MANCHESTER UNITED LIMITED

REPORT & ACCOUNTS 2006

YEAR ENDED 30 JUNE 2006

COMPANY NUMBER 2570509

Directors' Report

Directors' report for the year ended 30 June 2006

Principal activity

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

Business review

Group turnover for the year was £165.4 million (eleven months ended 30 June 2005 - £157.2 million). Operating profit before depreciation and amortisation of intangible fixed assets for the year was £46.3 million (eleven months ended 30 June 2005 - £38.8 million). Profit before tax for the year was £30.8 million (eleven months ended 30 June 2005 - £10.8 million).

The Manchester United team maintained a high level of performance on the pitch, finishing 2nd in the Premiership and winning the Carling Cup for the 2nd time. However the team did not progress beyond the group stage of the UEFA Champions League for the first time in ten years.

During the year Old Trafford staged 27 Manchester United home games, an FA cup semi-final, 4 England internationals, a Super League Grand final, a charity match for Soccer Aid and Roy Keane's testimonial match.

Manchester United signed the largest shirt sponsorship deal in UK football with US insurance and financial services organisation AIG. The record breaking deal is for £56.5m over four years starting with the 2006/07 season.

The Group had net cash balances of £6 million at 30 June 2006 (2005 £65.3 million) and had net cash inflow from operating activities in the year of £5.8 million (2005 £43.5 million).

Strategy

The four key elements to the Group's strategy for growth are:

- Maintaining playing success
- Treating fans as customers
- Leveraging the global brand
- Developing club media rights

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

Future developments – outlook for 2006/07

- In March 2006, the new quadrant seating at Old Trafford was opened for the first time and the new buildings were fully opened in August 2006 taking the licensed capacity to over 76,000.
- A record 64,000 season tickets were sold before the start of the 2006/07 season.
- The team qualified for the UEFA Champions League for the 11th consecutive season by finishing 2nd in the FA Premier League in 2005/06 and will benefit from an increased share of the UEFA English TV pool in 2006/07.

Risks and uncertainties

Management has responsibility for the identification and evaluation of significant risks applicable to their area of business. The board continually assesses the Group's risk through regular management meetings and the monthly review of financial statements.

Post balance sheet events

Details of post balance sheet events are disclosed in note 29 to the financial statements.

Dividends

An interim dividend was not paid during the year. The directors do not recommend the payment of a final dividend.

The profit after taxation and dividends of £21.6 million has been retained and transferred to reserves.

Directors' Report

continued

Directors

The directors who held office throughout the year (unless otherwise indicated) and at 30 June 2006 were as follows:

Andy Anson	
David Gill	
Avram Glazer	
Bryan Glazer	
Joel Glazer	
Kevin Glazer	(appointed 17 May 2006)
Darcie Glazer	(appointed 17 May 2006)
Edward Glazer	(appointed 17 May 2006)
Nick Humby	

None of the directors had any beneficial interests in the ordinary shares of the Company.

Avram, Bryan, Joel, Kevin, Darcie and Edward Glazer have a financial interest in Red Football Limited Partnership, a limited liability partnership formed in the state of Nevada, United States of America. Red Football Limited Partnership indirectly wholly owns Red Football Shareholder Limited which is the largest parent undertaking for which group accounts will be prepared.

Charitable and political donations

Charitable donations during the year amounted to £44,640 (eleven months ended 30 June 2005 - £62,843). In line with Group policy, no donations were made for political purposes (2005 - £nil).

Creditor payment policy

It is the Group's policy to:

- agree the terms of payment in advance with the supplier, and
- pay in accordance with the agreed terms and other legal obligations

The number of days' purchases outstanding as at 30 June 2006 was 61 (30 June 2005 - 55). This figure excludes creditors in respect of player acquisitions which are paid on the date payment is contractually due.

Employment policies

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

The Group also seeks to apply best practice in the employment, training, development and promotion of disabled persons. The Group 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 Group. This is achieved through a broad base of communications including staff briefings, announcements and the staff newsletter 'RedLines'. Employees' views are sought through staff surveys and action plans are then developed to target priority for improvement areas. The Group highlighted reward and recognition of performance as one of these priorities for improvement and has developed a total reward strategy which has three principal components: compensation (pay package), benefits and the work experience. Various schemes have been introduced focusing on rewarding individual performance.

The Group 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.

Directors' Report

continued

Statement of directors' responsibilities

The directors are required by company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

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

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

Statement of disclosure of information to auditors

For all persons who are directors at the time of the approval of the annual report:
a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
b) each director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration will be proposed at the annual general meeting.

