

Registered Number: 00095489

Manchester United Football Club Limited
Annual report and financial statements
for the year ended 30 June 2018



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 2018.

Review of the business

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

On 1 July 2017 Manchester United Limited waived its right to receive certain amounts from the Company. Consequently loans owed by the Company amounting to £300,000,000 (see note 21) were written off and a corresponding amount recognised as a capital contribution.

On 14 June 2018 external borrowings of \$425,000,000 principal amount senior secured notes and \$225,000,000 principal amount secured term loan facility were novated from a fellow group undertaking, MU Finance Limited (formerly known as MU Finance plc), via settlement of the loan receivables owed by the Company.

On 22 June 2018 the immediate parent undertaking of the Company, Manchester United Limited, invested £19,637,000 by way of a capital contribution.

Revenue for the year was £571,577,000 (2017: £289,038,000). Operating profit before other income, other expense and profit on disposal of intangible assets for the year was £38,911,000 (2017: loss of £117,189,000). Other income for the year was £11,648,000 (2017: £nil), other expense for the year was £2,198,000 (2017: £nil) and profit on disposal of intangible assets for the year was £18,119,000 (2017: £10,926,000). Profit before tax for the year was £47,175,000 (2017: loss of £110,002,000). Profit/(loss) before tax for the year includes net finance costs of £19,305,000 (2017: £3,839,000).

Overall, the net assets of the Company increased by £344,793,000 to £130,607,000 as at 30 June 2018.

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. The Annual Report and financial statements of the Red Football Limited Group can be obtained from the Company Secretary, Red Football Limited, Old Trafford, Manchester, M16 0RA.

Key performance indicators

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

On behalf of the board

E Woodward
Director

14 November 2018

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 2018.

Dividends

Dividends amounting to £21,982,000 were paid during the year (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £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 currency risk and interest rate risk), credit risk and liquidity risk. The Company uses derivative financial instruments to hedge certain exposures. The policy for each of the above risks is described in more detail below.

a) Market risk

(i) Currency risk

The Company is exposed to the following currency risks:

- Significant amount of 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) 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 22.

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 £118,061,000 (2017: £47,811,000), £27,825,000 (2017: £46,343,000) 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 reporting date can be found in note 27 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 Kassewitz

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.

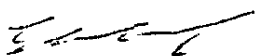
Disclosure of information to auditors

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

14 November 2018

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 2018 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 2018; the Income statement, the Statement of comprehensive income and 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

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

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

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

Reporting on other information

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

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

Manchester United Football Club Limited

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

Reporting on other information (continued)

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 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)

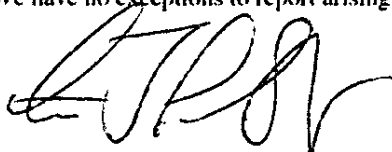
Other required reporting

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.



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

14 November 2018

Manchester United Football Club Limited **Income statement**

| | Note | Year ended 30 June | |
|---|------|--------------------|---------------|
| | | 2018 £'000 | 2017 £'000 |
| Revenue | 4 | 571,577 | 289,038 |
| Operating expenses - excluding exceptional items | 5 | (530,749) | (410,880) |
| Operating expenses - exceptional items | 6 | (1,917) | 4,753 |
| Total operating expenses | | (532,666) | (406,127) |
| Operating profit/(loss) before other income, other expense and profit on disposal of intangible assets | | 38,911 | (117,089) |
| Other income | 8 | 11,648 | - |
| Other expense | 8 | (2,198) | - |
| Profit on disposal of intangible assets | | 18,119 | 10,926 |
| Operating profit/(loss) | | 66,480 | (106,163) |
| Finance costs | | (36,023) | (4,206) |
| Finance income | | 16,718 | 367 |
| Net finance costs | 9 | (19,305) | (3,839) |
| Profit/(loss) before tax | | 47,175 | (110,002) |
| Tax (expense)/credit | 10 | (9,648) | 24,301 |
| Profit/(loss) for the year | | 37,527 | (85,701) |

