the Group's borrowings and associated interest rates can be found in note 20.

The Company manages its cash flow interest rate risk where considered appropriate using interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

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 £30,376,000 (2018: £118,061,000), £18,270,000 (2018: £27,825,000) relates to amounts receivable from various other football clubs in relation to player trading.

Manchester United Football Club Limited

Directors' Report (continued)

Financial risk management (continued)

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 balance sheet date

Information about events after the end of the reporting period can be found in note 26 to the financial statements.

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 Kasewitz

E Glazer

E Woodward

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.

Manchester United Football Club Limited

Directors' Report (continued)

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.

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.

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 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.

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.

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

20 December 2019

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 2019 and of its profit 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 and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2019; the Statement of profit or loss, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

Manchester United Football Club Limited

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

Reporting on other information (continued)

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.

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 2019 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 Statement of directors' responsibilities in respect of the financial statements, 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. 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.



Hazel Macnamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

20 DECEMBER 2019

Manchester United Football Club Limited **Statement of profit or loss**

	Note	Year ended 30 June	
		2019 £'000	Restated ⁽¹⁾ 2018 £'000
Revenue	4	601,935	571,093
Operating expenses - excluding exceptional items	5	(550,482)	(530,749)
Operating expenses - exceptional items	6	(19,599)	(1,917)
Total operating expenses		(570,081)	(532,666)
Operating profit before other income, other expense and profit on disposal of intangible assets		31,854	38,427
Other income	8	9,513	11,648
Other expense	8	(10,040)	(2,198)
Profit on disposal of intangible assets		25,799	18,119
Operating profit		57,126	65,996
Finance costs	9	(31,613)	(36,023)
Finance income	9	2,866	16,718
Net finance costs	9	(28,747)	(19,305)
Profit before tax		28,379	46,691
Income tax expense	10	(10,354)	(9,556)
Profit for the year		18,025	37,135

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

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

	Note	Year ended 30 June	
		2019 £'000	Restated ⁽¹⁾ 2018 £'000
Profit for the year		18,025	37,135
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Movements on hedges		(10,186)	5,477
Income tax credit/(expense) relating to movements on hedges	10	1,731	(931)
Other comprehensive (loss)/income for the year, net of tax		(8,455)	4,546
Total comprehensive income for the year		9,570	41,681

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

Manchester United Football Club Limited **Balance sheet**

	Note	As at 30 June 2019 £'000	Restated ⁽¹⁾ As at 30 June 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	166,032	163,959
Investment property	13	6,277	6,357
Intangible assets	14	340,910	370,872
Investments	15	-	-
Derivative financial instruments	16	30	4,807
Trade and other receivables	17	9,889	4,724
		523,138	550,719
Current assets			
Derivative financial instruments	16	312	1,159
Trade and other receivables	17	426,770	502,694
Cash and cash equivalents		290,087	231,981
		717,169	735,834
Total assets		1,240,307	1,286,553

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

Manchester United Football Club Limited
Balance sheet (continued)

	Note	As at 30 June 2019 £'000	Restated ⁽¹⁾ As at 30 June 2018 £'000
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,009	1,009
Capital reserve		4,369	4,721
Hedging reserve		(3,978)	4,477
Retained earnings		114,353	119,791
Total equity		115,753	129,998
Non-current liabilities			
Derivative financial instruments	16	2,298	-
Trade and other payables	19	79,183	104,271
Borrowings	20	505,598	486,932
Deferred revenue	4.2	32,598	37,035
Deferred tax liability	21	7,867	4,644
		627,544	632,882
Current liabilities			
Tax liabilities		330	978
Trade and other payables	19	307,108	342,676
Borrowings	20	5,453	5,324
Deferred revenue	4.2	184,119	174,695
		497,010	523,673
Total equity and liabilities		1,240,307	1,286,553

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

The notes on pages 15 to 45 are an integral part of these financial statements. The financial statements on pages 10 to 45 were approved by the board of directors on 20 December 2019 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	Capital reserve £'000	Hedging reserve £'000	(Accumulated losses)/ retained earnings £'000	Total equity £'000
Balance at 1 July 2017	1,009	-	(69)	(215,126)	(214,186)
Profit for the year (restated ⁽¹⁾)	-	-	-	37,135	37,135
Cash flow hedges (restated ⁽¹⁾)	-	-	5,477	-	5,477
Tax expense relating to movements on hedges (restated ⁽¹⁾)	-	-	(931)	-	(931)
Total comprehensive income for the year	-	-	4,546	37,135	41,681
Capital contribution	-	-	-	300,000	300,000
Dividends paid (note 11)	-	-	-	(21,982)	(21,982)
Capital contribution	-	-	-	19,637	19,637
Tax credit relating to share based payments (note 10)	-	-	-	127	127
Net gain on novation of external borrowings	-	5,687	-	-	5,687
Tax expense relating to net gain on novation of external borrowings (note 10)	-	(966)	-	-	(966)
Balance at 30 June 2018	1,009	4,721	4,477	119,791	129,998
Profit for the year	-	-	-	18,025	18,025
Cash flow hedges	-	-	(10,186)	-	(10,186)
Tax credit relating to movements on hedges	-	-	1,731	-	1,731
Total comprehensive income for the year	-	-	(8,455)	18,025	9,570
Dividends paid (note 11)	-	-	-	(23,326)	(23,326)
Tax expense relating to share based payments (note 10)	-	-	-	(137)	(137)
External borrowings fair value unwind	-	(424)	-	-	(424)
Tax credit relating to external borrowings fair value unwind (note 10)	-	72	-	-	72
Balance at 30 June 2019	1,009	4,369	(3,978)	114,353	115,753

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

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

Manchester United Football Club Limited meets the definition of a qualifying entity as defined in the Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The financial statements of the Company have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative financial instruments) which are recognised at fair value through profit and loss, unless hedge accounting applies, and in accordance with the Companies Act 2006.

