

Manchester City Football Club Limited

Directors' Report and Financial Statements

For the year ended 31 May 2012

Registered number 40946

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Manchester City Football Club Limited

Contents	Page
Directors and Advisors	3
Report of the Directors	4 - 6
Statement of Directors' Responsibilities	7
Report of the Independent Auditors	8 - 9
Profit and Loss Account	10
Statement of Total Recognised Gains and Losses	11
Note of Historical Cost Profits and Losses	11
Balance Sheet	12
Notes to the Financial Statements	13 - 25

Manchester City Football Club Limited

Directors and Advisors

Directors

K Al Mubarak (Chairman)
J MacBeath (Interim Chief Executive)
M Edelman
S Pearce
M Al Mazrouei
A Galassi

Club Secretary

R Baker

Registered Office

Etihad Stadium, Manchester M11 3FF

Bankers

Barclays Bank PLC, 51 Mosley Street, Manchester M60 2AU

Auditors

BDO LLP, 3 Hardman Street, Manchester M3 3AT

Solicitors

Shearman & Sterling LLP, Broadgate West, 9 Appold Street, London EC2A 2AP

Manchester City Football Club Limited

Report of the Directors

The Directors submit their report and the financial statements for the year ended 31 May 2012

Result for the year

The loss for the financial year was £95,296,000 (2011 £194,805,000) The Directors do not propose a dividend (2011 £nil)

Principal activity

The principal activity of the Company is the operation of a professional football club

Business review

Manchester City Football Club has undergone a significant period of investment since its acquisition by the Abu Dhabi United Group (ADUG) in 2008. The Club's performance in the 2011-12 reporting period demonstrates the tangible and positive impacts of that investment across many areas of our operations.

Firstly, we have delivered a significantly improved financial result. The Club's financial losses have more than halved during 2011-12 compared with those recorded in the previous year. This improvement has been driven by increases in broadcast, match day, ticketing and partnerships revenue, reflecting broad based growth in the Club's commercial performance.

Secondly, the Club's player recruitment strategy has transitioned from one of rebuilding to one of refinement. With a relatively young squad that has won an FA Cup and a Barclays Premier League in consecutive seasons, our recruitment needs have been reduced. As a result, the amortisation of player contracts and the net impact of player trading on the Club's bottom line has decreased by 27% (£30.3m) over the previous year consistent with our belief that the peak of the Club's investment in its playing squad has passed.

Thirdly, we are benefitting both directly and indirectly from the team's improved performance on the pitch. Manchester City's first year in the UEFA Champions League contributed more than £22 million in new revenue during 2011-12, in addition to boosting the Club's commercial value and international profile. Our best ever finish in the Barclays Premier League for the third consecutive year has also generated increased broadcast, match day and ticketing revenue during the 2011-12 season and confirmed our place among the world's leading clubs.

Encouragingly, the Club's annual turnover has increased by more than 50% from £153.2m in 2010-11 to £231.1m, exceeding the £200m threshold for the first time in our history.

Financial highlights for 2011-12 are as follows:

- Ticketing revenue increased by 11% from £19.7m to £21.9m, driven primarily by record average attendance in the Barclays Premier League and participation in the UEFA Champions League.
- Television rights income increased by 28% from £68.8m to £88.2m, driven primarily by our best ever result in the Barclays Premier League and participation in the UEFA Champions League.
- Commercial partnership revenue increased by 100% from £48.5m to £97.0m, underpinned by a comprehensive new partnership with Etihad Airways, additional new commercial partnerships and improved renewals.
- Hospitality, catering, conference and events revenue increased by 13% from £10.4m to £11.7m, driven primarily by increased demand for match day hospitality and catering at the Etihad Stadium during the historic 2011-12 season.

Looking ahead, the Club has continued to put in place the foundations necessary for the establishment of a successful and sustainable business. Most notably, the City Football Academy (CFA) received planning approval from Manchester City Council in December 2011 following an extensive public consultation. The Club has now appointed a construction partner for the project and announced its intention to open the new facilities in advance of the 2014-15 season.

Manchester City Football Club Limited

Report of the Directors (continued)

Risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the Group's performance. The Group's income is affected by the performance of the first team because significant revenues are dependent upon strong team performances in the Premier League, domestic and European Cup competitions. The Club is regulated by the rules of the FA, Premier League, UEFA and FIFA and any change to these regulations could have an impact as the regulations cover areas such as the distribution of broadcasting income, the eligibility of players and the operation of the transfer market. The Club monitors its compliance with all applicable rules and regulations on a continuous basis and considers the impact of any potential changes.

