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MANCHESTER UNITED PLC

REPORT AND ACCOUNTS

1995

CONTENTS

DIRECTORS

Professor Sir Roland Smith (Non-Executive Chairman)
Martin Edwards (Chief Executive)
Robin Launders (Finance Director)
Amer AlMidani (Non-Executive Director)
Maurice Watkins (Non-Executive Director)

ADVISERS

AUDITORS
Grant Thornton
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Heron House, Albert Square
Manchester M60 8GT

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SOLICITORS
James Chapman & Co
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SECRETARY AND REGISTERED OFFICE
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20 Farringdon Road
London EC1M 3NH

MANCHESTER STOCKBROKERS
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REGISTRARS AND TRANSFER OFFICE
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Results and Dividend

The Board is pleased to announce the Group's results for the year ended 31 July 1995, during which Manchester United won the Charity Shield, were runners up in the Premier League Championship, finalists in the F.A. Cup and winners of the F.A. Youth Cup.

Profit before transfer fees and taxation increased by 42 per cent to £16.3 million (1994 - £11.5 million) on turnover higher by 38 per cent to £60.6 million (1994 - £43.8 million). The surplus on player transfers amounted to £3.7 million (1994 - £0.7 million net expenditure), giving a profit before taxation of £20.0 million (1994 - £10.8 million).

Shareholders will already be aware that Manchester United accounts for player transfers by writing any income or expenditure to the profit and loss account. Consequently, there is no figure in the balance sheet for any historic cost of player transfers.

Profit after taxation is £14.2 million (1994 - £7.4 million). The Board has appropriated £4.0 million to the transfer fee reserve to take the balance to £8.0 million, which is equivalent to approximately £12.0 million before tax. Shareholders' funds have increased to £32 million or 52.7 pence per share. Earnings per share were 23.4 pence before appropriation and 16.8 pence after appropriation (1994 - after adjusting for the bonus issue - see Note 23 to the accounts - 12.2 pence before appropriation and 7.7 pence after appropriation).

The Board recommends an increased final dividend of 3.1 pence per share (1994 - 2.9 pence per share) giving a total dividend for the year of 4.5 pence per share (1994 - 4.2 pence per share). The shares will go ex-dividend on 23 October 1995 and the dividend will be paid on 4 December 1995 to shareholders on the register at 31 October 1995.

Operations

The 1994/95 season started with Manchester United as Premier League Champions and holders of the F.A. Cup. Old Trafford had been refurbished or rebuilt for all but the North side. The need for extra capacity was paramount and participation in the U.E.F.A. Champions' League promised the financial foundation for expansion of capacity by rebuilding the North Stand. Medium term funds were put in place to help finance the construction programme.

Your Board was able to announce in March detailed proposals for land purchase and for the demolition and rebuilding of the North Stand to take the capacity at Old Trafford to over 55,000. The land purchase was completed in April and work commenced in May as soon as the season was over.

Financially, the year has been an excellent one with full gates in the home Premiership games, strong trading growth, a reasonable participation in the U.E.F.A. Champions' League and a cup run to Wembley. Gate receipts and programme sales were 10 per cent higher at £19.6 million (1994 - £17.9 million). Television income increased 71 per cent from £4.0 million to £6.8 million. Sponsorship and royalty income increased 57 per cent to £7.4 million (1994 - £4.7 million) reflecting the new contract with Sharp, increased earnings from UMBRO and growth in match day sponsor income. Conference and catering turnover rose 12 per cent to £3.4 million (1994 - £3.0 million).

Merchandising and other income increased 65 per cent to £23.5 million from the 1994 level of £14.2 million - the expansion spreads across all the retail, mail order, wholesale and video activities. Congratulations are due to all members of staff who have helped to achieve this growth. We are grateful to all our customers who have supported Manchester United's merchandising activities throughout the season.

Operating expenses rose by 21 per cent from £19.0 million to £23.0 million, reflecting the growth of the business in both merchandising and catering. As part of these expenses staff costs have increased by 18 per cent to £13.0 million (1994 - £11.1 million), reflecting an increase in playing staff costs and the growth in merchandising staff numbers.

The most significant recruit to the playing squad was Andrew Cole who signed for Manchester United in January for a transfer fee of £6.25 million, along with Keith Gillespie being transferred to Newcastle. Dion Dublin was transferred to Coventry, Mark Hughes to Chelsea, and Paul Ince to Inter Milan. One of the most pleasing features of the year has been the emergence and maturing of several young players from the side that won the 1992 F. A. Youth Cup.

The net assets of the business now total £32.1 million (1994 - £20.3 million) excluding property and player valuations. The cash and marketable securities held at the year end amounted to £15.6 million, after having paid £7.6 million towards the cost of the United Trading Estate. Manchester United PLC is well funded to meet the financial expenditure required to complete the North Stand development.

Prospects

We have begun the new financial year with Manchester United performing well in the Premier League. The trading activities continue satisfactorily and the North Stand construction is on schedule and on budget. Our financial performance in the current year will, however, reflect the reduced Old Trafford stadium capacity in the coming months. The benefit to shareholders of the increased stadium capacity should begin to be felt from the Spring of 1996.