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:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 "Property, plant and equipment";
 - paragraph 118(e) of IAS 38 "Intangible assets"; and
 - 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;
- The following paragraphs of IFRS 15 'Revenue from contracts with customers':
 - 113(a),
 - 114,
 - 115,

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- 118,
- 119(a)-(c),
- 120-127,
- 129
- The following paragraphs of IFRS 16 'Leases':
 - 52,
 - 58,
 - 90,
 - 91,
 - 93

2.1.1 New standards, amendments and IFRS IC interpretations

The Company adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' with effect from 1 July 2018.

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The implementation of IFRS 9 did not have a material impact on the Company's financial statements as at 1 July 2018. The new standard introduced expanded disclosure requirements and changes in presentation. These have changed the nature and extent of the Company's disclosures about its financial instruments.

IFRS 15, "Revenue from contracts with customers", deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from an entity's contracts with customers. The implementation of IFRS 15 did have a material impact on the Company's financial statements as at 1 July 2018 and consequently prior year amounts have been restated. Further details can be found in note 28 to the financial statements.

There are no other amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 30 June 2019 and have had a material impact on the Company.

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. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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 statement of profit or loss, Consolidated balance sheet and Consolidated statement of cash flows, and the analysis of changes in net debt, about the Group as a whole. The Company has investment property, however, this is not considered to be a material business segment and is therefore not reported as such.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

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 also the Company's functional 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 items are re-measured. 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 statement of profit or loss, 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 statement of profit or loss within finance costs or finance income. All other foreign exchange gains and losses are presented in the statement of profit or loss within operating expenses.

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 transaction price can be determined; when it is probable that it will collect the consideration to which it is entitled; and when specific criteria have been met for each of the Company's activities as described below.

In instances where the transaction price contains an element of variable or contingent consideration, revenue is recognised based on the most likely amount expected to be received, but only to the extent that it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable or contingent consideration is subsequently resolved.

a) Commercial

Commercial revenue (whether settled in cash or value in kind) comprises revenue receivable from the exploitation of the Manchester United brand through sponsorship and other commercial agreements, including minimum guaranteed revenue, and fees for the Manchester United first team undertaking tours.

Revenue is recognised over the term of the sponsorship agreement in line with the performance obligations included within the contract and based on the sponsorship rights enjoyed by the individual sponsor. In instances where the sponsorship rights remain the same over the duration of the contract, revenue is recognised as performance obligations are satisfied evenly over time (i.e. on a straight-line basis). In respect of contracts with multiple performance obligations, the Company allocates the total consideration receivable to each separately identifiable performance obligation based on their relative fair values, and then recognises the allocated revenue as performance obligations are satisfied evenly over time (i.e. on a straight-line basis).

Minimum guaranteed revenue is recognised over the term of the sponsorship agreement in line with the performance obligations included within the contract and based on the sponsorship rights enjoyed by the individual sponsor. In instances where the sponsorship rights remain the same over the duration of the contract, revenue is recognised as performance obligations are satisfied evenly over time (i.e. on a straight-line basis).

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.5 Revenue recognition (continued)

a) Commercial (continued)

The Company has a 10-year agreement with adidas which began on 1 August 2015. The minimum guarantee payable by adidas over the term of the agreement is £750 million, subject to certain adjustments. Payments due in a particular year may increase if the club's first team wins the Premier League, FA Cup or Champions League, or decrease if the club's first team fails to participate in the Champions League for two or more consecutive seasons with the maximum possible increase being £4 million per year and the maximum possible reduction being 30% of the applicable payment for the year in which the second or other consecutive season of non-participation falls. Revenue is currently being recognised based on management's estimate that the full minimum guarantee amount will be received, as management do not expect two consecutive seasons of non-participation in the Champions League.

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 each performance obligation is satisfied i.e. as each Premier League match is played), facility fees for live coverage and highlights of domestic home and away matches (which are recognised when the respective performance obligation is satisfied i.e. the respective match is played), and merit awards (which, being variable consideration, are recognised when each performance obligation is satisfied i.e. as each Premier League match is played, based on management's estimate of where the first team will finish at the end of the football season i.e. the most likely outcome).

Distributions from UEFA relating to participation in European 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), fixed amounts for participation in individual matches (which are recognised when the matches are played) and an individual club coefficient share (which is recognised over the group stage matches).

c) Matchday

Matchday revenue is recognised based on matches played throughout the year with revenue from each match (including season ticket allocated amounts) only being recognised when the performance obligation is satisfied i.e. the match has been played. Revenue from related activities such as Conference and Events or the Museum is recognised as the event or service is provided or the facility is used.

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.

d) Finance income

Finance income is recognised using the effective interest rate method.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.6 Operating leases

Leases in which a significant portion 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 statement of profit or loss on a straight line basis over the period of the lease.