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

Patrick Stewart
Company Secretary

Registered office:
Sir Matt Busby Way
Old Trafford
Manchester
M16 0RA

Company registered in England and Wales No. 2570509
27 October 2006

Consolidated Profit and Loss Account

For the year ended 30 June 2006

	Note	**12 months ended 30 June 2006 £'000**	11 months ended 30 June 2005 £'000
Turnover: Group and share of joint venture		**167,751**	159,374
Less: Share of joint venture		**(2,382)**	(2,203)
Group turnover	2	**165,369**	157,171
Operating expenses - other	3	**(144,246)**	(141,253)
Operating expenses - exceptional items	4	**(3,443)**	(7,286)
Total operating expenses		**(147,689)**	(148,539)
Group operating profit		**17,680**	8,632
Analysed as:			
Group operating profit before depreciation and amortisation of intangible fixed assets		**46,254**	38,845
Depreciation		**(5,147)**	(6,054)
Amortisation		**(23,427)**	(24,159)
		17,680	8,632
Share of operating profit/(loss) in:			
- Joint venture		**(82)**	(45)
- Associate		**43**	41
Total operating profit: Group and share of joint venture and associate		**17,641**	8,628
Profit on disposal of associate	12	**-**	215
Profit/(loss) on disposal of players		**12,462**	(556)
Profit before interest and taxation		**30,103**	8,287
Net interest receivable	5	**722**	2,477
Profit on ordinary activities before taxation		**30,825**	10,764
Taxation	7	**(9,222)**	(4,224)
Profit for the year		**21,603**	6,540
Dividends	9	**-**	(3,439)
Retained profit for the year	21	**21,603**	3,101

Statement of Total Recognised Gains and Losses

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Profit for the financial year	**21,603**	6,540
Share of reserves invested by joint venture partners (note 17c)	**217**	67
Credit in relation to long-term incentive awards	**-**	1,613
Consideration paid for purchase of shares held by ESOP trust	**-**	(1,332)
Total recognised gains and losses in the year	**21,820**	6,888

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

The accompanying notes on pages 8 to 19 are an integral part of these financial statements

Consolidated Balance Sheet

At 30 June 2006

	Note	At 30 June 2006 £'000	At 30 June 2005 £'000
Fixed assets			
Intangible assets	10	**73,865**	75,351
Tangible assets	11	**154,862**	127,253
Investment in associate	12	**262**	219
		228,989	202,823
Current assets			
Stocks	13	**174**	122
Debtors - amounts falling due within one year	14	**64,427**	16,120
Debtors - amounts falling due after more than one year	14	**1,135**	300
Intangible asset held for resale		**-**	1,583
Cash at bank and in hand		**6,029**	65,340
		71,765	83,465
Creditors - amounts falling due within one year	15	**(25,679)**	(43,404)
Net current assets		**46,086**	40,061
Total assets less current liabilities		**275,075**	242,884
Creditors - amounts falling due after one year	16	**(5,677)**	(6,900)
Provision for liabilities and charges			
Deferred taxation	17a	**(6,073)**	(5,475)
Other provisions	17b	**(1,795)**	(2,070)
Investment in joint venture:	17c		
- Share of gross assets		**486**	376
- Share of gross liabilities		**(4,897)**	(4,713)
		(4,411)	(4,337)
Accruals and deferred income			
Deferred grant income	18	**(623)**	(736)
Other deferred income	19	**(53,830)**	(42,520)
Net assets		**202,666**	180,846
Capital and reserves			
Share capital	20	**26,519**	26,519
Share premium account	21	**7,756**	7,756
Other reserves	21	**884**	667
Profit and loss account	21	**167,507**	145,904
Equity Shareholders' funds	22	**202,666**	180,846

The financial statements on pages 4 to 19 were approved by the Board of directors on 27 October 2006 and signed on its behalf by:

Nick Humby
Director

The accompanying notes on pages 8 to 19 are an integral part of these financial statements.