It is a continuing commitment of the Board to ensure that the first team group of players has the depth and quality to maintain the high standards of play expected of Manchester United.

In recent years your Board has also supported significant investment in the recruitment and coaching of outstanding young players that has already produced attractive returns. We are fortunate in having an outstanding Manager and team of coaching staff who have brought about this achievement.

Professor Sir Roland Smith
Chairman
20 October 1995

The directors present their report together with the accounts for the year ended 31 July 1995.

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, results and dividend

Turnover has increased by 38 per cent from £43.8 million in 1994 to £60.6 million in 1995. Profit before transfer fees and taxation increased by 42 per cent to £16.3 million (1994 - £11.5 million). Net income on player transfers amounted to £3.7 million, leaving a profit before taxation of £20.0 million (1994 - £10.8 million). These results are reviewed in the Chairman's Statement and are set out in the accounts.

The directors propose a final dividend of 3.1 pence per share for the year to 31 July 1995 (1994 - 2.9 pence per share after adjusting for the bonus issue - see Note 23 to the accounts) giving a total dividend for the year of 4.5 pence per share (1994 - 4.2 pence per share, after adjusting for the bonus issue). The directors have transferred £4.0 million to the transfer fee reserve and the balance of £7.5 million from profits after taxation and dividends has been retained. The consolidated balance sheet continues to show a healthy position at the year end.

Events since the year end and future developments

A review of existing operations and future developments is contained in the Chairman's Statement.

Since the year end Andrei Kanchelskis has been transferred to Everton Football Club ("Everton") for a cash consideration of £5.0 million. Under the terms of the agreement between Manchester United and Shakter Donetsk ("Donetsk") for the transfer of Andrei Kanchelskis to Manchester United there is a clause providing for the payment to Donetsk of a sum representing 30 per cent of the excess of any transfer fee received by Manchester United over the total amount of £1.2 million already paid to Donetsk. The potential payment to Donetsk therefore amounts to £1.14 million. The directors are still in discussion with Donetsk regarding this matter. Everton has agreed to indemnify Manchester United in respect of 50 per cent of any payment made to Donetsk up to a maximum amount of £0.55 million.

Explanation of the special business of the Annual General Meeting

A special resolution (number 5) will be proposed to disapply the provisions of section 89(1) of the Companies Act 1985 in order to provide the directors with a limited power to issue equity securities for cash otherwise than pro-rata to ordinary shareholdings. The resolution conforms with the guidelines of the Investment Committees of the Association of British Insurers and the National Association of Pension Funds. If approved, it will maintain the flexibility of the Company to allot equity securities by way of a rights issue or, up to an aggregate of £304,085 (3,040,850 ordinary shares) being not more than 5 per cent of the current issued share capital.

Aggregate value attributable to players

The Group's accounting policy for expenditure and receipts in respect of player transfers is to deal with these through the profit and loss account. This means that no value is attributed to players in the balance sheet. The directors will continue this policy unchanged but, in the light of the Jean-Marc Bosman case, are not publishing the results of an independent report on the aggregate value of the first team squad of players.

Fixed assets

Movements in fixed assets are set out in Note 11 to the accounts, reflecting stadium improvements to the South and East Stands, the commencement of the rebuilding of the North Stand, and the acquisition of the United Trading Estate ("the Estate"). Of the cost of acquisition of the Estate, £4.4 million has been categorised as investment properties within fixed assets.

The directors consider that the market value of interests in land and buildings is at least that shown as the book value of the assets. The value on a depreciated replacement cost basis, as reported on by Dunlop Heywood & Co Limited, Consultant Surveyors, as at 31 July 1993, showed a valuation surplus of the order of £29 million. Since that date there have been improvements to the South and East Stands, additions to the land and scope of Old Trafford following the acquisition of the Estate, and demolition of the North Stand (which carried a significant proportion of the valuation surplus); the rebuilding of the North Stand with three tiers is underway. The directors propose to arrange for a new valuation of Old Trafford as at 31 July 1996.

Directors

The directors serving at 31 July 1995 and throughout the year were as follows:

Professor Sir Roland Smith (Chairman)
C M Edwards
R P Launders
A M AlMidani
E M Watkins

Brief biographical details of the non-executive directors are as follows:

Professor Sir Roland Smith, 67, has been a director of the Company since 1991. He is a director of the Bank of England, chairman of Hepworth PLC, chairman of Readicut International PLC and chairman, director and consultant to other public and private companies.

Amer AlMidani, 37, has been a director of the Company since 1991. He has extensive interests in the hotel and leisure industries, principally in Spain.

Maurice Watkins, 53, has been a director of the Company since 1991 and a director of the Manchester United Football Club plc since June 1984. He is a partner in the Manchester firm of solicitors, James Chapman & Co, solicitors to the Group and has provided legal advice to the Group over the last eighteen years.

In accordance with the Articles of Association, Professor Sir Roland Smith retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Three of the directors have service contracts, for which the unexpired periods are as follows:

Sir Roland Smith	7 months
C M Edwards	31 months
R P Launders	19 months

No other director has a service contract.