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

| | Note | Year ended 30 June | |
|--|------|--------------------|-----------------|
| | | 2018 £'000 | 2017 £'000 |
| Profit/(loss) for the year | | 37,527 | (85,701) |
| Other comprehensive income/(loss): | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Cash flow hedges | | 5,738 | (83) |
| Tax (expense)/credit relating to cash flow hedges | 10 | (975) | 14 |
| Other comprehensive income/(loss) for the year, net of tax | | 4,763 | (69) |
| Total comprehensive income/(loss) for the year | | 42,290 | (85,770) |

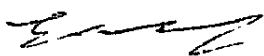
Manchester United Football Club Limited **Balance sheet**

| | | As at 30 June | |
|----------------------------------|------|------------------|----------------|
| | Note | 2018 £'000 | 2017 £'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 163,959 | 140,247 |
| Investment property | 14 | 6,357 | - |
| Intangible assets | 15 | 370,872 | 290,520 |
| Investments | 16 | - | - |
| Derivative financial instruments | 17 | 4,807 | 811 |
| Trade and other receivables | 18 | 4,724 | 15,399 |
| Deferred tax asset | 19 | - | 2,940 |
| | | 550,719 | 449,917 |
| Current assets | | | |
| Derivative financial instruments | 17 | 1,159 | 2,359 |
| Trade and other receivables | 18 | 502,694 | 193,401 |
| Cash and cash equivalents | | 231,981 | 278,719 |
| | | 735,834 | 474,479 |
| Total assets | | 1,286,553 | 924,396 |

Manchester United Football Club Limited
Balance sheet (continued)

| | | As at 30 June | |
|--|------|------------------|------------------|
| | Note | 2018 £'000 | 2017 £'000 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 20 | 1,009 | 1,009 |
| Capital reserve | | 4,721 | - |
| Hedging reserve | | 4,694 | (69) |
| Retained earnings/(accumulated losses) | | 120,183 | (215,125) |
| Total equity | | 130,607 | (214,185) |
| Non-current liabilities | | | |
| Trade and other payables | 21 | 104,271 | 83,587 |
| Borrowings | 22 | 486,932 | - |
| Deferred revenue | | 37,035 | 139 |
| Deferred tax liability | 19 | 4,059 | - |
| | | 632,297 | 83,726 |
| Current liabilities | | | |
| Derivative financial instruments | | - | 1,253 |
| Tax liabilities | | 978 | - |
| Trade and other payables | 21 | 339,597 | 997,225 |
| Borrowings | 22 | 5,324 | - |
| Deferred revenue | | 177,750 | 56,378 |
| | | 523,649 | 1,054,856 |
| Total equity and liabilities | | 1,286,553 | 924,396 |

The notes on pages 15 to 40 are an integral part of these financial statements. The financial statements on pages 10 to 40 were approved by the board of directors on 14 November 2018 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 | Retained earnings/ (accumulated losses) £'000 | Total equity £'000 |
|---|---------------------------|-----------------------------|-----------------------------|---|--------------------------|
| Balance at 1 July 2016 | 1,009 | - | - | (129,425) | (128,416) |
| Loss for the year | - | - | - | (85,701) | (85,701) |
| Cash flow hedges | - | - | (83) | - | (83) |
| Tax credit relating to cash flow hedges | - | - | 14 | - | 14 |
| Balance at 30 June 2017 | 1,009 | - | (69) | (215,126) | (214,186) |
| Profit for the year | - | - | - | 37,527 | 37,527 |
| Cash flow hedges | - | - | 5,738 | - | 5,738 |
| Tax expense relating to cash flow hedges | - | - | (975) | - | (975) |
| Total comprehensive income for the year | - | - | 4,763 | 37,527 | 41,324 |
| Capital contribution (note 21) | - | - | - | 300,000 | 300,000 |
| Dividends paid (note 11) | - | - | - | (21,982) | (21,982) |
| Capital contribution (see note below) | - | - | - | 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 | 4,694 | 120,183 | 130,607 |

Note: On 22 June 2018 the immediate parent undertaking of the Company, Manchester United Limited, invested £19,637,000 by way of a capital contribution.