Company Balance Sheet

At 30 June 2006

	Note	At 30 June 2006 £'000	At 30 June 2005 £'000
Fixed assets			
Tangible assets	11	**20,500**	21,690
Investments	12	**1,271**	1,271
		21,771	22,961
Current assets			
Stocks	13	**174**	122
Debtors	14	**127,399**	94,556
Cash at bank and in hand		**28,383**	39,160
		155,956	133,838
Creditors - amounts falling due within one year	15	**(4,276)**	(11,303)
Net current assets		**151,680**	122,535
Total assets less current liabilities		**173,451**	145,496
Provision for liabilities and charges			
Other provisions	17b	**-**	(2,070)
Accruals and deferred income			
Deferred income	19	**(7,609)**	(5,355)
Net assets		**165,842**	138,071
Capital and reserves			
Share capital	20	**26,519**	26,519
Share premium account	21	**7,756**	7,756
Profit and loss account	21	**131,567**	103,796
Equity Shareholders' funds	22	**165,842**	138,071

The financial statements on pages 4 to 19 were approved by the Board of directors on 27 October 2006 and signed on its behalf by:

Nick Humby
Director

The accompanying notes on pages 8 to 19 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	Note	12 months ended 30 June 2006 £'000	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000	11 months ended 30 June 2005 £'000
Net cash inflow from operating activities			**5,800**		43,517
Returns on investments and servicing of finance					
Interest received		**1,199**		3,149	
Interest paid		**(286)**		(185)	
Net cash inflow from returns on investments and servicing of finance			**913**		2,964
Taxation paid			**(1,854)**		(7,852)
Capital expenditure and financial investment					
Proceeds from sale of players' registrations		**3,389**		23,019	
Purchase of players' registrations		**(35,940)**		(20,368)	
Proceeds from sale of tangible fixed assets		**1,436**		449	
Purchase of tangible fixed assets		**(33,055)**		(8,227)	
Net cash outflow from capital expenditure and financial investment			**(64,170)**		(5,127)
Acquisitions and disposals					
Proceeds from sale of investment in associated company		-		215	
Net cash inflow from acquisitions and disposals			-		215
Equity dividends paid			-		(7,136)
Cash (outflow)/inflow before management of liquid resources and financing			**(59,311)**		26,581
Financing					
Issue of ordinary share capital		-		4,043	
Purchase of shares held through ESOP trust		-		(1,332)	
Net cash inflow from financing			-		2,711
(Decrease) / increase in cash in the year	23		**(59,311)**		29,292

Note to Consolidated Cash Flow Statement

For the year ended 30 June 2006

Reconciliation of operating profit to net cash inflow from operating activities

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Net cash generated from operating activities		
Group operating profit	**17,680**	8,632
Depreciation charges	**5,147**	6,054
Amortisation of players' registrations	**23,427**	24,159
Provision for irrecoverable loan to joint venture	-	667
Credit in relation to long-term incentive awards	-	1,613
Profit on disposal of tangible fixed assets	**(560)**	(101)
Grants released	**(113)**	(120)
Increase in loans to parent company	**(44,388)**	-
(Increase)/decrease in stocks	**(52)**	94
(Increase)/decrease in debtors	**(689)**	6,429
Increase/(decrease) in creditors and deferred income	**5,348**	(3,910)
Net cash inflow from operating activities	**5,800**	43,517

The accompanying notes on pages 8 to 19 are an integral part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

The financial statements have been prepared on the same basis and using the same accounting policies as those used in the preparation of the accounts to the period ended 30 June 2005 and have been applied consistently throughout the year.

Basis of accounting

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

Basis of consolidation

The accounts combine the results of Manchester United Limited and all of its subsidiary undertakings using acquisition accounting. Undertakings, other than subsidiary undertakings in which the Group has an investment of at least 20% of the shares, and over which it exerts significant influence, are treated as associates. Entities in which the Group holds an interest on a long-term basis, and which are jointly controlled by the Group and other parties, are treated as joint ventures. The results for the joint venture and associate are based upon management accounts for the year ended 30 June 2006.

Joint Venture

The Group profit and loss account includes the Group's share of turnover, operating loss and interest of the joint venture. The investment in the joint venture is shown in the Group balance sheet using the gross equity method. The gross equity method records the Group's share of the gross assets and gross liabilities in its joint venture.

Associates

The Group profit and loss account includes the Group's share of the operating result and interest of the associate. The investments in the associate are shown in the Group balance sheet using the equity method. The equity method records the Group's share of the underlying net assets of the associate.

Turnover

Turnover represents income receivable from the Group's principal activities excluding transfer fees and value added tax.

Turnover is analysed between Match Day, Media and Commercial revenue streams.

Match Day

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

Media

Media turnover represents income receivable from all UK and overseas media contracts, including contracts negotiated centrally by the FA Premier League and UEFA. In addition, media turnover includes income received by the exploitation of Manchester United media rights through the internet or wireless applications.

Commercial

Commercial turnover comprises income receivable from the exploitation of the Manchester United brand through sponsorship and other commercial agreements, including minimum guarantees from Nike, together with amounts receivable for the use of the conference and catering facilities at the Old Trafford stadium on non-match days. Any additional income receivable from Nike in accordance with the profit sharing arrangements contained in the sponsorship and licensing contract which commenced on 1 August 2002, in excess of cumulative minimum guaranteed amounts, is taken to profit when it is probable that it will not be recouped in the future.