Substantial interests

In addition to the directors' interests set out in Note 6 to the accounts, the Company has been notified of the following interests in over 3 per cent of its issued share capital as at 17 October 1995:

	Shares	
Marathon Asset Management Limited	3,620,000	6.0%
Fidelity International Limited	3,075,000	5.1%
Philen Establishment	2,567,195	4.2%

The interest of the Philen Establishment duplicates the interest of A M AlMidani referred to in Note 6 to the accounts.

Employee involvement

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Group and are of interest to them as employees.

Disabled employees

Disabled persons are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain him/her in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitations of their disability.

Charitable and political contributions

The Group contributed £10,766 (1994 - £11,861) to charities and made no political contributions in the year (1994 - £nil).

Auditors

Grant Thornton have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

R P Launders	Old Trafford
Secretary	Manchester
20 October 1995	M16 0RA

The Board of Directors

The Board of Directors, under its non-executive Chairman, meets regularly throughout the year and consists of two executive and three non-executive members. The Board is responsible for overall group strategy and monitors the executive management. In addition, it has reserved to itself decisions on significant player transfers and major capital expenditure, the appointment of advisers, treasury management, and safety policy in a supervisory capacity.

The Board has an agreed procedure for directors to take independent professional advice in the furtherance of their duties, should they so require. The Company Secretary's advice and services are also available to all Board members when and if needed.

Non-Executive Directors

Except as disclosed in Note 6 to the accounts, the non-executive members of the Board have no financial or contractual interest in the Company other than by way of their fees and shareholding. The non-executive directors do not participate in the Executive Share Option Scheme.

The Board considers that the non-executive members are of such calibre and number for their views to carry significant weight in the Board's decision making.

Non-executive directors appointed in the future will be engaged for specific terms, their reappointment will not be automatic, and the appointment process will be formalised.

Executive Directors

The two executive directors are also directors of both the Company's subsidiary undertakings, and direct the management of the day to day business of the Group.

The executive directors have service contracts. Their emoluments are set by the Remuneration Committee, which is composed of the non-executive directors. All directors' remuneration and expenses are reviewed by the Audit Committee annually. Details of directors' emoluments are set out in Note 6 to the accounts.

Reporting and Internal Controls

The Board is fully aware of its duty to present a balanced and understandable assessment of the Group's position. The directors regularly review financial statements, cash balances and forecasts to ensure that a going concern state of affairs will prevail.

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

A statement covering the directors' responsibilities for preparing the accounts is on page 23.

The Board has constituted an Audit Committee comprising all members of the Board, with the proviso that on at least one occasion each year the auditors will have a meeting with the non-executive directors alone.

The directors are of the opinion that the Group complied throughout the year with the Code of Best Practice ("the Code"), contained in the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance, with the exception of paragraph 4.5 which comes into force for annual reports relating to periods beginning on or after 1 January 1995. Accordingly, the directors will report further on the Group's system of internal control next year.

Our auditors have confirmed that, in their opinion: with respect to the above directors' statement on going concern, the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and such statement is not inconsistent with the information of which they are aware from their audit work on the financial statements: and that the directors' other statements above appropriately reflect the Group's compliance with the other paragraphs of the Code specified for their review. The auditors were not required to perform the additional work necessary to, and did not, express any opinion on the Group's corporate governance procedures nor on the ability of the Group to continue in operational existence.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 12 months ended 31 July 1995

	Note	1995 £'000	1994 £'000
Turnover	1	**60,622**	43,815
Cost of sales		**(22,092)**	(13,864)
Gross profit		**38,530**	29,951
Operating expenses	2	**(22,953)**	(18,955)
Operating profit		**15,577**	10,996
Income from interest in associated undertaking	3	**72**	3
Net interest receivable	4	**632**	452
Profit before transfer fees		**16,281**	11,451
Net transfer fees	5	**3,733**	(675)
Profit on ordinary activities before taxation		**20,014**	10,776
Taxation	7	**(5,792)**	(3,340)
Profit for the year	8	**14,222**	7,436
Dividends	9	**(2,737)**	(2,554)
Appropriation to transfer fee reserve	24	**(4,000)**	(2,750)
Retained profit for the year		**7,485**	2,132
Earnings per ordinary share (pence)			
Before appropriation (pence)	10	**23.4**	12.2
After appropriation (pence)	10	**16.8**	7.7

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 12 months ended 31 July 1995

	1995 £'000	1994 £'000
Profit for the year	**14,222**	7,436
Unrealised surplus on revaluation of investment properties	**260**	–
Total recognised gains and losses for the year	**14,482**	7,436

The accompanying notes on pages 12 to 22 are an integral part of these accounts.

CONSOLIDATED BALANCE SHEET

At 31 July 1995

	Note	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	11	43,441	26,382
Investments	12	–	101
		43,441	26,483
Current assets			
Stocks	13	2,004	1,539
Debtors	14	11,398	5,453
Marketable securities	15	6,832	3,368
Cash at bank and in hand	16	8,785	10,215
		29,019	20,575
Creditors			
Amounts falling due within one year	17	19,542	12,592
Net current assets		9,477	7,983
Total assets less current liabilities		52,918	34,466
Creditors – amounts falling due after one year	18	6,625	–
Provision for liabilities and charges	20	244	147
Accruals and deferred income			
Deferred grant income	21	1,643	1,937
Other deferred income	22	12,334	12,055
Net assets		32,072	20,327
Capital and reserves			
Share capital	23	6,082	1,216
Share premium account	24	1,611	6,477
Revaluation reserve	24	260	–
Transfer fee reserve	24	8,000	4,000
Profit and loss account	24	16,119	8,634
Shareholders' funds		32,072	20,327

The financial statements on pages 8 to 22 were approved by the board of directors on 20 October 1995 and signed on its behalf by:

R P Launders
Director

The accompanying notes on pages 12 to 22 are an integral part of these accounts.