Manchester United Football Club Limited

Notes to the financial statements (continued)

1 General information

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of Manchester United Football Club Limited have been prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (FRS 101). The financial statements have been prepared under the historical cost convention 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:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 “Property, plant and equipment”;
 - (iii) paragraph 118(e) of IAS 38 “Intangible assets”; and
 - (iv) paragraphs 76 and 79(d) of IAS 40 “Investment property”.
- The following paragraphs of IAS 1 “Presentation of financial statements”:
 - 10(d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, “Statement of cash flows”;
- Paragraphs 30 and 31 of IAS 8 “Accounting policies, changes in accounting estimates and errors” (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, “Related party disclosures” (key management compensation);
- The requirements in IAS 24, “Related party disclosures” to disclose related party transactions entered into between two or more members of a group.

2.1.1 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 June 2018, have had a material impact on the Company.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation

The Company is a wholly owned subsidiary of Manchester United Limited and of its ultimate parent undertaking and controlling party, Manchester United plc. It is included in the consolidated financial statements of Manchester United plc which can be obtained from the website www.manutd.com. 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 income statement, Consolidated balance sheet and Consolidated statement of cash flows, and the analysis of changes in net debt, about the Group as a whole. The Company has investment property, however, this is not considered to be a material business segment and is therefore not reported as such.

2.4 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.5 Revenue recognition

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

a) Commercial

Commercial revenue (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.

For sponsorship contracts any additional revenue receivable over and above the minimum guaranteed revenue contained in the sponsorship agreements is taken to revenue when a reliable estimate of the future performance of the contract can be obtained and it is probable that the amounts will not be recouped by the sponsor in future years. 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 on a straight-line basis. In respect of contracts with multiple elements, the Company allocates the total consideration receivable to each separately identifiable element based on their relative fair values, and then recognises the allocated revenue on a straight-line basis over the relevant period of each element.

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.

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

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.5 Revenue recognition (continued)

b) Broadcasting

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

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

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

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

b) Matchday

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

Matchday revenue includes revenue receivable from all domestic and European matchday activities from Manchester United games at Old Trafford, together with the Company's share of gate receipts from domestic cup matches not played at Old Trafford and fees for arranging other events at the Old Trafford stadium. As the Company acts as principal in the sale of match tickets, the share of gate receipts payable to the other participating club and competition organisers for domestic cup matches played at Old Trafford is treated as an operating expense. Revenue from related activities such as the Museum is recognised as the event or service is provided or the facility is used.

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

c) Finance income

Finance income is recognised using the effective interest rate method.

d) Accrued revenue

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

e) Deferred revenue

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

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 income statement 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 income statement 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 Exceptional items

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

2.8 Pension costs

The Company is one of a number of participating employers in The Football League Limited Pension and Life Assurance Scheme ('the scheme' – see note 26.1). The Company is unable to identify its share of the assets and liabilities of the scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme. The Company's contributions into this scheme are reflected within the income statement when they fall due. Full provision has been made for the additional contributions that the Company has been requested to pay to help fund the scheme deficit.

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

2.9 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.

2.10 Current and deferred tax

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

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

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

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

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.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

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 income statement 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 write-down assets to their residual value over their 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.

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

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

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.

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.

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.14 Intangible assets - registrations and football staff remuneration

a) Remuneration

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

Signing-on fees are typically paid to players and key football management staff in equal annual instalments over the term of the contract. Instalments are paid at or near the beginning of each financial year and recognised as prepayments within trade and other receivables. They are subsequently charged to the income statement (as operating expenses) on a straight-line basis over the financial year. Signing-on fees paid form part of cash flows from operating activities.

Loyalty fees are bonuses which are paid to players and key football management staff either at the beginning of a renewed contract or in instalments over the term of their contract in recognition for either past or future performance. Loyalty bonuses for past service are typically paid in a lump sum amount upon renewal of a contract. These loyalty bonuses require no future service and are not subject to any claw-back provisions were the individual to subsequently leave the club during their new contract term. They are expensed once the Company has a present legal or constructive obligation to make the payment. Loyalty bonuses for ongoing service are typically paid in arrears in equal annual instalments over the term of the contract. These are paid at the beginning of the next financial year and the related charge is recognised within operating expenses in the income statement on a straight-line basis over the current financial year.