Rentals receivable under sub-tenancy agreements (net of any incentives given to the lessee) are credited to the statement of profit or loss on a straight line basis over the lease term. The risk and rewards of ownership on the sub-let property remain with the third party lessor.

2.7 Employee benefits

(i) Football staff 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 statement of profit or loss (as employee benefit 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 employee benefit expenses in the statement of profit or loss on a straight-line basis over the current financial year.

(ii) Post-employment pension obligations

The Company is one of a number of participating employers in The Football League Limited Pension and Life Assurance Scheme ('the scheme' – see note 25.1). 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 statement of profit or loss 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 recognised as an employee benefit expense when they are due.

2.8 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.

2.9 Other income and other expense

Other income represents royalties and centralised services recharged to other group undertakings. Other expense represents royalties and centralised services recharged by other group undertakings.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.10 Current and deferred tax

The tax expense or credit for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, 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 credit 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.

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.

2.11 Dividend distribution

Dividend distributions to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid.

2.12 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 statement of profit or loss during the financial period in which they are incurred.

Land is not depreciated. With the exception of freehold property acquired before 1 August 1999, depreciation is calculated using the straight-line method to allocate cost, net of residual value over the estimated useful lives as follows:

Freehold property	75 years
Computer equipment and software (included within	
Plant and machinery)	3 years
Plant and machinery	4-5 years
Fixtures and fittings	7 years

Freehold property acquired before 1 August 1999 is depreciated on a reducing balance basis at an annual rate of 1.33%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.12 Property, plant and equipment (continued)

If an asset's carrying amount is greater than its estimated recoverable amount, it will be written down immediately to its recoverable amount (note 2.16).

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

2.13 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property 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. Investment property is depreciated using the straight-line method over 50 years.

2.14 Intangible assets - registrations

a) 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 24.2. Registrations costs are fully amortised using the straight-line method over the period covered by the player's and key football management staff contract.

b) 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.

c) 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 the end of a reporting period. 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 statement of profit or loss 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 statement of profit or loss when receipt is virtually certain.

Loan fee income on players temporarily loaned to other football clubs is recognised separately in the statement of profit or loss 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)

2.15 Intangible assets - other

Intangible assets comprise software applications and trademark registration costs and are initially measured at cost and are subsequently carried at cost less accumulated amortisation and any provision for impairment.

Amortisation is calculated using the straight-line method to write-down assets to their residual value over the estimated useful lives as follows:

Software applications	3 years
Trademark registration costs	10 years

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

2.16 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal 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 reporting date.

Investment properties are reviewed for impairment when there is a triggering event such as a decline in the property market. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Prior impairments are reviewed for possible reversal at each balance sheet date.

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 their 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.

2.17 Investments

Investments are held at cost less any provision for impairment in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.18 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 to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities or highly probable forecast transactions (cash flow hedge).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

Movements in the hedging reserve are shown in other comprehensive income are shown in the statement of changes in equity. The full fair value of a 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.

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.

(i) Cash flow hedges that qualify for hedge accounting

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 statement of profit or loss.

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 borrowings owed to group undertakings as the hedging instrument. Foreign exchange gains or losses arising on re-translation of the Company's US dollar net borrowings owed to group undertakings are initially recognised in other comprehensive income, rather than being recognised in the statement of profit or loss immediately. The foreign exchange gains or losses arising on re-translation of the Company's unhedged US dollar loans owed to group undertakings are recognised in the statement of profit or loss immediately.

The Company hedges its cash flow interest rate risk where considered appropriate using interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. The effective portion of changes in the fair value of the interest rate swap is initially recognised in other comprehensive income, rather than being recognised in the statement of profit or loss immediately. The gain or loss relating to any ineffective portion is recognised in the statement of profit or loss immediately.

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

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.18 Derivative financial instruments and hedging activities (continued)

(ii) Derivatives that do not qualify for hedge accounting

Certain derivatives are not designated as hedging instruments and consequently do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

2.19 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. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due date. Contract assets relate to unbilled revenue and have substantially the same risk characteristics as the trade receivables for the same type of contracts.

2.20 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.

2.21 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.

The hedging reserve is used to reflect the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges.

2.22 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.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

Manchester United Football Club Limited

Notes to the financial statements (continued)

3 Critical accounting estimates and judgments

Estimates, judgments 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) Revenue recognition—minimum guarantee

Minimum guaranteed revenue is recognised over the term of the sponsorship agreement in line with the performance obligations included within the contract and based on the sponsorship benefits enjoyed by the individual sponsor. In instances where the sponsorship rights remain the same over the duration of the contract, revenue is recognised on a straight-line basis.

The minimum guarantee payable by adidas is subject to certain adjustments. Payments due in a particular year may increase if the club's first team wins certain competitions or decrease if the club's first team fails to participate in the Champions League for two or more consecutive seasons with the maximum possible reduction being 30% of the applicable payment for the year in which the second or other consecutive season of non-participation falls. Management's current best estimate is that the full minimum guarantee amount will be received, as management do not expect two consecutive seasons of non-participation in the Champions League.

b) 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 2019 is disclosed in note 24.2.

The Company will perform an impairment review on intangible assets, including player and key football management staff registrations, if adverse events indicate that the amortised 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.