Deferred income

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

Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on tangible fixed assets at annual rates appropriate to the estimated useful lives of the assets, as follows:

	Reducing Balance	Straight Line
Freehold land	Nil	Nil
Freehold buildings	1.33%	75 years
Assets in the course of construction	Nil	Nil
Computer equipment and software	33%	3 years
Plant and machinery	20% - 25%	4 - 5 years
General fixtures and fittings	15%	7 years

Tangible fixed assets acquired prior to 31 July 1999 are depreciated on a reducing balance basis at the rates stated above.

Tangible fixed assets acquired after 1 August 1999 are depreciated on a straight line basis at the rates stated above.

Notes to the Financial Statements

continued

Stocks

Stocks comprising raw materials, consumables and goods held for resale are valued at the lower of cost and net realisable value.

Intangible fixed assets

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

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

Where a part of the consideration payable on acquiring a players registration is contingent on a future event, this amount is recognised once it is probable, rather than possible, that the event will occur and is amortised from the start of the year in which the contingent payment becomes probable. The total amount which is currently considered possible but not probable is disclosed in note 26b.

Signing-on fees

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

Grants

Grants receivable from the Football Trust and the former Football Grounds Improvement Trust in respect of capital expenditure are treated as deferred income and released to the profit and loss account so as to match the depreciation charged on the fixed assets purchased with the grant. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the year end are translated at year-end exchange rates, or the exchange rate of a related forward exchange contract where appropriate. The resulting exchange gain or loss is dealt with through the profit and loss account.

Provisions

Provision is made for the anticipated net costs of onerous leases on non-trading properties. The provision will be represented by the payment of costs, shortfalls on sub-tenanted property and expenses of early termination.

Investments

Investments in subsidiary undertakings in the company balance sheet are included at cost less any provision for impairment in value.

Financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Derivative instruments utilised by the Group include forward currency contracts. Such contracts are accounted for as hedges, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

Contributions to money purchase pension schemes are charged to the profit and loss account as they fall due.

Notes to the Financial Statements

continued

2 Turnover

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

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Match day	**71,275**	66,268
Media	**45,530**	48,416
Commercial	**48,564**	42,487
	165,369	157,171

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

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
United Kingdom	**162,778**	156,788
Rest of World	**2,591**	383
	165,369	157,171

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

3 Operating expenses - other

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Operations excluding player amortisation and trading:		
Staff costs (note 6)	**85,389**	77,010
Depreciation	**5,147**	6,054
Operating lease costs - land and buildings	**-**	790
Other operating charges	**30,713**	33,224
Auditors' remuneration: audit services	**56**	72
Auditors' remuneration: non-audit services	**187**	165
Grants released (note 18)	**(113)**	(120)
Profit on disposal of tangible fixed assets	**(560)**	(101)
	120,819	117,094
Player amortisation:		
Amortisation of players' registrations	**23,427**	24,159
	144,246	141,253
Auditors' remuneration for non-audit services comprised:-		
Taxation advice	**187**	165
Professional fees in relation to the takeover bid charged to exceptional items	**-**	88
	187	253

	Company	
	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Auditors' remuneration: audit services	**36**	67
Auditors' remuneration: non-audit services	**168**	165
	204	232

4 Operating expenses - exceptional items

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Professional fees and other associated costs in relation to the takeover bid	**-**	6,619
Provision for irrecoverable Joint Venture loan	**-**	667
Player and other employee terminations and redundancies	**3,043**	-
Football League pension scheme deficit	**400**	-
	3,443	7,286

5 Net interest receivable

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Interest receivable	**1,120**	1,585
Interest receivable on player transfers	**-**	1,482
Interest payable on bank loans and overdrafts	**(189)**	(398)
Share of joint venture interest payable	**(209)**	(192)
	722	2,477

Notes to the Financial Statements

continued

6 Staff costs

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

	Group		Company	
	12 months ended 30 June 2006 Number	11 months ended 30 June 2005 Number	**12 months ended 30 June 2006 Number**	11 months ended 30 June 2005 Number
Players	**68**	72	**-**	-
Ground staff	**86**	88	**-**	-
Ticket office and membership	**39**	44	**-**	-
Catering	**80**	100	**80**	100
Administration and other	**189**	201	**101**	100
Average number of employees	**462**	505	**181**	200

The Group also employs approximately 1,299 temporary staff on match days (2005 - 1,250).