Key Performance Indicators

The key performance indicators relevant to the Company's performance are disclosed in more detail within the Business Review.

Political and charitable contributions

The Company made no political contributions. Donations to UK charities amounted to £231,027 (2011 £695,825).

Supplier payment policy

The Company had 16 days (2011 11 days) of purchases outstanding at the end of the financial year.

The Company policy is normally to pay suppliers according to agreed terms of business rather than following any code or standard on payment practice. These terms are agreed upon entering into binding contracts and the Company seeks to adhere to the payment terms providing the relevant goods and services have been supplied in accordance with the contracts.

Directors

The Directors who held office during the year were as follows:

K Al Mubarak (Chairman)
J MacBeath (Interim Chief Executive)
G Cook (Resigned 9 September 2011)
M Edelman
S Pearce
M Al Mazrouei
A Galassi (Appointed 22 June 2012)

Employee involvement

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

Manchester City Football Club Limited

Report of the Directors (continued)

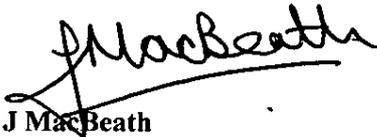
Disabled employees

Disabled employees 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.

Auditors

The current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board



J MacBeath
Interim Chief Executive
24 February 2013

Manchester City Football Club Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to

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

Manchester City Football Club Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY FOOTBALL CLUB LIMITED

We have audited the financial statements of Manchester City Football Club Limited for the year ended 31 May 2012 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with chapter 3, part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- - give a true and fair view of the state of the Company's affairs as at 31 May 2012 and of its loss for the year then ended,
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
 - have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

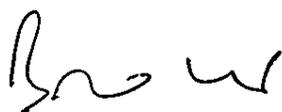
Manchester City Football Club Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY FOOTBALL CLUB LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



*Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom*

27 FEBRUARY 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Manchester City Football Club Limited

Profit and Loss Account

for the year ended 31 May 2012

	Note	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Turnover	2	231,140	153,186
Other operating income	24	12,800	-
Operating expenses - other	3	(265,000)	(229,822)
Operating expenses - amortisation of players		(83,031)	(83,847)
Operating loss before exceptional items		(104,091)	(160,483)
Operating expenses – exceptional items	3	-	(34,448)
Total operating expenses		(348,031)	(348,117)
Operating loss		(104,091)	(194,931)
Profit on disposal of players		10,647	5,344
Loss before interest and taxation		(93,444)	(189,587)
Interest receivable and similar income	6	1,815	88
Interest payable and similar charges	7	(177)	(1,924)
Stadium finance lease charges		(4,338)	(3,382)
Loss on ordinary activities before taxation		(96,144)	(194,805)
Taxation	8	848	-
Loss on ordinary activities after taxation	18	(95,296)	(194,805)

The results for both years relate to continuing operations

The notes on pages 13 to 25 form part of these financial statements

Manchester City Football Club Limited

Statement of Total Recognised Gains and Losses

for the year ended 31 May 2012

	Note	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Loss for the financial year		(95,296)	(194,805)
Unrealised deficit on revaluation of properties		(17,141)	-
Total recognised losses for the year		(112,437)	(194,805)

Note of Historical Cost Profits and Losses

for the year ended 31 May 2012

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Loss on ordinary activities before and after taxation	(95,296)	(194,805)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,214	1,214
Historical cost loss on ordinary activities before and after taxation	(94,082)	(193,591)

The notes on pages 13 to 25 form part of these financial statements

Manchester City Football Club Limited

Balance Sheet

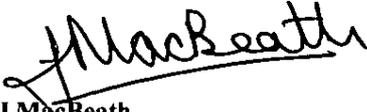
as at 31 May 2012

Registered number 40946

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets	9	226,244	231,771
Tangible assets	10	200,632	187,370
Investments	11	-	-
		426,876	419,141
Current assets			
Debtors	12	113,220	69,645
Cash at bank and in hand		12,600	30,330
		125,820	99,975
Creditors			
Amounts falling due within one year	13	(936,516)	(783,819)
		(810,696)	(683,844)
Net current liabilities		(810,696)	(683,844)
Total assets less current liabilities		(383,820)	(264,703)
Creditors			
Amounts falling due after more than one year	14	(54,334)	(61,536)
Deferred income	16	(30,667)	(30,145)
		(468,821)	(356,384)
Capital and reserves			
Called up share capital	17	1,342	1,342
Share premium account	18	45,008	45,008
Revaluation reserve	18	73,943	91,084
Profit and loss account	18	(589,114)	(493,818)
Shareholders' deficit	20	(468,821)	(356,384)