3.2 Critical judgments in applying the entity's accounting policies

The Company does not believe that there are currently any significant accounting judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Manchester United Football Club Limited

Notes to the financial statements (continued)

4 Revenue

4.1 Disaggregation of 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 in particular 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:

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
Commercial	258,447	267,415
Broadcasting	231,156	193,400
Matchday	112,332	110,278
	601,935	571,093

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

4.2 Assets and liabilities related to contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
Current contract assets – accrued revenue	38,082	37,180
Total contract assets	38,082	37,180
Non-current contract liabilities – deferred revenue	32,598	37,035
Current contract liabilities – deferred revenue	184,119	174,695
Total contract liabilities	216,717	211,730

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

Accrued revenue

A contract asset (accrued revenue) is recognised if commercial, broadcasting or matchday revenue performance obligations are satisfied prior to the unconditional consideration being due under the contract.

Deferred revenue

Commercial, broadcasting and matchday consideration which is received in advance of the performance obligation being satisfied is treated as a contract liability (deferred revenue). The deferred revenue is then recognised as revenue when the performance obligation is satisfied. The Company receives substantial amounts of deferred revenue prior to the previous financial year end which is then recognised as revenue throughout the current and, where applicable, future financial years.

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

5 Operating expenses - excluding exceptional items

	2019 £'000	2018 £'000
Employee benefit expense (note 7)	(324,004)	(288,239)
Operating lease costs – land and buildings	(1,480)	(1,480)
Operating lease costs – plant and machinery	(180)	(177)
Auditors' remuneration: audit services	(550)	(500)
Auditors' remuneration: tax compliance services	-	(438)
Auditors' remuneration: other services	(148)	(16)
Profit on disposal of property, plant and equipment	-	81
Depreciation – property, plant and equipment (note 12)	(9,536)	(8,541)
Depreciation – investment property (note 13)	(80)	(80)
Amortisation (note 14)	(125,837)	(137,167)
Other operating expenses	(88,667)	(94,192)
	(550,482)	(530,749)

6 Operating expenses - exceptional items

	2019 £'000	2018 £'000
Compensation paid for loss of office	(19,599)	-
Football League pension scheme deficit (note 25)	-	(1,917)
	(19,599)	(1,917)

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

The Football League pension scheme deficit reflects the present value of the additional contributions the Group is expected to pay to remedy the revised deficit of the scheme as per the latest triennial actuarial valuation at 31 August 2017.

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

7 Employee benefit expense and average number of people employed

	2019 £'000	2018 £'000
Wages and salaries	(287,482)	(255,181)
Social security costs	(34,091)	(30,762)
Other pension costs (note 25)	(2,431)	(2,296)
	(324,004)	(288,239)

Directors' emoluments in respect of services to the Company amounted to £6,834,000 (2018: £7,558,000), including Company contributions to defined contribution schemes of £5,000 (2018: £5,000). The number of directors who held office during the year and were members of a defined contribution scheme was 1 (2018: 1). Emoluments of the highest paid director amounted to £3,160,000 (2018: £4,152,000), including Company contributions to defined contribution schemes of £nil (2018: £nil).

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2019 Number	2018 Number
By activity:		
Football - players	83	80
Football - technical and coaching	184	166
Administration and other	549	548
Average number of employees	816	794

8 Other income and other expense

	2019 £'000	2018 £'000
Royalties and centralised services recharged to other group undertakings	9,513	11,648
Other income	9,513	11,648
	2019 £'000	2018 £'000
Royalties and centralised services recharged by other group undertakings	(10,040)	(2,198)
Other expense	(10,040)	(2,198)

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

9 Net finance costs

	2019 £'000	2018 £'000
Interest payable on bank loans and overdrafts	(1,103)	(1,396)
Interest payable on senior secured notes and secured term loan facility	(18,358)	(798)
Interest payable on loans owed to group undertakings	-	(17,962)
Amortisation of issue discount and debt finance costs on loans owed to group undertakings	-	(6,582)
Foreign exchange losses on retranslation of unhedged US dollar borrowings	(2,704)	(4,704)
Unwinding of discount relating to registrations	(2,280)	(3,492)
Fair value movements on derivative financial instruments:		
Interest rate swaps	(6,788)	-
Embedded foreign exchange derivatives	(380)	(1,089)
Finance costs	(31,613)	(36,023)
Interest receivable on short-term deposits	2,807	1,232
Foreign exchange gains on retranslation of unhedged US dollar loans owed to group undertakings	-	10,340
Hedge ineffectiveness on cash flow hedges	59	-
Fair value movements on derivative financial instruments:		
Interest rate swaps	-	5,146
Finance income	2,866	16,718
Net finance costs	(28,747)	(19,305)

10 Income tax expense

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
Current tax		
Group relief	(3,492)	(4,026)
UK tax charge	(1,973)	-
Adjustments in respect of previous years	-	1,129
Foreign tax	-	(607)
Total current tax expense	(5,465)	(3,504)
Deferred tax		
Origination and reversal of timing differences	(3,899)	(6,339)
Adjustments in respect of previous years	(990)	287
Total deferred tax expense	(4,889)	(6,052)
Total income tax expense	(10,354)	(9,556)

Manchester United Football Club Limited

Notes to the financial statements (continued)

10 Income tax expense (continued)

A reconciliation of the total tax expense is shown below.