Particulars of employee costs, including directors, are as shown below:

	Group		Company	
	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000	**12 months ended 30 June 2006 £'000**	11 months ended 30 June 2005 £'000
Wages and salaries	**70,332**	62,817	**9,849**	8,562
Bonuses	**4,685**	4,234	**908**	1,490
Social security costs	**8,440**	7,992	**819**	1,144
Other pension costs	**1,932**	1,967	**533**	217
	85,389	77;010	**12,109**	11,413

Directors emoluments are disclosed below:

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Aggregate emoluments	**2,370**	1,839
Defined contribution pension scheme	**279**	151
	2,649	1,990

Included within the aggregate emoluments paid to directors' in the eleven months ended 30 June 2005 of £1,990,000 is the sum of £29,000 relating to compensation for loss of office for three directors.

Highest paid director	**12 months ended 30 June 2006 £'000**	11 months ended 30 June 2005 £'000
Aggregate emoluments	**1,138**	915
Defined contribution pension scheme	**142**	94
	1,280	1,009

Three directors had retirement benefits accruing to them at the year ended 30 June 2006 (2005-3).

7 Taxation

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Corporation tax at 30% (2005 - 30%) on the profit for the year	**9,200**	4,125
Adjustment in respect of previous years	**(576)**	(46)
Total current tax	**8,624**	4,079
Deferred taxation: origination and reversal of timing differences (note 17a)	**540**	145
Adjustment in respect of previous years	**58**	-
Total deferred tax	**598**	145
Tax on profit on ordinary activities	**9,222**	4,224

Of the £9,200,000 tax charge, £8,526,000 relates to a payment in respect of group relief claimed from the immediate parent company.

The tax rate for the year is lower (2005: higher) than that resulting from applying the standard rate of corporation tax in the UK: 30% (2005: 30%)

A reconciliation of current tax is shown below:

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Profit on ordinary activities before tax	**30,825**	10,764
Profit on ordinary activities multiplied by the standard rate of 30% (2005 - 30%)	**9,247**	3,229
Effects of:		
Adjustment to tax in respect of previous years	**(576)**	(46)
Expenses not deductible for tax purposes	**494**	3,154
Capital allowances and other timing differences	**(541)**	(144)
Gain on exercise of share options	**-**	(2,115)
	8,624	4,079

Notes to the Financial Statements

continued

8 Profit for the year

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The Company's profit for the year was £27,771,000 (2005 - £11,903,000).

9 Dividends

	12 months ended 30 June 2006 £'000	11 months ended 30 June 2005 £'000
Interim paid of nil pence per share (2005 - 1.325 pence per share)	-	3,439
	-	3,439

10 Intangible fixed assets

Group	**Transfer fee to other clubs £'000**	**Agents fees £'000**	**FAPL levy (net of refunds) £'000**	**Other costs £'000**	**Total £'000**
Cost of players' registrations					
At 1 July 2005	122,518	11,361	3,019	583	137,481
Additions	18,865	2,999	279	639	22,782
Disposals	(7,998)	(471)	(36)	(192)	(8,697)
At 30 June 2006	**133,385**	**13,889** (1)	**3,262**	**1,030**	**151,566**
Amortisation of players' registrations					
At 1 July 2005					62,130
Charge for the year					23,427
Disposals					(7,856)
At 30 June 2006					**77,701**
Net book value of players' registrations					
At 30 June 2006					**73,865**
At 30 June 2005					75,351

(1) Agents fees included within the cost of players' registrations at 30 June 2006 of £13,889,000 comprises amounts paid at that date of £9,670,000 plus further committed payments of £4,219,000 which are included in creditors due within and after one year. Agents fees paid in the year ended 30 June 2006 amounted to £1,806,000.

Notes to the Financial Statements

continued

11 Tangible fixed assets

Group

	Freehold Property £'000	Assets under construction £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost					
At 1 July 2005	115,701	9,018	32,198	12,810	169,727
Additions	191	31,858	1,480	103	33,632
Disposals	(805)	-	(13,983)	(1,740)	(16,528)
At 30 June 2006	**115,087**	**40,876**	**19,695**	**11,173**	**186,831**
Depreciation					
At 1 July 2005	8,459	-	24,619	9,396	42,474
Charge for the year	1,279	-	2,945	923	5,147
Disposals	(65)	-	(13,847)	(1,740)	(15,652)
At 30 June 2006	**9,673**	**-**	**13,717**	**8,579**	**31,969**
Net book value					
At 30 June 2006	**105,414**	**40,876**	**5,978**	**2,594**	**154,862**
At 30 June 2005	107,242	9,018	7,579	3,414	127,253

The directors consider that the market value of interests in freehold property is at least that shown as the net book value of the assets. A valuation on a depreciated replacement cost basis, as reported on by Dunlop Haywards Limited, Consultant Surveyors, as at 30 June 2006, showed a valuation surplus, not incorporated in these financial statements, in the order of £107 million.