The notes on pages 13 to 25 form part of these financial statements

These financial statements were approved by the Board of Directors on 24 February 2013 and were signed on its behalf by


J MacBeath
Interim Chief Executive

Manchester City Football Club Limited

Notes to the Financial Statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of certain tangible fixed assets

The Company is reliant on its ultimate parent undertaking, Abu Dhabi United Group Investment & Development, for its continued financial support. It has received written confirmation from its ultimate parent undertaking that sufficient funds will be provided to finance the business for at least 12 months from the date of approval of the financial statements. Based on discussions with the ultimate owner and formal confirmation of support, the Directors continue to adopt the going concern basis in preparing the financial statements

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Consolidation

The financial statements contain information about Manchester City Football Club Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Manchester City Limited, a company registered in England and Wales

Turnover

Turnover represents amounts receivable by the Company, excluding Value Added Tax and transfer fees, in respect of TV income, gate receipts, commercial activities relating to the Club and donations. Advanced season ticket sales are included within deferred income and released to turnover in the relevant season

Match revenue is recognised over the period of the football season as games are played. Commercial and other partnership revenues are recognised over the life of the relevant contracts

Investments

Investments held as fixed assets are stated at cost less any provision for impairment

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised over the contract period on a straight line basis. Impairments in value below the amortised value are provided for when the carrying amount exceeds the amount recoverable through use or sale

Signing on fees

Signing on fees are charged to the profit and loss account over the life of the player's contract

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	2% straight line
Long leasehold buildings	-	estimated useful economic life of the asset
Short leasehold buildings	-	estimated useful economic life of the asset
Fixtures and fittings	-	10% straight line
Computer equipment	-	25% straight line

Cost includes directly attributable finance costs

These rates are designed to write off the assets to their residual values over their estimated useful lives

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this the Etihad Stadium, held within long leasehold land and buildings, is subject to a full valuation on a depreciated replacement cost basis every five years with an interim valuation carried out in the third year of this cycle

Where the Company's websites are expected to generate future revenues in excess of costs of development then these costs are capitalised

Deferred tax

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19

No deferred tax asset has been recognised as at 31 May 2012 as in the Company's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

Capital grants

Grants receivable in respect of capital expenditure are treated as deferred income and released to the profit and loss account over a future period. This period will equal the economic life of the assets to which the grants relate in order to match the income to the depreciation charged on those assets. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Foreign currency transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pensions

The Company is a member of the Football League Pension and Life Assurance Scheme which has been closed for new employees. All pension schemes are defined contribution schemes and all contributions are charged to the profit and loss account as they become payable.

2 Turnover

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Gate receipts	21,871	19,676
Television - UEFA	23,413	5,288
Television - All Other	64,740	63,539
Other commercial activities	121,116	64,683
	231,140	153,186

All turnover originates in the United Kingdom.

3 Operating expenses

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Direct cost of sales and consumables	6,805	5,093
Remuneration of auditors and its associates		
Audit fees	46	38
Other services	24	77
Hire of other assets – operating leases	459	654
Capital grants released and amortised	(48)	(53)
Other external charges	49,339	44,179
Staff costs (note 5)	201,789	173,977
Amortisation of player's registrations	83,031	83,847
Depreciation of tangible fixed assets		
Owned	3,993	3,115
Leased	2,593	2,742
Exceptional items		
Impairment of players' registrations	-	29,448
Provision for disputed employment costs settlement	-	5,000
	348,031	348,117
Operating expenses comprise		
Operating expenses before amortisation of players' registrations	265,000	234,822
Amortisation of players' registrations and impairment of players' registrations	83,031	113,295
	348,031	348,117

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

4 Directors' remuneration

	2012 £000	2011 £000
Directors' emoluments	1,401	2,083
Company contributions to money purchase pension schemes	250	121
Amounts paid to third parties in respect of Directors' services	332	195

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £850,000 (2011 £2,083,000) and Company pension contributions of £250,000 (2011 £121,000) were made to a money purchase scheme on his behalf

Included within Directors remuneration is £500,000 for compensation for loss of office

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the financial year, analysed by category, was as follows

Number of employees	Year ended 31 May 2012	Year ended 31 May 2011
Football staff – including players	237	205
Commercial/administration staff	239	181
	476	386

The aggregate payroll costs of these persons were as follows

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Wages and salaries	178,155	153,650
Social security costs	23,294	18,879
Other pension costs	340	1,448
	201,789	173,977