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
Profit before tax	28,379	46,691
Profit before tax multiplied by the standard UK Corporation tax rate of 19.00% (2018: 19.00%)	(5,392)	(8,871)
Effect of:		
Expenses not deductible for tax purposes	(498)	(522)
Transfer pricing adjustments	(4,007)	(1,727)
Adjustments in respect of previous years	(990)	1,416
Foreign tax	-	(607)
Impact of change in UK corporation tax rate	533	755
Total tax expense	(10,354)	(9,556)

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

The tax credit/(expense) recognised directly in other comprehensive income during the year is as follows:

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
Deferred tax (note 21)	1,731	(931)
	1,731	(931)

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

The tax (expensed)/credited directly to equity during the year is as follows:

	2019 £'000	2018 £'000
Deferred tax (note 21):		
Share based payments	(137)	127
Net gain on novation of external borrowings	-	(966)
External borrowings fair value unwind	72	-
	(65)	(839)

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.

11 Dividends

Dividends paid in the year ended 30 June 2019 amounted to £23,326,000 (£23.13 per share). Dividends paid in the year ended 30 June 2018 amounted to £21,982,000 (£21.80 per share). The directors do not recommend the payment of a final dividend (2018: £nil).

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

12 Property, plant and equipment

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
At 1 July 2018				
Cost	170,128	32,078	56,380	258,586
Accumulated depreciation	(31,020)	(28,522)	(35,085)	(94,627)
Net book amount	139,108	3,556	21,295	163,959
Year ended 30 June 2019				
Opening net book amount	139,108	3,556	21,295	163,959
Additions	17	3,060	8,532	11,609
Transfers	(216)	-	216	-
Depreciation charge	(1,835)	(2,206)	(5,495)	(9,536)
Closing net book amount	137,074	4,410	24,548	166,032
At 30 June 2019				
Cost	169,768	32,050	63,287	265,105
Accumulated depreciation	(32,694)	(27,640)	(38,739)	(99,073)
Net book amount	137,074	4,410	24,548	166,032

Freehold property primarily comprises land at the Old Trafford stadium and miscellaneous buildings.

Property, plant and equipment with a net book amount of £122,478,000 (2018: £125,203,000) has been pledged to secure the secured term loan facility and senior secured notes borrowings of the Company (see note 20).

Capital commitments at the balance sheet date are disclosed in note 24.

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

13 Investment property

	£'000
At 1 July 2018	
Cost	7,367
Accumulated depreciation	(1,010)
Net book amount	6,357
Year ended 30 June 2019	
Opening net book amount	6,357
Depreciation charge	(80)
Closing net book amount	6,277
At 30 June 2019	
Cost	7,367
Accumulated depreciation and impairment	(1,090)
Net book amount	6,277

Investment property was externally valued as at 30 June 2019 in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Professional Standards, January 2014. The external valuation was carried out on the basis of Market Value, as defined in the RICS Valuation – Professional Standards, January 2014. Fair value of investment property is determined using inputs that are not based on observable market data, consequently the asset is categorised as Level 3. The fair value of investment property as at 30 June 2019 was £8,400,000 (2018: £8,500,000).

As of 30 June 2019, the Company had no contractual obligations to purchase, construct or develop investment property (2018: £nil). As of 30 June 2019, the Company had no material contractual obligations for repairs, maintenance or enhancements to investment property (2018: not material).

Manchester United Football Club Limited

Notes to the financial statements (continued)

14 Intangible assets

	Registrations £'000	Other £'000	Total £'000
At 1 July 2018			
Cost	785,594	2,012	787,606
Accumulated amortisation	(416,086)	(648)	(416,734)
Net book amount	369,508	1,364	370,872
Year ended 30 June 2019			
Opening net book amount	369,508	1,364	370,872
Additions	103,326	1,089	104,415
Disposals	(8,540)	-	(8,540)
Amortisation charge	(125,532)	(305)	(125,837)
Closing net book amount	338,762	2,148	340,910
At 30 June 2019			
Cost	772,328	3,101	775,429
Accumulated amortisation	(433,566)	(953)	(434,519)
Net book amount	338,762	2,148	340,910

Other intangible assets comprise software applications and trademark registration costs. Software applications and trademark registration costs are fully amortised on a straight-line basis over the estimated useful lives of the assets, which are typically 3 years and 10 years respectively.

15 Investments

	Shares in group undertakings £'000
At 1 July 2018	-
Additions	-
At 30 June 2019	-

Shares in group undertakings as at 30 June 2019 and 30 June 2018 relate to the following companies:

Subsidiaries	Principal activity	% of ownership interests
Manchester United Women's Football Club Limited*	Professional football club	100

* Direct investment of Manchester United Football Club Limited.

The above was incorporated and operates in England and Wales. The directors believe that net book value of investments in shares of group undertakings as at 30 June 2019 is supported by their underlying net assets and future forecasts. The registered office of all the above is Sir Matt Busby Way, Old Trafford, Manchester, M16 0RA, United Kingdom.

