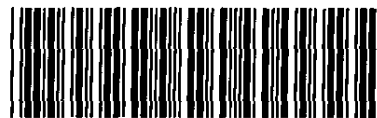


Registered Number: 02570509

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

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Manchester United Limited

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Manchester United Limited Strategic report

Manchester United Limited (the "Company") is a holding company 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 the Company should be transferred ('hived-down') to Manchester United Football Club Limited with effect from 1 July 2017. The hive-down was accounted for at predecessor values (i.e. carrying value in the books of the Company).

On 1 July 2017 the Company waived its right to receive certain amounts from Manchester United Football Club Limited. Consequently loans owed to the Company amounting to £300,000,000 (see note 18) were written off and a corresponding amount recognised as a further investment in Manchester United Football Club Limited (see note 15).

On 22 June 2018 the Company invested £19,637,000 (2017: £nil) into Manchester United Football Club Limited by way of a capital contribution.

Profit before tax for the year was £38.0 million (2017: £92.7 million).

Overall, the net assets of the Company increased by £14,983,000 to £425,852,000 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 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 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


J Glazer
Director

14 November 2018

Manchester United 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 £41,619,000 were paid during the year (2017: £23,295,000). The directors do not recommend the payment of a final dividend (2017: £nil).

Future developments

The Company does not expect to trade for the foreseeable future but does incur operating expenses relating to an office in Hong Kong. The Company does not expect any changes for the foreseeable future.

Financial risk management

As the Company does not expect to trade for the foreseeable future it is not exposed to significant financial risk.

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:

J Glazer (Chairman)
A Glazer
B Glazer
D Glazer Kassewitz
E Glazer
K Glazer

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 qualifying indemnity provision was in force throughout the financial year.

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.

Manchester United Limited Directors' report (continued)

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


J Glazer
Director

14 November 2018

Manchester United Limited

Independent auditors' report to the members of Manchester United Limited

Report on the audit of the financial statements

Opinion

In our opinion Manchester United 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 Limited

Independent auditors' report to the members of Manchester United 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 Limited

Independent auditors' report to the members of Manchester United 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 Limited

Income statement

	Note	Year ended 30 June	
		2018 £'000	2017 £'000
Revenue	4	-	251,603
Operating expenses	5	(3,591)	(97,958)
Operating (loss)/profit before other income		(3,591)	153,645
Other income	7	-	29,995
Operating (loss)/profit		(3,591)	183,640
Income from shares in group undertakings		41,619	-
Profit before interest and tax		38,028	-
Finance costs		-	(91,256)
Finance income		-	334
Net finance costs	8	-	(90,922)
Profit before tax		38,028	92,718
Tax expense	9	(1,063)	(33,513)
Profit for the year		36,965	59,205

Manchester United Limited **Statement of comprehensive income**

	Note	Year ended 30 June	
		2018 £'000	2017 £'000
Profit for the year		36,965	59,205
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges		-	75,256
Tax expense relating to cash flow hedges	9	-	(13,345)
Other comprehensive income for the year, net of tax		-	61,911
Total comprehensive income for the year		36,965	121,116

Manchester United Limited

Balance sheet

		As at 30 June	
	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	46	21,867
Investment property	13	-	6,437
Intangible assets	14	-	782
Investments	15	350,906	31,269
Derivative financial instruments	16	-	855
Deferred tax asset	17	-	1,068
		350,952	62,278
Current assets			
Derivative financial instruments	16	-	858
Trade and other receivables	18	76,386	1,246,325
Cash and cash equivalents		346	7
		76,732	1,247,190
Total assets		427,684	1,309,468

Manchester United Limited
Balance sheet (continued)

		As at 30 June	
	Note	2018 £'000	2017 £'000
EQUITY AND LIABILITIES			
Equity			
Share capital	19	26,519	26,519
Share premium		7,756	7,756
Capital contribution reserve		68,404	68,404
Retained earnings		323,173	308,190
Total equity		425,852	410,869
Non-current liabilities			
Derivative financial instruments	16	-	656
Trade and other payables	20	-	500,462
Deferred revenue		-	39,405
		-	540,523
Current liabilities			
Tax liabilities		250	8,065
Trade and other payables	20	1,582	205,086
Deferred revenue		-	144,925
		1,832	358,076
Total equity and liabilities		427,684	1,309,468

The notes on pages 14 to 30 are an integral part of these financial statements.