6 Interest receivable and similar income

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Bank interest	4	88
Other	1,811	-
	1,815	88

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

7 Interest payable and similar charges

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Bank loans and overdrafts	54	34
Other loans	41	1,825
Finance lease interest	82	65
	177	1,924

8 Taxation

(a) Analysis of the tax (credit)/charge in the year

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Current tax		
UK corporation tax at 26% (2011 28%) on profits for the year	(848)	-
Adjustments in respect of prior years	-	-
Tax on profits from ordinary activities	(848)	-

(b) Factors affecting tax charge for the year

The current tax charge for the year varies from the standard rate of corporation tax in the UK of 26% (2011 28%) The differences are explained below

	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Loss on ordinary activities before taxation	(95,296)	(194,805)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	(24,463)	(53,902)
Effects of		
Expenses not deductible for tax purposes	2,354	1,425
Fixed asset timing differences	134	1,001
Other timing differences	5,398	4,600
Tax losses incurred in the year	15,729	46,876
Current tax credit for the year	(848)	-

The Company has corporation tax losses available for carry forward of approximately £461 million (2011 £444 million)

c) Factors that may affect future tax charges

The Company expects its effective tax rate in future years to be less than the standard rate of corporation tax in the UK due principally to the amount of tax losses available to be set off against future taxable profits

Manchester City Football Club Limited

Notes to the Consolidated Financial Statements (continued)

9 Intangible fixed assets

Amounts paid for players' registrations	£000
Cost	
As at 1 June 2011	414,044
Additions	90,455
Disposals	(66,208)
As at 31 May 2012	438,291
Amortisation	
As at 1 June 2011	182,273
Amortisation of player registrations	83,031
Disposals	(53,257)
As at 31 May 2012	212,047
Net book value	
As at 31 May 2012	226,244
As at 1 June 2011	231,771

10 Tangible fixed assets

	Land and Buildings (Freehold)	Land and Buildings (Short Leasehold)	Land and Buildings (Long Leasehold)	Assets under course of construction	Fixtures, Fittings & Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost/valuation						
As at 1 June 2011	4,939	2,646	163,878	1,796	28,967	202,226
Additions	10,385	-	488	24,027	2,089	36,989
Disposals	-	-	-	-	(2,270)	(2,270)
Revaluation	-	-	(24,345)	-	-	(24,345)
As at 31 May 2012	15,324	2,646	140,021	25,823	28,786	212,600
Depreciation						
As at 1 June 2011	1,502	237	5,069	-	8,048	14,856
Charge for the year	142	59	2,496	-	3,889	6,586
Disposals	-	-	-	-	(2,270)	(2,270)
Revaluation	-	-	(7,204)	-	-	(7,204)
As at 31 May 2012	1,644	296	361	-	9,667	11,968
Net book value						
As at 31 May 2012	13,680	2,350	139,660	25,823	19,119	200,632
As at 1 June 2011	3,437	2,409	158,809	1,796	20,919	187,370

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

10 Tangible fixed assets *(continued)*

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 'Tangible fixed assets'

	2012 £000
At depreciated replacement cost	139,190
Aggregate depreciation thereon	-
Net book value	139,190
Historical cost of revalued assets	80,832
Aggregate depreciation thereon	(9,191)
Historical cost net book value	71,641

Tangible fixed assets are shown at their original cost to the Group with the exception of the Etihad Stadium. A full valuation was obtained by the Directors as at 31 May 2012 from GVA Grimley Ltd on a depreciated replacement cost basis and was made in accordance with the Royal Institute of Chartered Surveyors' Asset Statements of Valuation Practice and Guidance Notes. The results of this new valuation have subsequently been incorporated into the financial statements.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding agreement to sell the assets has been entered into and it is unlikely that any gain will be rolled over.

The net book value of fixed assets at 31 May 2012 includes £139,190,000 (2011 £157,610,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,512,000 (2011 £2,742,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2011 £283,000).

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the Etihad Stadium. Rental payments are made quarterly based on a formula geared towards gate receipts, in excess of those achievable at Maine Road, and event income. The lease has been treated as a finance lease, with the lease premium and the net present value of future rental obligations capitalised.

A finance lease creditor equal to the future obligations under the lease has been established. In calculating the future obligations a number of assumptions have been made as the obligation varies with ticket prices, number of games and attendance levels in particular. Future attendance figures have been estimated at an average of 42,500 per Premiership fixture. An interest rate of 7.57% and an estimated long term inflation rate of 2.5% have been applied.