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

16 Derivative financial instruments

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Derivatives used for hedging:				
Interest rate swaps	-	(2,298)	4,490	-
Derivatives at fair value through profit or loss:				
Embedded foreign exchange derivatives	245	-	624	-
Forward foreign exchange contracts	97	-	852	-
	342	(2,298)	5,966	-
Less non-current portion:				
Derivatives used for hedging:				
Interest rate swaps	-	(2,298)	4,490	-
Derivatives at fair value through profit or loss:				
Embedded foreign exchange derivatives	30	-	317	-
Non-current derivative financial instruments	30	(2,298)	4,807	-
Current derivative financial instruments	312	-	1,159	-

17 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	42,230	127,522
Less: provision for impairment of trade receivables	(11,854)	(9,461)
Net trade receivables	30,376	118,061
Amounts owed by group undertakings	353,824	341,303
Other receivables	1,152	107
Contract assets - accrued revenue	38,082	37,180
Prepayments	13,225	10,767
	436,659	507,418
Less: non-current portion:		
Trade receivables	9,889	4,724
Non-current trade and other receivables	9,889	4,724
Current trade and other receivables	426,770	502,694

Trade receivables include transfer fees receivable from other football clubs of £18,270,000 (2018: £27,825,000), of which £9,889,000 (2018: £4,724,000) is receivable after more than one year.

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

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

18 Share capital

	2019 £'000	2018 £'000
Allotted and fully paid:		
1,008,546 (2018: 1,008,546) ordinary shares of £1 each	1,009	1,009

19 Trade and other payables

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
Trade payables	194,894	265,506
Amounts owed to group undertakings	81,638	79,128
Other payables	4,689	4,754
Accruals	91,457	79,897
Taxation and social security	13,613	17,662
	386,291	446,947
Less: non-current portion:		
Trade payables	77,438	102,067
Other payables – pension scheme deficit	1,745	2,204
Non-current trade and other payables	79,183	104,271
Current trade and other payables	307,108	342,676

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

Trade payables include transfer fees and other associated costs in relation to the acquisition of registrations of £187,544,000 (2018: £258,316,000) of which £77,438,000 (2018: £102,067,000) is due after more than one year.

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

Manchester United Football Club Limited

Notes to the financial statements (continued)

20 Borrowings

	2019 £'000	2018 £'000
Senior secured notes	326,050	313,496
Secured term loan facility	179,548	173,436
Accrued interest on senior secured notes	5,453	5,324
	511,051	492,256
Less: non-current portion:		
Senior secured notes	326,050	313,496
Secured term loan facility	179,548	173,436
Non-current borrowings	505,598	486,932
Current borrowings	5,453	5,324

The outstanding principal amount of the senior secured notes is \$425,000,000 (2018: \$425,000,000). The senior secured notes have a fixed coupon rate of 3.79% per annum and interest is paid semi-annually. The senior secured notes mature on 25 June 2027.

The Company has the option to redeem the senior secured notes in part, in an amount not less than 5% of the aggregate principal amount of the senior secured notes then outstanding, or in full, at any time at 100% of the principal amount plus a "make-whole" premium of an amount equal to the discounted value (based on the US Treasury rate) of the remaining interest payments due on the senior secured notes up to 25 June 2027.

The senior secured notes are guaranteed by Red Football Limited, Red Football Junior Limited, Manchester United Limited and MU Finance Limited and are secured against substantially all of the assets of those entities and Manchester United Football Club Limited.

The outstanding principal amount of the secured term loan facility is \$225,000,000 (2018: \$225,000,000). The secured term loan facility attracts interest of US dollar LIBOR plus an applicable margin of between 1.25% and 1.75% per annum and interest is paid monthly. The remaining balance of the secured term loan facility is repayable on 6 August 2029, although the Company has the option to repay the secured term loan facility at any time.

The secured term loan facility is guaranteed by Red Football Limited, Red Football Junior Limited, Manchester United Limited, MU Finance Limited and Manchester United Football Club Limited and is secured against substantially all of the assets of each of those entities.

The Company also has an undrawn committed revolving borrowing facility of up to £125,000,000 plus (subject to certain conditions) the ability to drawdown a further £25,000,000 by way of incremental facilities. The facility terminates on 4 April 2025 (although it may be possible for any incremental facilities to terminate after this date). Drawdowns would attract interest of LIBOR or EURIBOR plus an applicable margin of between 1.25% and 1.75% per annum (depending on the total net leverage ratio at that time). No drawdowns were made from these facilities during 2019 or 2018.

Manchester United Football Club Limited

Notes to the financial statements (continued)

20 Borrowings (continued)

The Company's revolving facility, the secured term loan facility and the note purchase agreement governing the senior secured notes each contain certain covenants, including a financial maintenance covenant that requires the Red Football Limited Group to maintain a consolidated profit for the period before depreciation, amortisation of, and profit on disposal of, registrations, exceptional items, net finance costs and tax ("EBITDA") of not less than £65 million for each 12 month testing period, as well as customary covenants, including (but not limited to) restrictions on incurring additional indebtedness; paying dividends or making other distributions, repurchasing or redeeming our capital stock or making other restricted payments; selling assets, including capital stock of restricted subsidiaries; entering into agreements that restrict distributions of restricted subsidiaries; consolidating, merging, selling or otherwise disposing of all or substantially all assets; entering into sale and leaseback transactions; entering into transactions with affiliates; and incurring liens. As of 30 June 2019 and 30 June 2018, the Red Football Limited Group was in compliance with all covenants under its revolving facility, the secured term loan facility and the note purchase agreement governing the senior secured notes.