Company

	Freehold Property £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 1 July 2005	21,641	4,200	530	26,371
Additions	75	531	21	627
Disposals	(805)	(2,235)	(326)	(3,366)
At 30 June 2006	**20,911**	**2,496**	**225**	**23,632**
Depreciation				
At 1 July 2005	1,727	2,552	402	4,681
Charge for the year	128	787	117	1,032
Disposals	(65)	(2,190)	(326)	(2,581)
At 30 June 2006	**1,790**	**1,149**	**193**	**3,132**
Net book value				
At 30 June 2006	**19,121**	**1,347**	**32**	**20,500**
At 30 June 2005	19,914	1,648	128	21,690

Notes to the Financial Statements

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12 Fixed asset investments

Group

	Associated Undertakings £'000	Joint Venture £'000	Total £'000
Cost			
At 1 July 2005	219	-	219
Share of profit / (loss)	43	(291)[1]	(248)
Transfer to provision for liabilities and charges (note 17c)	-	291	291
At 30 June 2006	**262**	**-**	**262**
Net book value			
At 30 June 2006	**262**	**-**	**262**
At 30 June 2005	219	-	219

Company

	Subsidiary Undertakings £'000	Associated Undertakings £'000	Joint Venture £'000	Total £'000
Cost				
At 1 July 2005	1,019	252	-	1,271
At 30 June 2006	**1,019**	**252**	**-**	**1,271**
Net book value				
At 30 June 2006	**1,019**	**252**	**-**	**1,271**
At 30 June 2005	1,019	252	-	1,271

(1) *In accordance with FRS 9, 'Joint Ventures and Associates', the Group's share of losses from its investment in the* joint venture of £291,000 has been calculated by reference to the proportion of ordinary shares it owns. The Group's cash investment is limited to £1 million and is provided by way of a loan to the joint venture company, made by 31 July 2000, which has now been been fully provided for.

The following companies are the principal subsidiary undertakings, joint venture and associated undertaking of the Group at 30 June 2006:-

	Country of incorporation and operation	Principal activity	Description of share classes owned
Subsidiaries			
Manchester United Football Club Limited	England and Wales	Professional football club	100% Ordinary
Manchester United Interactive Limited	England and Wales	Media company	95% Ordinary
Manchester United Commercial Enterprises (Ireland) Ltd	Ireland	Property investment	100% Ordinary
Alderley Urban Investments Limited	England and Wales	Property investment	100% Ordinary
Joint venture			
MUTV Limited	*England and Wales*	*Subscription TV channel*	*33.3% Ordinary*
Associate			
Timecreate Limited	England and Wales	Hotel	31.4% Ordinary

Notes to the Financial Statements

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13 Stocks

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Raw materials and consumables	**32**	29	**32**	29
Goods held for resale	**142**	93	**142**	93
	174	122	**174**	122

14 Debtors

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Amounts falling due within one year				
Trade debtors	**19,902**	5,726	**1,422**	1,604
Corporation tax	**-**	-	**959**	-
Amounts due from subsidiary undertakings	**-**	-	**120,457**	89,150
Amounts due from parent undertaking	**35,401**	-	**-**	-
Other debtors	**643**	867	**471**	469
Prepayments and accrued income	**8,481**	9,527	**3,768**	2,936
Deferred tax	**-**	-	**322**	397
	64,427	16,120	**127,399**	94,556
Amounts falling due after more than one year				
Trade debtors	**835**	-	**-**	-
Other debtors	**300**	300	**-**	-
	1,135	300	**-**	-
	65,562	16,420	**127,399**	94,556

Group trade debtors include transfer fees receivable from other football clubs of £15,281,000 (2005 - £2,150,000), excluding VAT, of which £835,000 (2005 Nil) is receivable after more than one year.

15 Creditors - amounts falling due within one year

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Trade creditors	**9,435**	23,122	**1,099**	1,843
Corporation tax	**136**	2,353	**-**	2,926
Social security and other taxes	**5,558**	5,696	**392**	782
Other creditors	**310**	202	**56**	-
Accruals	**10,240**	12,031	**2,729**	5,752
	25,679	43,404	**4,276**	11,303

Group trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £2,473,000 (2005 - £14,880,000).