b) Initial recognition

The costs associated with the acquisition of players' and key football management staff registrations are capitalised at the fair value of the consideration payable. Costs include transfer fees, FAPL levy fees, agents' fees incurred by the club and other directly attributable costs. Costs also include the fair value of any contingent consideration, which is primarily payable to the player's former club (with associated levy fees payable to the FAPL), once payment becomes probable. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the player's registration. The estimate of the fair value of the contingent consideration payable requires management to assess the likelihood of specific performance conditions being met which would trigger the payment of the contingent consideration. This assessment is carried out on an individual player basis. The additional amount of contingent consideration potentially payable, in excess of the amounts included in the cost of players' registrations, is disclosed in note 25.2. Costs are fully amortised using the straight-line method over the period covered by the player's and key football management staff contract.

c) Renegotiation

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

d) Disposals and loan fee income

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

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

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

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.14 Intangible assets - registrations and football staff remuneration (continued)

e) Impairment

Management does not consider that it is possible to determine the value in use of an individual player or key football management staff in isolation as that individual (unless via a sale or insurance recovery) cannot generate cash flows on 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.

2.15 Intangible assets - other

Intangible assets comprise 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:

| | |
|------------------------------|----------|
| 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 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.

2.17 Derivative financial instruments and hedging activities

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

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

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

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

Manchester United Football Club Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.17 Derivative financial instruments and hedging activities (continued)

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

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

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

2.18 Trade and other receivables

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

2.19 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.

2.20 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.

2.21 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.

2.22 Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently carried at amortised cost; any differences between the proceeds and the redemption value is recognised in the income statement 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, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

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

a) 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 2018 is disclosed in note 25.2.

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

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

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

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

| | 2018 £'000 | 2017 £'000 |
|--------------|----------------|----------------|
| Commercial | 267,899 | 4,329 |
| Broadcasting | 193,400 | 185,145 |
| Matchday | 110,278 | 99,564 |
| | 571,577 | 289,038 |

5 Operating expenses - excluding exceptional items

| | 2018 £'000 | 2017 £'000 |
|--|------------------|------------------|
| Employee benefit expense (note 7) | (288,239) | (211,958) |
| Operating lease costs – land and buildings | (1,480) | (2,000) |
| Operating lease costs – plant and machinery | (177) | (243) |
| Auditors' remuneration: audit services | (500) | (33) |
| Auditors' remuneration: tax compliance services | (438) | - |
| Auditors' remuneration: other services | (16) | - |
| Profit/(loss) on disposal of property, plant and equipment | 81 | (43) |
| Depreciation – property, plant and equipment (note 13) | (8,541) | (6,802) |
| Depreciation – investment property (note 14) | (80) | - |
| Amortisation (note 15) | (137,167) | (123,656) |
| Other operating expenses | (94,192) | (66,000) |
| | (530,749) | (410,880) |

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

6 Operating expenses - exceptional items

| | 2018 £'000 | 2017 £'000 |
|--|-----------------------------|---------------|
| Football League pension scheme deficit (note 26) | (1,917) | - |
| Impairment reversal – registrations (note 15) | - | 4,753 |
| | (1,917) | 4,753 |

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.

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

7 Employee benefit expense and average number of people employed

| | 2018 £'000 | 2017 £'000 |
|-------------------------------|-----------------------------|---------------|
| Wages and salaries | (255,181) | (187,861) |
| Social security costs | (30,762) | (23,161) |
| Other pension costs (note 26) | (2,296) | (936) |
| | (288,239) | (211,958) |

Directors' emoluments in respect of services to the Company amounted to £7,558,000 (2017: £4,123,000), including Company contributions to defined contribution schemes of £5,000 (2017: £3,000). The number of directors who held office during the year and were members of a defined contribution scheme was 1 (2017: 1). Emoluments of the highest paid director amounted to £4,152,000 (2017: £2,604,000), including Company contributions to defined contribution schemes of £nil (2017: £nil).