21 Deferred tax liability

The deferred tax liability comprises:

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
Accelerated tax depreciation	927	1,008
Rolled over gain on player disposal	9,321	7,389
Losses carried forward	-	(4,910)
Other short-term timing differences	(2,381)	1,157
	7,867	4,644

The movement in the deferred tax liability was as follows:

	2019 £'000	Restated ⁽¹⁾ 2018 £'000
At 1 July	4,644	(2,940)
Expensed to statement of profit or loss (note 10)	4,889	6,052
(Credited)/expensed to other comprehensive income	(1,731)	931
Expensed directly to equity (note 10)	65	839
Hive-down of Manchester United Limited (restated ⁽¹⁾)	-	(238)
At 30 June	7,867	4,644

⁽¹⁾ Comparative amounts have been restated - see note 28 for further details.

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.

22 Contingencies

At 30 June 2019, the Company had no material contingent liabilities in respect of legal claims arising in the ordinary course of business (2018: none).

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

23 Operating lease arrangements

23.1 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 statement of profit or loss during the year is disclosed in note 5. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
No later than 1 year	1,822	1,628
Later than 1 year and no later than 5 years	2,022	2,402
	3,844	4,030

23.2 The Company as lessor

The Company leases out its investment properties. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
No later than 1 year	608	619
Later than 1 year and no later than 5 years	471	998
	1,079	1,617

Manchester United Football Club Limited

Notes to the financial statements (continued)

24 Capital commitments and contingent transfer fees

24.1 Capital commitments

At 30 June 2019, the Company had capital commitments relating to property, plant and equipment amounting to £3,794,000 (2018: £4,054,000) and to other intangible assets amounting to £nil (2018: £nil).

24.2 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 £74,321,000 (2018: £66,411,000).

At 30 June 2019, 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/team success/new contract	35,722	8,805	44,527
International appearances	11,573	22	11,595
Other	17,905	294	18,199
	65,200	9,121	74,321

At 30 June 2018, 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/team success/new contract	29,142	7,789	36,931
International appearances	11,343	47	11,390
Other	17,685	405	18,090
	58,170	8,241	66,411

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 recognised when virtually certain. As of 30 June 2019, the amount of such receipt considered to be probable was £721,000 (2018: £2,392,000).

Manchester United Football Club Limited

Notes to the financial statements (continued)

25 Pensions

25.1 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 actuarial valuation of the Scheme was carried out at 31 August 2017 where the total deficit on the ongoing valuation basis was £30,400,000. The accrual of benefits ceased within the Scheme on 31 August 1999, therefore there are no contributions relating to current accrual. The Group pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

A charge of £nil (2018: £1,917,000) has been made to the statement of profit or loss during the year, representing the present value of the additional contributions the Group is expected to pay to remedy the revised deficit of the Scheme.

The Group currently pays total contributions of £459,000 per annum and this amount will increase by 5% per annum from September 2019. Based on the actuarial valuation assumptions, this will be sufficient to pay off the deficit by 31 October 2023.

As of 30 June 2019, the present value of the Group's outstanding contributions (i.e. its future liability) is £2,204,000 (2018: £2,638,000). This amounts to £459,000 (2018: £434,000) due within one year and £1,745,000 (2018: £2,204,000) 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).

25.2 Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the statement of profit or loss in the period in which they become payable and for the year ended 30 June 2019 amounted to £2,431,000 (2018: £2,296,000). As at 30 June 2019, contributions of £335,000 (2018: £295,000) due in respect of the current reporting year 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)

26 Events after the end of the reporting period

26.1 Registrations

Subsequent to 30 June 2019, the playing registrations of certain footballers have been disposed for total proceeds, net of associated costs, of £66,926,000. The associated net book value was £51,901,000. Additionally, Solidarity contributions, sell-on fees and contingent consideration totalling £1,421,000 became receivable in respect of previous playing registration disposals.

Also subsequent to 30 June 2019, the playing registrations of certain players were acquired or extended. Total consideration, including associated costs, was £99,388,000. Payments are due within the next 5 years.

26.2 Secured Term Loan Facility

The Company has a secured term loan facility, the outstanding principal amount of which is \$225,000,000. The facility was amended, by an amendment and restatement agreement dated 5 August 2019 which became effective on 6 August 2019 to, among other things, extend the expiry date to 6 August 2029.

27 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 2019. The consolidated financial statements of Manchester United plc can be obtained from the website 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 2019. The consolidated financial statements of Red Football Limited can be obtained from the Company Secretary, Red Football Limited, Old Trafford, Manchester, M16 0RA.

Manchester United Football Club Limited

Notes to the financial statements (continued)

28 Restatement of prior periods following implementation of IFRS 15

The Company adopted IFRS 15 'Revenue from contracts with customers' with effect from 1 July 2018. The implementation of IFRS 15 had a material impact on the Company's financial statements as at 1 July 2018 and consequently prior year amounts have been restated. The following tables and notes explain how this restatement affected the statement of profit or loss, statement of comprehensive income and the balance sheet.

Commercial revenue

IFRS 15 focuses on the identification and satisfaction of performance obligations and includes specific guidance on the methods for measuring progress towards complete satisfaction of a performance obligation therefore revenue on certain commercial contracts is recognised earlier under IFRS 15. The effect of the retrospective application is a reduction in the amount of revenue recognised during the financial year ended 30 June 2018.