COMPANY BALANCE SHEET

At 31 July 1995

	Note	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	11	**17,736**	7,777
Investments	12	**1,009**	1,109
		18,745	8,886
Current assets			
Stocks	13	**2,004**	1,539
Debtors	14	**9,824**	8,319
Cash at bank and in hand	16	**3,642**	4,211
		15,470	14,069
Creditors			
Amounts falling due within one year	17	**7,933**	7,276
Net current assets		**7,537**	6,793
Total assets less current liabilities		**26,282**	15,679
Creditors – amounts falling due after one year	18	**6,500**	–
Accruals and deferred income			
Other deferred income	22	**2,547**	2,672
Net assets		**17,235**	13,007
Capital and reserves			
Share capital	23	**6,082**	1,216
Share premium account	24	**1,611**	6,477
Revaluation reserve	24	**260**	–
Profit and loss account	24	**9,282**	5,314
Shareholders' funds		**17,235**	13,007

The financial statements on pages 8 to 22 were approved by the board of directors on 20 October 1995 and signed on its behalf by:

R P Launders
Director

The accompanying notes on pages 12 to 22 are an integral part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the 12 months ended 31 July 1995

	1995		1994	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities		**20,445**		12,433
Returns on investments and servicing of finance				
Interest received	**833**		453	
Interest paid	**(201)**		(1)	
Dividend received from associated undertaking	**70**		–	
Dividends paid	**(2,615)**		(2,432)	
Net cash outflow from returns on investments and servicing of finance		**(1,913)**		(1,980)
Taxation				
Tax paid	**(3,169)**		(998)	
		(3,169)		(998)
Investing activities				
Sale of tangible fixed assets	**270**		427	
Purchase of tangible fixed assets	**(18,924)**		(5,596)	
Purchase of shares in associated undertaking	**–**		(25)	
Sale of shares in associated undertaking	**25**		–	
Loan to associated undertaking	**–**		(75)	
Loan repaid by associated undertaking	**75**		–	
Sale of marketable securities	**1,487**		4,829	
Purchase of marketable securities	**(4,951)**		(3,368)	
Net cash outflow from investing activities		**(22,018)**		(3,808)
Net cash (outflow)/inflow before financing		**(6,655)**		5,647
Financing				
New borrowings (Note 19)	**5,300**		–	
Repayment of borrowings (Note 19)	**(75)**		–	
Grants received	**–**		1,725	
Net cash inflow from financing		**5,225**		1,725
(Decrease)/increase in cash and cash equivalents (Note 16)		**(1,430)**		7,372

	1995	1994
Net cash generated from operating activities		
Operating profit	**15,577**	10,996
Net transfer fees	**3,733**	(675)
Depreciation charges	**1,412**	1,188
Loss on disposal of tangible fixed assets	**443**	203
Loss on disposal of marketable securities	**–**	85
Grants released	**(294)**	(351)
Increase in stocks	**(465)**	(455)
Increase in debtors	**(5,906)**	(1,526)
Increase in creditors	**5,945**	2,968
Net cash inflow from operating activities	**20,445**	12,433

The accompanying notes on pages 12 to 22 are an integral part of these accounts.

Accounting policies
The principal accounting policies, which have been consistently applied, are set out below.

Basis of accounting
The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of investment properties.

Basis of consolidation
The principles of merger accounting have been applied. The accounts combine the results of Manchester United PLC and its subsidiary undertakings.

Turnover
Turnover represents gate receipts, lottery donations and sales invoiced, exclusive of value added tax.

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

Plant and machinery	20%-25%
General fixtures and fittings	15%
Executive suite fixtures and fittings	100%

Depreciation is not provided on freehold properties. It is the Group's policy to maintain all its properties in such a condition that the estimated aggregate residual values are at least equal to their book values. Consequently, any element of depreciation would, in the opinion of the directors, be immaterial. Residual values are appraised each year by reference to the estimated depreciated replacement cost of the properties in aggregate, and the Old Trafford stadium in particular. Provision will be made against the cost of the properties in the event of any permanent diminution in their value.

Depreciation is not provided in respect of freehold investment properties. In accordance with SSAP19 investment properties are revalued annually. Surpluses or deficits are transferred to the revaluation reserve. The directors consider that this accounting policy (which represents a departure from the statutory accounting rules in order to comply with SSAP19) is necessary to provide a true and fair view. It is not possible to quantify the depreciation which would otherwise have been charged. Should any transfer between investment properties and other categories of fixed assets be necessary the transfer will be at book value.