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

| | 2018 Number | 2017 Number |
|-----------------------------------|------------------------------|----------------|
| By activity: | | |
| Football - players | 80 | 74 |
| Football - technical and coaching | 166 | 136 |
| Administration and other | 548 | 210 |
| Average number of employees | 794 | 420 |

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

8 Other income and other expense

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Royalties and centralised services recharged to other group undertakings | 11,648 | - |
| Other income | 11,648 | - |
| | 2018 £'000 | 2017 £'000 |
| Royalties and centralised services recharged by other group undertakings | (2,198) | - |
| Other expense | (2,198) | - |

9 Net finance costs

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Interest payable on bank loans and overdrafts | (1,396) | (61) |
| Interest payable on senior secured notes and secured term loan facility | (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 | (4,704) | - |
| Foreign exchange losses on retranslation of unhedged US dollar loans owed to group undertakings | - | (1,744) |
| Unwinding of discount relating to registrations | (3,492) | (2,401) |
| Fair value movements on derivative financial instruments: | | |
| Embedded foreign exchange derivatives | (1,089) | - |
| Finance costs | (36,023) | (4,206) |
| Interest receivable on short-term deposits | 1,232 | 367 |
| Foreign exchange gains on retranslation of unhedged US dollar loans owed to group undertakings | 10,340 | - |
| Fair value movements on derivative financial instruments: | | |
| Interest rate swaps | 5,146 | - |
| Finance income | 16,718 | 367 |
| Net finance costs | (19,305) | (3,839) |

Manchester United Football Club Limited

Notes to the financial statements (continued)

10 Tax (expense)/credit

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Current tax | | |
| Group relief | (4,026) | 17,509 |
| Adjustments in respect of previous years | 1,129 | 7 |
| Foreign tax | (607) | (1,235) |
| Total current tax (expense)/credit | (3,504) | 16,281 |
| Deferred tax | | |
| Origination and reversal of timing differences | (6,431) | 6,838 |
| Adjustments in respect of previous years | 287 | 952 |
| Impact of change in UK corporation tax rate | - | 230 |
| Total deferred tax (expense)/credit | (6,144) | 8,020 |
| Total tax (expense)/credit | (9,648) | 24,301 |

A reconciliation of the total tax (expense)/credit is shown below.

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Profit/(loss) before tax | 47,175 | (110,002) |
| (Profit)/loss before tax multiplied by the weighted average UK Corporation tax rate of 19.00% (2017: 19.75%) | (8,963) | 21,725 |
| Effect of: | | |
| Expenses not deductible for tax purposes | (521) | (456) |
| Transfer pricing adjustments | (1,727) | 4,184 |
| Adjustments in respect of previous years | 1,415 | 959 |
| Foreign tax | (607) | (1,235) |
| Impact of change in UK corporation tax rate | 755 | (876) |
| Total tax (expense)/credit | (9,648) | 24,301 |

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.

Manchester United Football Club Limited

Notes to the financial statements (continued)

10 Tax (expense)/credit (continued)

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

| | 2018 £'000 | 2017 £'000 |
|------------------------|---------------|---------------|
| Deferred tax (note 19) | (975) | 14 |
| | (975) | 14 |

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

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Deferred tax (note 19): | | |
| Share based payments | 127 | - |
| Net gain on novation of external borrowings | (966) | - |
| | (839) | - |

11 Dividends

Dividends paid in the year ended 30 June 2018 amounted to £21,982,000 (£21.80 per share). Dividends paid in the year ended 30 June 2017 amounted to £nil (£nil per share). The directors do not recommend the payment of a final dividend (2017: £nil).

12 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).

The assets and liabilities recognised as a result of the hive-down were as follows:

| | £'000 |
|---|-----------|
| Property, plant and equipment | 21,629 |
| Investment property | 6,437 |
| Other intangible assets | 782 |
| Derivative financial assets | 1,000 |
| Deferred tax asset | 720 |
| Trade and other receivables | 56,804 |
| Derivative financial liabilities | (656) |
| Deferred revenue | (184,330) |
| Tax liabilities | (8,121) |
| Trade and other payables | (9,001) |
| Consideration owed by Manchester United Limited | (113,784) |

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

13 Property, plant and equipment

| | Freehold property £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Total £'000 |
|--|--|--|--|------------------------|
| At 1 July 2017 | | | | |
| Cost | 148,994 | 25,606 | 43,997 | 218,597 |
| Accumulated depreciation | (26,820) | (23,735) | (27,795) | (78,350) |
| Net book amount | 122,174 | 1,871 | 16,202 | 140,247 |
| Year ended 30 June 2018 | | | | |
| Opening net book amount | 122,174 | 1,871 | 16,202 | 140,247 |
| Additions | - | 2,093 | 8,550 | 10,643 |
| Hive-down of Manchester United Limited (note 12) | 18,804 | 1,102 | 1,723 | 21,629 |
| Transfers | (30) | - | 30 | - |
| Disposals | - | - | (19) | (19) |
| Depreciation charge | (1,840) | (1,510) | (5,191) | (8,541) |
| Closing net book amount | 139,108 | 3,556 | 21,295 | 163,959 |
| At 30 June 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 |