Broadcasting revenue

The adoption of IFRS 15 has no impact on the recognition of broadcasting revenue.

Matchday revenue

The adoption of IFRS 15 has no impact on the recognition of matchday revenue.

Tax, deferred tax, hedging reserve, retained earnings and deferred revenue

The impact of the above changes in revenue recognition had subsequent impact on tax (including deferred tax), the hedging reserve, retained earnings and deferred revenue.

Tax – adjustments to the tax expense and deferred tax are directly in line with the adjustments to revenue.

Hedging reserve – adjustments to commercial revenue impact the hedging reserve as the underlying US dollar revenue is initially hedged against a portion of the Company's US dollar net borrowings. Amounts accumulated in the hedging reserve are reclassified to the statement of profit or loss in the period when the hedged revenue is recognised in the statement of profit or loss.

Deferred revenue – all other adjustments to revenue impact deferred revenue as the revenue is received or receivable prior to the period in which the revenue is recognised.

Hive-down of Manchester United Limited

On 1 July 2017 a substantial part of the business (trade and assets) of Manchester United Limited was transferred ('hived-down') to the Company. The hive-down was accounted for, at predecessor values (i.e. carrying value in the books of Manchester United Limited). As a result of adopting IFRS 15, the balance sheet of Manchester United Limited as at 30 June 2017 was restated resulting in a restatement of the subsequent hive-down amounts. The following tables explain how this restatement affected the consolidated balance sheet.

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

28 Restatement of prior periods following implementation of IFRS 15 (continued)

Hive-down of Manchester United Limited on 1 July 2017

	As previously reported £'000	Adjustment £'000	Restated £'000
Property, plant and equipment	21,629	-	21,629
Investment property	6,437	-	6,437
Other intangible assets	782	-	782
Derivative financial assets	1,713	-	1,713
Deferred tax asset	959	(721)	238
Trade and other receivables	56,804	-	56,804
Derivative financial liabilities	(656)	-	(656)
Deferred revenue	(184,330)	3,800	(180,530)
Tax liabilities	(8,121)	-	(8,121)
Trade and other payables	(9,001)	-	(9,001)
Consideration owed by Manchester United Limited	(113,784)	3,079	(110,705)

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

28 Restatement of prior periods following implementation of IFRS 15 (continued)

Statement of profit or loss for the year ended 30 June 2018

	As previously reported £'000	Adjustment £'000	Restated £'000
Commercial revenue	267,899	(484)	267,415
Broadcasting revenue	193,400	-	193,400
Matchday revenue	110,278	-	110,278
Total revenue	571,577	(484)	571,093
Operating expenses – excluding exceptional items	(530,749)	-	(530,749)
Operating expenses – exceptional items	(1,917)	-	(1,917)
Total operating expenses	(532,666)	-	(532,666)
Operating profit before other income and profit on disposal of intangible assets	38,911	(484)	38,427
Other income	11,648	-	11,648
Other expense	(2,198)	-	(2,198)
Profit on disposal of intangible assets	18,119	-	18,119
Operating profit	66,480	(484)	65,996
Finance costs	(36,023)	-	(36,023)
Finance income	16,718	-	16,718
Net finance costs	(19,305)	-	(19,305)
Profit before tax	47,175	(484)	46,691
Tax expense	(9,648)	92	(9,556)
Profit for the year	37,527	(392)	37,135

Statement of comprehensive income for the year ended 30 June 2018

	As previously reported £'000	Adjustment £'000	Restated £'000
Profit for the year	37,527	(392)	37,135
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Movements on hedges	5,738	(261)	5,477
Income tax expense relating to movements on hedges	(975)	44	(931)
Other comprehensive income for the year, net of tax	4,763	(217)	4,546
Total comprehensive income for the year	42,290	(609)	41,681

Manchester United Football Club Limited

Notes to the financial statements (continued)

28 Restatement of prior periods following implementation of IFRS 15 (continued)

Balance sheet as at 30 June 2018

	As previously reported £'000	Adjustment £'000	Restated £'000
ASSETS			
Non-current assets			
Property, plant and equipment	163,959	-	163,959
Investment property	6,357	-	6,357
Intangible assets	370,872	-	370,872
Derivative financial instruments	4,807	-	4,807
Trade and other receivables	4,724	-	4,724
	550,719	-	550,719
Current assets			
Derivative financial instruments	1,159	-	1,159
Trade and other receivables	502,694	-	502,694
Cash and cash equivalents	231,981	-	231,981
	735,834	-	735,834
Total assets	1,286,553	-	1,286,553
EQUITY AND LIABILITIES			
Equity			
Share capital	1,009	-	1,009
Capital reserve	4,721	-	4,721
Hedging reserve	4,694	(217)	4,477
Retained earnings	120,183	(392)	119,791
	130,607	(609)	129,998
Non-current liabilities			
Trade and other payables	104,271	-	104,271
Borrowings	486,932	-	486,932
Deferred revenue	37,035	-	37,035
Deferred tax liabilities	4,059	585	4,644
	632,297	585	632,882
Current liabilities			
Tax liabilities	978	-	978
Trade and other payables	339,597	3,079	342,676
Borrowings	5,324	-	5,324
Deferred revenue	177,750	(3,055)	174,695
	523,649	24	523,673
Total equity and liabilities	1,286,553	-	1,286,553