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

Transfer fees
Fees payable to and receivable from other football clubs on the transfer of players' registrations, together with associated costs, are dealt with through the profit and loss account in the accounting period in which the transfer of the player's registration takes place.

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 taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Pension costs
Defined contribution pension arrangements are made for certain employees of the Group. The Group's contributions are charged against the profit and loss account in the year in which they become payable. The assets of the pension schemes are held separately from those of the Group in independently administered funds.

1 Turnover

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

	1995 £'000	1994 £'000
Gate receipts and programme sales	19,648	17,920
Television	6,758	3,959
Sponsorship, royalties and advertising	7,363	4,693
Conference and catering	3,365	3,011
Merchandising and other	23,488	14,232
	60,622	43,815

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

	1995 £'000	1994 £'000
United Kingdom	59,770	43,409
Rest of world	852	406
	60,622	43,815

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

2 Operating expenses

	1995 £'000	1994 £'000
Auditors' remuneration: audit fees	36	30
Auditors' remuneration: non audit services	91	32
Directors' remuneration (Note 6)	429	349
Staff costs (Note 6)	13,020	11,066
Depreciation	1,412	1,188
Operating leases	37	28
Plant and vehicle hire	35	10
Other operating charges	7,744	6,315
Grants released (Note 21)	(294)	(351)
Loss on disposal of tangible fixed assets	443	203
Loss on disposal of marketable securities	-	85
	22,953	18,955

3 Income from interest in associated undertaking

	1995 £'000	1994 £'000
Group's share of associated undertaking's profit before taxation	72	3
Tax attributable to the Group's share of associated undertaking's profits (Note 7)	(17)	(2)
Group's share of associated undertaking's profit for the year	55	1

The Group sold its interest in its associated undertaking during the year.

4 Net interest receivable

	1995 £'000	1994 £'000
Interest receivable	833	453
Interest payable on bank loans and overdrafts repayable within five years, not by instalments	(201)	(1)
	632	452

5 Net transfer fees

	1995 £'000	1994 £'000
Transfer fees receivable	10,193	825
Transfer fees payable	(6,460)	(1,500)
	3,733	(675)

6 Staff costs

Particulars of employee costs (excluding directors) are as shown below:

	1995 £'000	1994 £'000
Wages and salaries	11,674	9,530
Social security costs	1,072	1,341
Other pension costs	274	195
	13,020	11,066

The average number of employees was as follows:

	1995 Number	1994 Number
Players	40	42
Ground staff	38	31
Ticket office and membership	18	17
Restaurant and conference centre staff	52	64
Merchandising and publishing	102	54
Administration and other	49	40
Average number of employees	299	248

The Group also employs approximately 750 temporary staff on match days (1994 – 750).

The directors of the Company received the following remuneration:

	Salaries/ Fees £'000	Bonus £'000	Benefits £'000	Pension Contributions £'000	1995 Total £'000	1994 Total £'000
Executive						
C M Edwards*	153	105	17	15	290	229
R P Launders	94	10	9	10	123	104
Non-executive						
Sir Roland Smith**	5	–	–	–	5	5
E M Watkins	11	–	–	–	11	11
A M AlMidani	–	–	–	–	–	–
1995: Total	263	115	26	25	429	349
1994: Total	246	55	25	23	349	

* Highest paid director
** Chairman

The directors' bonuses are determined by the Remuneration Committee. Mr. Edwards' bonus is based on the achievement of a minimum profit before transfer fees figure.

Sums paid to third parties in respect of directors' services are excluded from the figures shown above and are as follows. Payments of £45,500 were made to Roland Smith and Associates Limited, a company in which Professor Sir Roland Smith has an interest, in respect of consultancy services provided to the Company by Professor Sir Roland Smith. Legal fees paid during the year to James Chapman & Co. of which E M Watkins is a partner, were £122,200 being services charged on an arms length basis, in the ordinary course of business as the Group's solicitors.

6 Staff costs (continued)

Listed below are the Directors who were in office throughout the year, together with their interest in the share capital of the Company:

	At 31 July 1995		At 1 August 1994*	
	Shares	**Options**	Shares	Options
Professor Sir Roland Smith	–	–	–	–
C M Edwards (see below)	**16,000,790**	–	17,250,790	–
A M AlMidani	**2,567,195**	–	4,317,195	–
E M Watkins	**1,776,375**	–	1,776,375	–
R P Launders	–	**500,000**	–	500,000

*After adjusting for the bonus issue – see Note 23.

5,000,000 of the shares in which C M Edwards has an interest are held in a non-beneficial capacity by a trust of which C M Edwards and E M Watkins are trustees.

R P Launders' options are exercisable in accordance with the terms of the Executive Share Option Scheme from 12 January 1996 until 11 January 2003 at a price of 67.8p per share. The trading price at 31 July 1995 was 155p per share.

There have been no changes in the options or shareholdings since the year end.

Sums paid to third parties in respect of directors' services are set out above. The Company maintains directors' liability insurance. There were no other material contracts with the Group in which any director had an interest.