The financial statements on pages 9 to 30 were approved by the board of directors on
on its behalf by:

14 November 2018

and were signed

J. Glazer
Director

Registered Number: 02570509

Manchester United Limited
Statement of changes in equity

	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2016	26,519	7,756	68,404	(61,911)	272,280	313,048
Profit for the year	-	-	-	-	59,205	59,205
Cash flow hedges	-	-	-	75,256	-	75,256
Tax expense relating to cash flow hedges	-	-	-	(13,345)	-	(13,345)
Total comprehensive income for the year	-	-	-	61,911	59,205	121,116
Dividends paid (note 10)	-	-	-	-	(23,295)	(23,295)
Balance at 30 June 2017	26,519	7,756	68,404	-	308,190	410,869
Profit for the year	-	-	-	-	36,965	36,965
Total comprehensive income for the year	-	-	-	-	36,965	36,965
Dividends paid (note 10)	-	-	-	-	(21,982)	(21,982)
Balance at 30 June 2018	26,519	7,756	68,404	-	323,173	425,852

Manchester United Limited

Notes to the financial statements

1 General information

Manchester United 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 02570509.

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 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 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 Red Football 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.

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 loans owed to group undertakings are presented in the income statement within finance costs or income. All other foreign exchange gains and losses are presented in the income statement within operating expenses.

Manchester United 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.

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

b) Matchday

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

Other income comprises royalties and the provision of centralised services recharged to other group undertakings.

2.10 Income from shares in group undertakings

Income from shares in group undertakings is recognised when the right to receive payment is established.

2.11 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 Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.12 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.

2.13 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.

2.14 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 Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.15 Intangible assets

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.

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

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

Manchester United Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

2.17 Derivative financial instruments and hedging activities (continued)

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

2.18 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 capital contribution reserve arose as a result of capital contributions from parent undertakings.

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.

Manchester United Limited

Notes to the financial statements (continued)

3 Critical accounting estimates and judgements

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, judgements and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

4 Revenue

The Company did not trade during the year. Previously the principal activity of the Company was the operation of a professional football club. All of the activities of the Company supported the operation of the football club and the success of the first team was critical to the ongoing development of the Company. Consequently the chief operating decision maker regarded the Company as operating in one material segment, being the operation of a professional football club.

All revenue derived from the Company's principal activity in the United Kingdom. Revenue could be analysed into its two main components as follows:

	2018 £'000	2017 £'000
Commercial	-	239,227
Matchday	-	12,376
	-	251,603

Revenue derived from entities accounting for more than 10% of revenue in 2017 were as follows:

	2018 £'000	2017 £'000
adidas	-	79,214
General Motors (Chevrolet)	-	59,396

All non-current assets are held within the United Kingdom.

5 Operating expenses

	2018 £'000	2017 £'000
Employee benefit expense (note 6)	(850)	(45,042)
Operating lease costs – land and buildings	-	(2,069)
Auditors' remuneration: audit services	-	(459)
Auditors' remuneration: tax compliance services	-	(67)
Depreciation – property, plant and equipment (note 12)	(192)	(1,316)
Depreciation – investment property (note 13)	-	(81)
Amortisation (note 14)	-	(164)
Other operating expenses	(2,549)	(48,760)
	(3,591)	(97,958)

The cost of the auditors' remuneration for audit services of £15,000 (2017: not applicable) has been borne by Manchester United Football Club Limited, a subsidiary of the Company.

Manchester United Limited

Notes to the financial statements (continued)

6 Employee benefit expense and average number of people employed

	2018 £'000	2017 £'000
Wages and salaries	(823)	(40,292)
Social security costs	-	(3,604)
Other pension costs	(27)	(1,146)
	(850)	(45,042)

No directors received any emoluments in respect of services for the Company during the year (2017: none).

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

	2018 Number	2017 Number
By activity:		
Commercial	-	120
Administration and other	17	209
Average number of employees	17	329

7 Other income

	2018 £'000	2017 £'000
Royalties and recharge of centralised services to other group undertakings	-	29,995
	-	29,995

8 Net finance costs

	2018 £'000	2017 £'000
Bank charges and other fees	-	(1,375)
Interest payable on loans owed to group undertakings	-	(20,064)
Amortisation of issue discount and debt finance costs on loans owed to group undertakings	-	(608)
Foreign exchange losses on retranslation of unhedged US dollar borrowings	-	(1,576)
Reclassified from hedging reserve (note 24.2)	-	(73,152)
Fair value movements on derivative financial instruments:		
Embedded foreign exchange derivatives	-	(3,535)
Interest rate swaps	-	9,054
Total finance costs	-	(91,256)
Total finance income – interest receivable on short-term deposits	-	334
Net finance costs	-	(90,922)

Manchester United Limited

Notes to the financial statements (continued)

9 Tax expense

	2018 £'000	2017 £'000
Current tax:		
Group relief	(1,019)	(26,811)
Tax charge	(44)	(2,170)
Adjustment in respect of previous years	109	(3,095)
Total current tax expense	(954)	(32,076)
Deferred tax:		
Origination and reversal of timing differences	(112)	(742)
Adjustment in respect of previous years	-	(588)
Impact of change in UK corporation tax rate	3	(107)
Total deferred tax expense (note 17)	(109)	(1,437)
Total tax expense	(1,063)	(33,513)