16 Creditors - amounts falling due after one year

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Trade creditors	**4,946**	6,446	**-**	-
Other creditors - pensions	**731**	454	**-**	-
	5,677	6,900	**-**	-

Group trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £4,946,000 (2005-£5,446,000).

Notes to the Financial Statements

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17 Provision for liabilities and charges

a. Deferred taxation

The provision for deferred taxation/(deferred tax asset) comprises:

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Accelerated capital allowances	**6,772**	6,072	**(202)**	(202)
Short term timing differences	**(699)**	(597)	**(120)**	(195)
	6,073	5,475	**(322)**	(397)

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

	Group	Company
	£'000	£'000
At 1 July 2005	5,475	(397)
Amount charged to profit and loss account (note 7)	598	75
At 30 June 2006	**6,073**	**(322)**

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

b. Other provisions

The movements in other provisions for the onerous lease were as follows:

	Group	Company
	£'000	£'000
At 1 July 2005	2,070	2,070
Utilised	(275)	-
Transfer to group company	-	(2,070)
At 30 June 2006	**1,795**	**-**

The provision relates to a lease that may be terminated in 2015.

c. Investment in joint venture

The movements in the share of gross assets less the share of gross liabilities in the joint venture were as follows:

	Group
	£'000
At 1 July 2005	4,337
Share of reserves invested by joint venture partners	(217)
Loss for the year transferred from fixed asset investments (note 12)	291
At 30 June 2006	**4,411**

18 Deferred grant income

The movement in deferred grant income during the year was as follows:

	Group
	£'000
At 1 July 2005	736
Grants released in the year	(113)
At 30 June 2006	**623**

19 Other deferred income

Other deferred income comprises the following amounts received in respect of future football seasons:

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Match day activities	**46,057**	36,965	**-**	-
Commercial contracts	**7,773**	5,555	**7,609**	5,355
	53,830	42,520	**7,609**	5,355

Notes to the Financial Statements

continued

20 Share capital

	Group and Company	
	30 June 2006 £'000	30 June 2005 £'000
Authorised:		
350,000,000 ordinary shares of 10p each	35,000	35,000
Allotted, called up and fully paid:		
	Number	£'000
At 1 July 2005 and 30 June 2006	**265,192,483**	**26,519**

21 Reserves

Group

	Share Premium account £'000	Other reserve £'000	Profit and loss account £'000
At 1 July 2005	7,756	667	145,904
Retained profit for the year	-	-	21,603
Share of reserves invested by joint venture partners	-	217	-
At 30 June 2006	**7,756**	**884**	**167,507**

Company

	Share Premium account £'000	Profit and loss account £'000
At 1 July 2005	7,756	103,796
Retained profit for the year	-	27,771
At 30 June 2006	**7,756**	**131,567**

Under the terms of certain lotteries, past donations of £762,295 (2005 - £371,132) received by one of the Company's subsidiaries, and included within the profit and loss account balance, are not available for distribution (and bank balances are restricted accordingly) until such monies have been expended within the terms of those lotteries on capital programmes relating to the provision of facilities for youth development or spectators at the Old Trafford football stadium. All past donations, including nil (2005 - £79,967) expended during the year having been so applied are distributable. *It is intended that the balance will be applied to such programmes and will thereby become distributable.*

22 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Profit for the year	**21,603**	6,540	**27,771**	11,903
Consideration paid for purchase of shares held by ESOP trust	-	(1,332)	-	(1,332)
Fair value of long-term incentive awards	-	1,613	-	1,613
Dividends	-	(3,439)	-	(3,439)
	21,603	3,382	**27,771**	8,745
Issue of ordinary shares	-	4,043	-	4,043
Share of reserves invested by joint venture partners	**217**	67	-	-
Net addition to equity shareholders' funds	**21,820**	7,492	**27,771**	12,788
Opening equity shareholders' funds	**180,846**	173,354	**138,071**	125,283
Closing equity shareholders' funds	**202,666**	180,846	**165,842**	138,071

Notes to the Financial Statements

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23 Reconciliation of net cash inflow to movement in net funds

	Group	
	30 June 2006 £'000	30 June 2005 £'000
(Decrease)/increase in cash in the year	**(59,311)**	29,292
Opening net funds	**65,340**	36,048
Closing net funds	**6,029**	65,340

24 Analysis of changes in net funds

Group

	At 30 *June* 2005 £'000	Cash *flows* £'000	**At *30 June 2006* £'000**
Cash at bank and in hand	65,340	(59,311)	**6,029**