7 Taxation

	1995 £'000	1994 £'000
UK corporation tax based on the profit for the year	(5,686)	(3,569)
Deferred taxation (Note 20)	(89)	231
Tax attributable to the Group's share of associated undertaking's profits	(17)	(2)
	(5,792)	(3,340)
Effective rate of corporation tax	28.9%	31.0%
Statutory rate of corporation tax	33.0%	33.0%

Adjustments to capital allowances on non-depreciable fixed assets, arising as a result of estimates inherent in earlier years' tax figures for accounts purposes, have had the effect of reducing the current year's tax charge. The effect is approximately £500,000 which, together with the non-taxable nature of certain income and grants, explains why the effective tax rate is below the statutory rate.

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 profit for the year is shown in Note 24.

9 Dividends

	1995 £'000	1994 £'000
Interim dividend paid (1.4 pence per share)	(851)	(790)
Final dividend proposed (3.1 pence per share)	(1,886)	(1,764)
	(2,737)	(2,554)

10 Earnings per ordinary share

Earnings per ordinary share have been calculated by dividing the profit for the year after taxation and the profit after appropriation from or to the transfer fee reserve for the year by the weighted number of ordinary shares in issue for the year, after adjusting for the 4 for 1 bonus issue of 48,653,608 shares on 1 December 1994.

	1995 £'000	1994 £'000
Profit for the year after taxation	**14,222**	7,436
Appropriation to the transfer fee reserve	**(4,000)**	(2,750)
Profit after appropriation	**10,222**	4,686
Weighted average number of shares in issue	***60,817,010***	*60,817,010*
Earnings per ordinary share		
Before appropriation (pence)	**23.4**	12.2
After appropriation (pence)	**16.8**	7.7

In addition to the usual definition of earnings per share, Manchester United PLC has always offered another version, "earnings per share after appropriation". Movements to and from the transfer fee reserve are decided by the directors on a balance of Cup income and transfer fee income and expenditure. When Cup income exceeds net player expenditure then an appropriation is usually made from profit for the year to the transfer fee reserve. If net player expenditure exceeds Cup income then the directors usually appropriate from the transfer fee reserve. The effect of this practice is to balance some of the volatility inherent in a football business where Cup runs can depend on the outcome of a single match and transfers of players cannot conform to any pattern. The directors therefore believe that earnings per share after appropriation is a useful measure of performance.

Fully diluted earnings per share are not materially different from those disclosed.

11 Tangible fixed assets

Group

	Investment Properties £'000	Freehold Property £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation					
At 1 August 1994	–	19,908	4,471	7,170	31,549
Additions	4,425	12,848	1,402	249	18,924
Disposals	–	(449)	(511)	(207)	(1,167)
Transfers	–	(13)	145	(132)	–
Adjustment arising on revaluation	260	–	–	–	260
At 31 July 1995	4,685	32,294	5,507	7,080	49,566
Depreciation					
At 1 August 1994	–	94	1,614	3,459	5,167
Charge for the year	–	–	783	629	1,412
Disposals	–	–	(277)	(177)	(454)
Transfers	–	–	–	–	–
At 31 July 1995	–	94	2,120	3,911	6,125
Net Book Value					
At 31 July 1994	–	19,814	2,857	3,711	26,382
At 31 July 1995	4,685	32,200	3,387	3,169	43,441

11 Tangible fixed assets (continued)

Company

	Investment Properties £'000	Freehold Property £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation					
At 1 August 1994	–	6,900	1,051	947	8,898
Additions	4,425	4,847	962	22	10,256
Disposals	–	(404)	(106)	(69)	(579)
Transfers	–	188	144	(128)	204
Adjustment arising on revaluation	260	–	–	–	260
At 31 July 1995	4,685	11,531	2,051	772	19,039
Depreciation					
At 1 August 1994	–	94	425	602	1,121
Charge for the year	–	–	258	33	291
Disposals	–	–	(67)	(55)	(122)
Transfers	–	–	–	13	13
At 31 July 1995	–	94	616	593	1,303
Net Book Value					
At 31 July 1994	–	6,806	626	345	7,777
At 31 July 1995	4,685	11,437	1,435	179	17,736

With the exception of investment properties, tangible fixed assets are shown at cost. The original cost of investment properties amounts to £4,425,000.

Investment properties, which are all freehold, were valued, on an open-market basis, by Dunlop Heywood & Co Limited, Consultant Surveyors, as at 17 March 1995 (the date on which the agreement to acquire the United Trading Estate was signed) and as at 31 July 1995. In accordance with SSAP 19, investment properties are revalued annually on this basis, any surplus being credited to the revaluation reserve.