A reconciliation of the total tax expense is as follows:

	2018 £'000	2017 £'000
Profit before tax	36,965	92,718
Profit before tax multiplied by the weighted average UK corporation tax rate of 19.0% (2017: 19.75%)	(7,023)	(18,312)
Tax effects of:		
Adjustment in respect of previous years	112	(3,683)
Expenses not deductible for tax purposes	(16)	(222)
Non-taxable income	7,705	-
Transfer pricing adjustments	(1,841)	(11,309)
Impact of change in UK corporation tax rate	-	13
Total tax expense	(1,063)	(33,513)

Factors that may affect future tax charges:

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

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

	2018 £'000	2017 £'000
Deferred tax (note 17)	-	(13,345)
Total tax expense recognised in other comprehensive income	-	(13,345)

10 Dividends

Dividends paid in the year ended 30 June 2018 amounted to £21,982,000 (£0.083 per share). Dividends paid in the year ended 30 June 2017 amounted to £23,295,000 (£0.088 per share). The directors do not recommend the payment of a final dividend (2017: £nil).

Manchester United Limited

Notes to the financial statements (continued)

11 Hive-down to Manchester United Football Club Limited

On 1 July 2017 a substantial part of the business (trade and assets) of the Company was transferred ('hived-down') to Manchester United Football Club Limited. The hive-down was accounted for at predecessor values (i.e. carrying value in the books of the Company).

The assets and liabilities transferred 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	1,713
Deferred tax asset	959
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 to Manchester United Football Club Limited	(113,784)

12 Property, plant and equipment

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
At 1 July 2017				
Cost	21,164	6,728	5,157	33,049
Accumulated depreciation	(2,360)	(5,606)	(3,216)	(11,182)
Net book amount	18,804	1,122	1,941	21,867
Year ended 30 June 2018				
Opening net book amount	18,804	1,122	1,941	21,867
Hive-down to Manchester United Football Club Limited (note 11)	(18,804)	(1,102)	(1,723)	(21,629)
Depreciation charge	-	(12)	(180)	(192)
Closing net book amount	-	8	38	46
At 30 June 2018				
Cost	-	59	212	271
Accumulated depreciation	-	(51)	(174)	(225)
Net book amount	-	8	38	46

Property, plant and equipment with a net book amount of £nil (2017: £21,867,000) has been pledged to secure the secured term loan facility and senior secured notes borrowings of the Group (see note 23).

At 30 June 2018, the Company had capital commitments amounting to £nil (2017: £0.2 million).

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

13 Investment property

	£'000
At 1 July 2017	
Cost	7,367
Accumulated depreciation and impairment	(930)
Net book amount	6,437
Year ended 30 June 2018	
Opening net book amount	6,437
Hive-down to Manchester United Football Club Limited (note 11)	(6,437)
Closing net book amount	-
At 30 June 2018	
Cost	-
Accumulated depreciation and impairment	-
Net book amount	-

14 Intangible assets

	£'000
At 1 July 2017	
Cost	1,256
Accumulated amortisation	(474)
Net book amount	782
Year ended 30 June 2018	
Opening net book amount	782
Hive-down to Manchester United Football Club Limited (note 11)	(782)
Closing net book amount	-
At 30 June 2018	
Cost	-
Accumulated amortisation	-
Net book amount	-

Manchester United Limited

Notes to the financial statements (continued)

15 Investments

	Shares in group undertakings £'000
At 1 July 2017	31,269
Waiver of loan owed by group undertaking	300,000
Capital contribution	19,637
At 30 June 2018	350,906

On 1 July 2017 the Company waived its right to receive certain amounts from Manchester United Football Club Limited. Consequently loans owed to the Company amounting to £300,000,000 were written off and a corresponding amount recognised as a further investment in Manchester United Football Club Limited.

On 22 June 2018 the Company invested £19,637,000 (2017: £nil) into Manchester United Football Club Limited by way of a capital contribution.

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

Subsidiaries	Principal activity	% of ownership interest
Alderley Urban Investments Limited*	Property investment	100
Manchester United Commercial Enterprises (Ireland) Limited*	Dormant company	100
Manchester United Football Club Limited*	Professional football club	100
Manchester United Women's Football Club Limited	Professional football club	100
Manchester United Interactive Limited	Dormant company	100
MU 099 Limited*	Dormant company	100
MU Commercial Holdings Limited*	Holding company	100
MU Commercial Holdings Junior Limited	Holding company	100
MU Finance Limited*	Finance company	100
MU RAML Limited	Retail and licensing company	100
MUTV Limited	Media company	100

* Direct investment of Manchester United Limited, others are held by subsidiary undertakings.