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

Property, plant and equipment with a net book amount of £125,203,000 (2017: £121,867,000) has been pledged to secure the secured term loan facility and senior secured notes borrowings of the Company (see note 22).

Capital commitments at the balance sheet date are disclosed in note 25.

Manchester United Football Club Limited

Notes to the financial statements (continued)

14 Investment property

| | £'000 |
|--|--------------|
| At 1 July 2017 | |
| Cost | - |
| Accumulated amortisation | - |
| Net book amount | - |
| Year ended 30 June 2018 | |
| Opening net book amount | - |
| Hive-down of Manchester United Limited (note 12) | 6,437 |
| Amortisation charge | (80) |
| Closing net book amount | 6,357 |
| At 30 June 2018 | |
| Cost | 7,367 |
| Accumulated amortisation | (1,010) |
| Net book amount | 6,357 |

Investment property was externally valued as at 30 June 2018 in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Professional Standards, January 2014. The valuation supported the carrying amount as of 30 June 2018 and consequently there were no changes to the net book value. 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 categorized as Level 3. The fair value of investment property as at 30 June 2018 was £8,500,000.

As of 30 June 2018, the Company had no contractual obligations to purchase, construct or develop investment property (2017: £nil). As of 30 June 2018, the Company had no material contractual obligations for repairs, maintenance or enhancements to investment property (2017: not material).

Manchester United Football Club Limited

Notes to the financial statements (continued)

15 Intangible assets

| | Registrations £'000 | Other £'000 | Total £'000 |
|--|------------------------|----------------|----------------|
| At 1 July 2017 | | | |
| Cost | 645,433 | - | 645,433 |
| Accumulated amortisation | (354,913) | - | (354,913) |
| Net book amount | 290,520 | - | 290,520 |
| Year ended 30 June 2018 | | | |
| Opening net book amount | 290,520 | - | 290,520 |
| Additions | 243,182 | 756 | 243,938 |
| Hive-down of Manchester United Limited (note 12) | - | 782 | 782 |
| Disposals | (27,201) | - | (27,201) |
| Amortisation charge | (136,993) | (174) | (137,167) |
| Closing net book amount | 369,508 | 1,364 | 370,872 |
| At 30 June 2018 | | | |
| Cost | 785,594 | 2,012 | 787,606 |
| Accumulated amortisation | (416,086) | (648) | (416,734) |
| Net book amount | 369,508 | 1,364 | 370,872 |

Other intangible assets comprise trademark registration costs. Trademark registration costs are fully amortised on a straight-line basis over the estimated useful lives of the assets, which is typically 10 years.

16 Investments

| | Shares in group undertakings £'000 |
|------------------------|---|
| At 1 July 2017 | - |
| Additions | - |
| At 30 June 2018 | - |

Shares in group undertakings as at 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 2018 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)

17 Derivative financial instruments

| | 2018 | | 2017 | |
|--|-----------------|----------------------|-----------------|----------------------|
| | Assets £'000 | Liabilities £'000 | Assets £'000 | Liabilities £'000 |
| Derivatives used for hedging: | | | | |
| Interest rate swaps | 4,490 | - | - | - |
| Derivatives at fair value through profit or loss: | | | | |
| Embedded foreign exchange derivatives | 624 | - | - | - |
| Forward foreign exchange contracts | 852 | - | 3,170 | (1,253) |
| | 5,966 | - | 3,170 | (1,253) |
| Less non-current portion: | | | | |
| Derivatives used for hedging: | | | | |
| Interest rate swaps | 4,490 | - | - | - |
| Derivatives at fair value through profit or loss: | | | | |
| Embedded foreign exchange derivatives | 317 | - | - | - |
| Forward foreign exchange contracts | - | - | 811 | - |
| Non-current derivative financial instruments | 4,807 | - | 811 | - |
| Current derivative financial instruments | 1,159 | - | 2,359 | (1,253) |