25 Lease commitments

At 30 June 2006 the Group's operating lease commitments for the financial year to 30 June 2007 were as follows:

	30 June 2006 Land and buildings £'000	30 June 2005 Land and buildings £'000
Leases expiring:		
after five years	**340**	340

26 Commitments and contingent liabilities

a. Capital commitments

At 30 June 2006, capital commitments were:

	Group		Company	
	30 June 2006 £'000	30 June 2005 £'000	**30 June 2006 £'000**	30 June 2005 £'000
Contracted but not provided for	**4,486**	34,359	-	-

b. Transfer fees payable

Under the terms of certain contracts with other football clubs in respect of player transfers, additional *amounts would be payable by the Group if certain conditions are met. The maximum that could be payable is* £11,104,000 (2005 £10,402,000).

At 30 June 2006 the potential amount payable by type of condition and category of player was:

Type of condition	**First team squad £'000**	**Other £'000**	**Total £'000**
MUFC appearances / new contract	3,250	5,654	8,904
International appearances	1,000	1,200	2,200
	4,250	**6,854**	**11,104**

c. Debt of parent company

On 23 June 2005, the Company and its subsidiary, Manchester United Football Club Limited, entered into accession agreements which provided *guarantees and security (by way of first fixed and floating charges over the assets and undertaking of the Company and its subsidiary) of each* other's obligations under a £373.9 million Senior Facilities Agreement entered into by the Company's immediate parent company, Red Football *Limited.*

On 21 November 2005, the Company and its subsidiary, Manchester United Football Club Limited, entered into agreements pursuant to which they removed the limitations on the guarantees and security which they gave on 23 June 2005 so that all of the obligations of the Company's immediate parent company, Red Football Limited, under the £373.9 million Senior Facilities Agreement were guaranteed and secured.

Subsequent to the balance sheet date, on 16 August 2006, the Company and its subsidiary, Manchester United Football Club Limited, entered into a £575 million Senior Facilities Agreement as borrowers of the revolving credit facility and as guarantors of the facilities borrowed by Red Football Limited which were used by Red Football Limited to refinance its existing bank facilities. In addition, the Company and its subsidiary provided security (by way of fixed first charges and floating charges over the assets and undertakings of the Company and its subsidiary) in respect of £425 million of the new facility and guaranteed each other's obligations and the obligations of its immediate parent company, Red Football Limited under the £575 million Senior Facilities Agreement.

Notes to the Financial Statements

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27 Pensions

a. Defined benefit scheme

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

As one of a number of participating employers, the Group has been advised only of its share of the deficit in the Scheme and of the contributions required to make good the deficit and £2,024,000 has been charged to the profit and loss account in previous years in this respect. The latest actuarial valuation was at 31 August 2005 and the Group has been advised that the deficit has increased and further contributions amounting to £400,000 are required. This amount has been charged to the profit and loss account in full in the current period (see note 4) as it is principally attributable to employees who have left the Group or retired.

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

b. Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the profit and loss account in the year in which they become payable and amounted to £1,932,000 (2005-£1,967,000).

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

28 Related party transactions

E M Watkins was a director of a subsidiary undertaking, Manchester United Football Club Limited throughout the year. Legal fees of £533,758 were paid in the period (2005-£432,925), in the ordinary course of business, to Brabners Chaffe Street (James Chapman & Co. prior to its merger with Brabners Chaffe Street on 1 May 2006), a firm in which E M Watkins is the senior partner.

There were no other material transactions or balances with related parties as defined by FRS8 'Related party transactions'.

29 Post balance sheet events

The playing registrations of certain footballers have been disposed of, subsequent to the balance sheet date, for a total consideration, net of associated costs, of £10,840,000. The associated net book value was £4,785,000.

Subsequent to the balance sheet date, the playing registration of certain footballers have been acquired for a total consideration, including associated costs, of £15,700,000.

30 Ultimate parent undertaking

The immediate parent undertaking is Red Football Limited.

The largest parent undertaking for which group accounts will be drawn up is Red Football Shareholder Limited. Red Football Shareholder Limited will be required to prepare group accounts for its accounting period ending on 30 June 2006. Red Football Shareholder Limited is, indirectly, wholly-owned by Red Football Limited Partnership, a limited partnership formed in the State of Nevada, United States of America.

The ultimate controlling party is the Malcolm Glazer Revocable Trust, a trust established under the laws of the State of Florida, United States of America.

Auditors' Report

We have audited the group and parent financial statements (the "financial statements") of Manchester United Limited for the year ended 30 June 2006 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2006 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
27 October 2006