All of the above were incorporated and operate in England and Wales, with the exception of Manchester United Commercial Enterprises (Ireland) Limited which is incorporated and operates in Ireland. 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, with the exception of Manchester United Commercial Enterprises (Ireland) Limited, is Sir Matt Busby Way, Old Trafford, Manchester, M16 0RA, United Kingdom. The registered office of Manchester United Commercial Enterprises (Ireland) Limited is 4th Floor, 8-34 Percy Place, Dublin 4, Republic of Ireland.

Manchester United Limited

Notes to the financial statements (continued)

16 Derivative financial instruments

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Derivatives used for hedging:				
Interest rate swaps	-	-	-	(656)
Derivatives at fair value through profit or loss:				
Embedded foreign exchange derivatives	-	-	1,713	-
	-	-	1,713	(656)
Less non-current portion:				
Derivatives used for hedging:				
Interest rate swaps	-	-	-	(656)
Derivatives at fair value through profit or loss:				
Embedded foreign exchange derivatives	-	-	855	-
Non-current derivative financial instruments	-	-	855	(656)
Current derivative financial instruments	-	-	858	-

17 Deferred tax

The deferred tax asset comprises:

	2018 £'000	2017 £'000
Depreciation in excess of capital allowances	-	502
Short-term timing differences	-	566
	-	1,068

The movement in the deferred tax asset was as follows:

	2018 £'000	2017 £'000
At 1 July	1,068	15,850
Hive-down to Manchester United Football Club Limited (note 11)	(959)	-
Expensed to income statement (note 9)	(109)	(1,437)
Expensed to other comprehensive income (note 9)	-	(13,345)
At 30 June	-	1,068

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

18 Trade and other receivables

	2018	2017
	£'000	£'000
Trade receivables	11	33,377
<i>Less: provision for impairment of trade receivables</i>	-	<i>(10,244)</i>
Net trade receivables	11	23,133
Amounts owed by group undertakings	76,323	488,511
Loans owed by group undertakings	-	700,779
Accrued revenue	-	19,074
Prepayments	52	14,828
Current trade and other receivables	76,386	1,246,325

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

Loans owed by group undertakings as at 30 June 2017 were unsecured, interest free and repayable on demand. On 1 July 2017 the Company waived its right to receive certain amounts from Manchester United Football Club Limited. Consequently loans owed amounting to £300,000,000 were written off and a corresponding amount recognised as a further investment in Manchester United Football Club Limited - see note 15.

19 Share capital

	2018	2017
	£'000	£'000
Allotted and fully paid:		
265,192,483 (2017: 265,192,483) ordinary shares of £0.10 each	26,519	26,519

Manchester United Limited

Notes to the financial statements (continued)

20 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	31	4,296
Amounts owed to group undertakings	1,018	171,670
Loans owed to group undertakings	-	500,462
Accruals	533	27,047
Taxation and social security	-	2,073
	1,582	705,548
Less: non-current portion:		
Loans owed to group undertakings	-	500,462
Non-current trade and other payables	-	500,462
Current trade and other payables	1,582	205,086

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

Loans owed to group undertakings as at 30 June 2017 comprised:

- An unsecured loan of US\$225.0 million owed to MU Finance Limited; and
- An unsecured loan of US\$425.0 million owed to MU Finance Limited.

The loans were transferred as part of the hive-down to Manchester United Football Club Limited on 1 July 2017 (see note 11).

21 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).

22 Operating lease arrangements

22.1 The Company as lessee

The Company leases various premises 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	35	1,992
Later than 1 year and no later than 5 years	-	4,105
	35	6,097

22.2 The Company as lessor

The Company leased 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	-	600
Later than 1 year and no later than 5 years	-	2,615
	-	3,215

Manchester United Limited

Notes to the financial statements (continued)

23 Debt of subsidiary undertaking

Manchester United Football Club Limited, a subsidiary of the Company, has issued senior secured notes that are secured by a first-ranking lien over all shares and substantially all property and assets of the issuer and guarantors, which by definition incorporates Red Football Limited, Red Football Junior Limited, Manchester United Football Club Limited, MU Finance Limited and the Company. The principal amount outstanding at 30 June 2018 was the pounds sterling equivalent of £322,117,000 (\$425,000,000).

Manchester United Football Club Limited also has a secured term loan facility. The loan is secured against substantially all of the assets of each of the guarantors, which by definition incorporates Red Football Limited, Red Football Junior Limited, Manchester United Football Club Limited, MU Finance Limited and the Company. The principal amount outstanding at 30 June 2018 was the pounds sterling equivalent of £170,532,000 (\$225,000,000).

24 Immediate parent undertaking and ultimate controlling party

The immediate parent undertaking is Red Football 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 as at 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.