18 Trade and other receivables

| | 2018 £'000 | 2017 £'000 |
|---|----------------|----------------|
| Trade receivables | 127,522 | 50,498 |
| Less: provision for impairment of trade receivables | (9,461) | (2,687) |
| Net trade receivables | 118,061 | 47,811 |
| Amounts owed by group undertakings | 341,303 | 147,634 |
| Other receivables | 107 | 246 |
| Accrued revenue | 37,180 | 8,162 |
| Prepayments | 10,767 | 4,947 |
| | 507,418 | 208,800 |
| Less: non-current portion: | | |
| Trade receivables | 4,724 | 15,399 |
| Non-current trade and other receivables | 4,724 | 15,399 |
| Current trade and other receivables | 502,694 | 193,401 |

Trade receivables include transfer fees receivable from other football clubs of £27,825,000 (2017: £46,343,000), of which £4,724,000 (2017: £15,399,000) 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)**

19 Deferred tax liability/(asset)

The deferred tax liability/(asset) comprises:

| | 2018 £'000 | 2017 £'000 |
|-------------------------------------|---------------|----------------|
| Accelerated tax depreciation | 1,008 | 1,555 |
| Rolled over gain on player disposal | 7,389 | 5,176 |
| Losses carried forward | (4,910) | (8,716) |
| Other short-term timing differences | 572 | (955) |
| | 4,059 | (2,940) |

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.

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

| | 2018 £'000 | 2017 £'000 |
|--|---------------|----------------|
| At 1 July | (2,940) | 5,094 |
| Expensed/(credited) to income statement (note 10) | 6,144 | (8,020) |
| Expensed/(credited) to other comprehensive income/(loss) | 975 | (14) |
| Credited directly to equity (note 10) | 839 | - |
| Hive-down of Manchester United Limited (note 12) | (959) | - |
| At 30 June | 4,059 | (2,940) |

20 Share capital

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Allotted and fully paid: | | |
| 1,008,546 (2017: 1,008,546) ordinary shares of £1 each | 1,009 | 1,009 |

Manchester United Football Club Limited

Notes to the financial statements (continued)

21 Trade and other payables

| | 2018 £'000 | 2017 £'000 |
|---|----------------|------------------|
| Trade payables | 265,506 | 185,810 |
| Amounts owed to group undertakings | 76,049 | 144,934 |
| Loans owed to group undertakings | - | 700,779 |
| Other payables | 4,754 | 3,258 |
| Accruals | 79,897 | 30,126 |
| Taxation and social security | 17,662 | 15,905 |
| | 443,868 | 1,080,812 |
| Less: non-current portion: | | |
| Trade payables | 102,067 | 82,866 |
| Other payables – pension scheme deficit | 2,204 | 721 |
| Non-current trade and other payables | 104,271 | 83,587 |
| Current trade and other payables | 339,597 | 997,225 |

Trade payables include transfer fees and other associated costs in relation to the acquisition of registrations of £258,316,000 (2017: £179,133,000) of which £102,067,000 (2017: £82,866,000) is due after more than one year.

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

Loans owed to group undertakings as at 30 June 2017 included an unsecured loan of US\$ 425,000,000 and an unsecured term loan of US\$ 225,000,000 and both were unsecured, interest free and repayable on demand. On 1 July 2017 Manchester United Limited waived its right to receive certain amounts from the Company. Consequently loans owed amounting to £300,000,000 were written off and a corresponding amount recognised as a capital contribution.

On 14 June 2018 external borrowings (see note 22) of \$425,000,000 principal amount senior secured notes and \$225,000,000 principal amount secured term loan facility were novated from a fellow group undertaking, MU Finance Limited (formerly known as MU Finance plc), via settlement of the outstanding loans owed by the Company.