12 Fixed asset investments

Group

	1995 £'000	1994 £'000
Group's share of associated undertaking's net assets:		
Reconciliation to underlying net asset value		
At 1 August 1994	**101**	–
Additions	**–**	25
Profits retained for the year	**55**	1
Loan to associated undertaking	**–**	75
Loan repaid by associated undertaking	**(75)**	–
Disposals and repayments	**(81)**	–
At 31 July 1995	**–**	101

Company

	1995 £'000	1994 £'000
Fixed asset investments comprise:		
Investment in subsidiary undertakings at cost	**1,009**	1,009
Investment in associated undertaking at cost	**–**	100
	1,009	1,109

Wholly owned subsidiary undertakings, registered in England and Wales, and operating principally within the United Kingdom:

	Principal activity	**Class of share held**
The Manchester United Football Club plc	Professional Football Club	Ordinary
Manchester United Merchandising Limited	Agency Company	Ordinary

13 Stocks

	Group		Company	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**27**	32	**27**	32
Goods for resale	**1,977**	1,507	**1,977**	1,507
	2,004	1,539	**2,004**	1,539

14 Debtors

	Group		Company	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Trade debtors	**7,117**	3,328	**2,341**	2,984
Amounts due from subsidiary undertakings	**–**	–	**4,762**	3,773
Amounts due from associated undertaking	**–**	13	**–**	13
Advance corporation tax recoverable	**432**	393	**432**	393
Other debtors	**2,174**	898	**2,000**	759
Prepayments and accrued income	**1,675**	821	**289**	397
	11,398	5,453	**9,824**	8,319

The advance corporation tax recoverable relates to the ACT on the proposed final dividend and is recoverable against mainstream corporation tax payable on 1 May 1997.

15 Marketable securities

	Group		Company	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Government securities – at cost	**6,832**	3,368	**–**	–
Government securities – at market value	**7,080**	3,368	**–**	–

16 Analysis of cash and cash equivalents

	Group		Company	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand				
At 1 August 1994	**10,215**	2,843	**4,211**	1,395
Movement in year	**(1,430)**	7,372	**(569)**	2,816
At 31 July 1995	**8,785**	10,215	**3,642**	4,211

Marketable securities have been excluded from cash and cash equivalents under a strict interpretation of FRS1 as having a maturity date at the time of purchase greater than three months. These government securities are held as part of the Group's cash management operations and are readily convertible into cash through the gilt edged market.

17 Creditors – Amounts falling due within one year

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Loan from the Football Trust (Note 19)	100	–	–	–
Trade creditors	4,535	3,158	760	1,680
Amounts due to associated undertaking	–	83	–	83
Social security and other taxes	1,840	1,236	495	396
Corporation tax	6,360	3,725	3,526	2,909
Dividends proposed	1,885	1,764	1,885	1,764
Accruals	4,822	2,626	1,267	444
	19,542	12,592	7,933	7,276

18 Creditors – Amounts falling due after one year

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Bank loan (Note 19)	5,000	–	5,000	–
Loan from the Football Trust (Note 19)	125	–	–	–
Deferred consideration for acquisition of United Trading Estate	1,500	–	1,500	–
	6,625	–	6,500	–

The Company's bankers, National Westminster Bank PLC, have entered into a Deed of Guarantee to guarantee the payment of the deferred consideration arising on the acquisition of the United Trading Estate, which is due for payment on 30 April 1997. The Company has given a counter indemnity to National Westminster Bank PLC in respect of this guarantee.

19 Borrowings

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Bank loan	5,000	–	5,000	–
Loan from the Football Trust	225	–	–	–
	5,225	–	5,000	–
Analysis of loan repayments:				
Within one year	100	–	–	–
Between one and two years	100	–	–	–
Between two and five years	5,025	–	5,000	–
	5,225	–	5,000	–
Analysis of changes in borrowings:				
At 1 August 1994	–	–	–	–
New borrowings	5,300	–	5,000	–
Repayment of borrowings	(75)	–	–	–
At 31 July 1995	5,225	–	5,000	–

20 Provision for liabilities and charges

This comprises deferred taxation attributable to:

	Group		Company	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Excess of tax allowances over book depreciation of fixed assets	**839**	566	**112**	56
Advance corporation tax	**(40)**	(48)	**(40)**	(48)
Other timing differences	**(555)**	(371)	**(72)**	(8)
	244	147	**–**	–

Deferred tax of £1.1 million in respect of excess capital allowances of £3.3 million could arise if the Old Trafford stadium was disposed of. It is not in the directors' long term strategy to dispose of the Old Trafford stadium. Consequently the likelihood of any deferred tax liability crystallising is remote and no provision has been made.

No liability to taxation on capital gains would arise if investment properties were to be sold at the amounts at which they have been revalued and included in these accounts.

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

	Group	Company
	£'000	£'000
At 1 August 1994	147	–
Charge/(credit) for the year	89	(8)
Transfer from ACT recoverable	8	8
At 31 July 1995	244	–

21 Deferred grant income

The movements in deferred grant income during the year were as follows:

	Group	Company
	£'000	£'000
At 1 August 1994	1,937	–
Grants received in the year	–	–
Grants released in the year	(294)	–
At 31 July 1995	1,643	–

22 Other deferred income

	Group		Company	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Deferred revenue income	**12,334**	12.055	**2,547**	2,672

Deferred income consists of season ticket, sponsorship and other elements of income which have been received prior to the year end in respect of the following football season.

23 Share capital

	Company	
	Authorised	Allotted, called up and fully paid
	£	£
Ordinary shares of 10p each		
At 1 August 1994	1,600,000	1,216,340
Increase in authorised share capital	6,400,000	–
Bonus issue	–	4,865,361
At 31 July 1995	8,000,000	6,081,701

Called up share capital was increased by £4,865,361 and the share premium account decreased by the same amount following a 4 for 1 bonus issue of 48,653,608 shares on 1 December 1994.