Manchester United Football Club Limited

Notes to the financial statements (continued)

22 Borrowings

| | 2018 £'000 | 2017 £'000 |
|--|----------------|---------------|
| Senior secured notes | 313,496 | - |
| Secured term loan facility | 173,436 | - |
| Accrued interest on senior secured notes | 5,324 | - |
| | 492,256 | - |
| Less: non-current portion: | | |
| Senior secured notes | 313,496 | - |
| Secured term loan facility | 173,436 | - |
| Non-current borrowings | 486,932 | - |
| Current borrowings | 5,324 | - |

On 14 June 2018 external borrowings of \$425,000,000 principal amount senior secured notes and \$225,000,000 principal amount secured term loan facility were novated from a fellow group undertaking, MU Finance Limited (formerly known as MU Finance plc), via settlement of the loan receivables owed by the Company (see note 21).

The outstanding principal amount of the senior secured notes is \$425,000,000 (2017: \$nil). The senior secured notes attract 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 (formerly known as MU Finance plc) 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 (2017: \$nil). 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 26 June 2025, 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 (formerly known as MU Finance plc) 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 incur a further £25,000,000 by way of incremental facilities. The facility terminates on 26 June 2021 (although it may be possible for any incremental facilities to terminate after such 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 2018 or 2017.

Manchester United Football Club Limited

Notes to the financial statements (continued)

22 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/loss 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 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.

23 Contingencies

At 30 June 2018, the Company had no material contingent liabilities in respect of legal claims arising in the ordinary course of business (2017: none).

24 Operating lease arrangements

24.1 The Company as lessee

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

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| No later than 1 year | 1,628 | 2,183 |
| Later than 1 year and no later than 5 years | 2,402 | 8,125 |
| Later than 5 years | - | 8,000 |
| | 4,030 | 18,308 |

24.2 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:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| No later than 1 year | 619 | - |
| Later than 1 year and no later than 5 years | 998 | - |
| | 1,617 | - |

Manchester United Football Club Limited

Notes to the financial statements (continued)

25 Capital commitments and contingent transfer fees

25.1 Capital commitments

At 30 June 2018, the Company had capital commitments relating to property, plant and equipment amounting to £4,054,000 (2017: £6,563,000) and to other intangible assets amounting to £nil (2017: £nil).

25.2 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 £66,411,000 (2017: £44,633,000).

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/new contract | 46,827 | 8,194 | 55,021 |
| International appearances | 11,343 | 47 | 11,390 |
| | 58,170 | 8,241 | 66,411 |

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

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

Similar to the terms of contracts with other football clubs for player transfers, additional amounts could be payable to the Company if certain specific performance conditions are met. In accordance with the recognition criteria for contingent assets, such amounts are only disclosed by the Company when probable and recognized when virtually certain. As of 30 June 2018, the amount of such receipt considered to be probable was £2,392,000 (2017: £756,000).

Manchester United Football Club Limited

Notes to the financial statements (continued)

26 Pensions

26.1 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 £1,917,000 (2017: £nil) has been made to the income statement 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 2018, the present value of the Group’s outstanding contributions (i.e. its future liability) is £2,638,000 (2017: £1,146,000). This amounts to £434,000 (2017: £425,000) due within one year and £2,204,000 (2017: £721,000) 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 most 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).

26.2 Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the income statement in the period in which they become payable and for the year ended 30 June 2018 amounted to £2,296,000 (2017: £936,000). As at 30 June 2018, contributions of £295,000 (2017: £284,000) 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)

27 Events after the reporting date

27.1 Registrations

Subsequent to 30 June 2018, the playing registrations of certain footballers have been disposed for total proceeds, net of associated costs, of £19,920,000. The associated net book value was £1,297,000. Additionally, Solidarity contributions, sell-on fees and contingent consideration totalling £3,557,000 became receivable in respect of previous playing registration disposals.

Also subsequent to 30 June 2018, the playing registrations of certain players were acquired or extended. Total consideration, including associated costs, was £2,388,000. Also subsequent to 30 June 2018, sell-on fees and contingent consideration totalling £520,000, became payable in respect of previous playing registration acquisitions. Payments are due within the next 5 years.

27.2 Interest rate swaps

On 31 July 2018 an external interest rate swap was novated from an intermediate parent undertaking, Red Football Limited, via settlement of the existing interest rate swap between MU Finance Limited (formerly known as MU Finance plc) and the Company.

28 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 2018. 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 2018. The consolidated financial statements of Red Football Limited can be obtained from the Company Secretary, Red Football Limited, Old Trafford, Manchester, M16 0RA.