After adjusting for the bonus issue, at 31 July 1995, options subsisted over 1,125,000 ordinary shares of 10p each under the terms of the Executive Share Option Scheme. The options are exercisable in accordance with the terms of the scheme from 12 January 1996 until 11 January 2003 at a price of 67.8p per share. There were no options granted during the year.

24 Reserves

Group

	Share premium account £'000	Revaluation reserve £'000	Transfer fee reserve £'000	Profit and loss account £'000
At 1 August 1994	6,477	–	4,000	8,634
Profit for the year	–	–	–	14,222
Dividends	–	–	–	(2,737)
Appropriation to transfer fee reserve	–	–	4,000	(4,000)
Investment properties revaluation adjustment	–	260	–	–
Bonus issue of shares	(4,866)	–	–	–
At 31 July 1995	1,611	260	8,000	16,119

Company

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 August 1994	6,477	–	5,314
Profit for the year	–	–	6,705
Dividends	–	–	(2,737)
Investment properties revaluation adjustment	–	260	–
Bonus issue of shares	(4,866)	–	–
At 31 July 1995	1,611	260	9,282

Under the terms of certain lotteries, past donations of £333,965 (1994 - £458,422) 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 development of spectator facilities at Old Trafford football stadium. All past donations, including £670,000 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. The transfer fee reserve is distributable.

25 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Profit for the year	14,222	7,436
Dividends	(2,737)	(2,554)
	11,485	4,882
Other recognised gains and losses in the the year	260	–
Net addition to shareholders' funds	11,745	4,882
Opening shareholders' funds	20,327	15,445
Closing shareholders' funds	32,072	20,327

26 Capital and other financial commitments

a. Capital commitments

At 31 July 1995, capital commitments were:

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Contracted but not provided for	9,767	1,044	42	–
Authorised but not contracted for	4,719	171	392	17

b. Lease commitments

The Group leases certain property and vehicles on short term leases. At 31 July 1995, the Group had committed rentals under these operating leases for the next 12 months as follows:

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Leases expiring within 1 year	3	4	–	4
Leases expiring between 1 and 5 years	20	128	20	128
	23	132	20	132

c. Transfer fees payable

Under the terms of certain contracts with other football clubs in respect of player transfers, certain additional amounts would be payable by the Group if conditions as to future team selection are met. The maximum that could be payable is £240,000 (1994 - £260,000) of which £20,000 could arise within one year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the preparation of the accounts

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit of the Group for that period. The financial statements must comply with the requirements of the Companies Act 1985.

It is the directors' responsibility to ensure that adequate accounting records are maintained, that the assets of the Group are safeguarded and that reasonable steps are taken to ensure that fraud and other irregularities are prevented and detected.

The Board of Directors confirms that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements.

In addition, the directors confirm that applicable accounting standards have been followed.

AUDITORS' REPORT

Grant Thornton

To the members of Manchester United PLC

We have audited the financial statements on pages 8 to 22 which have been prepared under the accounting policies set out on page 12.

Respective responsibilities of directors and auditors

As described above, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 of the state of affairs of the Group and of the Company at 31 July 1995, and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
Registered Auditors
Chartered Accountants
MANCHESTER

20 October 1995

NOTICE OF MEETING

Notice is hereby given that the fifth Annual General Meeting of Manchester United PLC will be held at the Armitage Centre, University of Manchester, Moseley Road, Manchester M14 6HE at 11.00 a.m. on Friday 1 December 1995 for the following purposes:

1. To receive and adopt the accounts for the year ended 31 July 1995 together with the reports of the directors and auditors;

2. To declare a final dividend for the year ended 31 July 1995 which the directors propose should be 3.1p per share;

3. To re-elect Professor Sir Roland Smith, the director who retires by rotation in accordance with the Articles of Association;

4. To re-appoint Grant Thornton as auditors and to authorise the directors to fix their remuneration;

5. To approve the following special resolution:

   "That the directors be hereby empowered in accordance with section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the Companies Act 1985) pursuant to their existing authority under section 80 of the Companies Act 1985 as if section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all the holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or to deal with legal or practical problems under the laws or requirements of any recognised regulatory body or any stock exchange in any territory);

   (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £304,085 being not more than 5% of the current issued share capital of the Company;

   and shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, the date which is 15 months from the passing of this resolution) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired".

BY ORDER OF THE BOARD
R P Launders
Secretary
7 November 1995

Old Trafford
Manchester
M16 0RA

Notes:
Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on the member's behalf. A proxy need not be a member of the Company. The form of proxy should be sent to the Company's Registrars (The Royal Bank of Scotland plc, Securities Services – Registrars, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7YA) so as to arrive not later than 48 hours before the time appointed for the meeting. Where a form of proxy is signed under power of attorney or other authority, the form of proxy should be accompanied by the authorising instrument or a notarially certified copy. The sending of a form of proxy to the Registrars will not preclude members from attending and voting at the meeting in person, should they so wish.

Copies of directors' service contracts will be available for inspection at the registered office of the Company during usual business hours and at the place of the Annual General Meeting from 15 minutes before the time appointed for the Meeting until the end of the Meeting.

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