The finance lease liability was initially established at £34,903,000. In the year ended 31 May 2005 the assumptions were revised.

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

10 Tangible fixed assets *(continued)*

This resulted in an amended initial finance lease liability of £39,609,000. The table below illustrates the sensitivity of the amended stadium finance lease creditor to changes in the assumptions on future attendance levels and inflation rates.

Attendance Levels	Inflation Rate %	Lease Obligation £000
35,000	1.0	9,732
35,000	2.0	10,930
35,000	3.0	12,556
45,000	1.0	38,965
45,000	2.0	45,095
45,000	3.0	53,412

11 Fixed asset investments

	Shares in Subsidiary Undertakings £000
Cost and net book value at 31 May 2012	-
Cost and net book value at 31 May 2011	-

	Country of incorporation	Principle activities	Class and Percentage of shares held
Subsidiary undertakings			
Manchester City Investments Limited	England and Wales	Issuer of Loan Notes	100% ordinary shares
Manchester City Property Limited	England and Wales	Letting of Own Property	100% ordinary shares
Manchester City Developments Limited	England and Wales	Property Investment	100% ordinary shares

Manchester City Football Club Limited

Notes to the Financial Statements (continued)

12 Debtors: amounts falling due within one year

	2012	2011
	£000	£000
Trade debtors	36,793	8,608
Debtors arising from player transfers	13,429	18,363
Amounts owed by group companies	26,681	26,681
Amounts owed by related party undertakings	12,800	-
Other debtors	1,794	499
Prepayments and accrued income	21,723	15,494
	113,220	69,645

13 Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Other loans (Note 15)	44	191
Obligations under finance leases (Note 15)	402	378
Trade creditors	5,543	2,420
Creditors arising from player transfers	40,858	75,993
Amounts owed to parent company	822,932	654,286
Amounts owed to related undertakings	11,077	7,457
Other creditors including tax and social security	12,348	16,159
Accruals	43,312	26,935
	936,516	783,819

14 Creditors: amounts falling due after more than one year

	2012	2011
	£000	£000
Obligations under finance leases (Note 15)	38,232	38,568
Creditors arising from player transfers	9,836	12,404
Amounts owed to group undertakings	6,266	10,564
	54,334	61,536

15 Borrowings

	Other Loans £000	Finance Leases £000	2012 Total £000	2011 Total £000
Within one year	44	402	446	569
Between one and two years	-	33	33	288
Between two and five years	-	269	269	256
After more than five years	-	37,930	37,930	38,024
	44	38,634	38,678	39,137

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

15 Borrowings (continued)

Finance Leases

Obligations under finance leases include future obligations under the lease of the Etihad Stadium. Details are provided within note 10.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2012 £000	2011 £000
Within one year	2,251	2,230
In the second to fifth year	7,653	7,912
Over five years	117,453	119,379
Less future finance charges	(88,723)	(90,575)
	38,634	38,946

16 Deferred income

	2012 £000	2011 £000
Within one year		
Deferred income	29,391	28,869
Deferred credit for capital grants	48	53
	29,439	28,922
More than one year		
Deferred income	-	-
Deferred credit for capital grants	1,228	1,223
	1,228	1,223
Total deferred income	30,667	30,145

Deferred credit for capital grants

	£000
The movements in deferred credit for capital grants during the year were as follows	
At 1 June 2011	1,276
Grants released in year	(48)
At 31 May 2012	1,228

17 Called up share capital

The authorised and issued share capital at the beginning and end of the year is as follows:

	2012 £000	2011 £000
Issued and called up		
1,341,585 (2011 1,341,585) Ordinary shares of £1 each	1,341	1,341
3,399 (2011 3,399) Ordinary shares of £1 each – 25p paid	1	1
	1,342	1,342

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

18 Reserves

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 June 2011	45,008	91,084	(493,818)
Retained loss for the year	-	-	(95,296)
Revaluation in the year	-	(17,141)	-
At 31 May 2012	45,008	73,943	(589,114)

19 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £42,191,000 (2011 £50,442,000) that will become payable upon the achievement of certain conditions contained within player and transfer contracts if they are still in the service of the Club on specific future dates are accounted for in the year in which they fall due for payment

The Company has provided security to its subsidiary undertaking Manchester City Investments Limited in relation to loan notes issued by that company which at 31 May 2012 totalled £32.4m (2011 £34.0m). The security relates to match day and hospitality ticket sales of the Company. Should the Company be called on to make repayments on behalf of Manchester City Investments Limited it is anticipated by the Directors that the funding would be provided by ultimate parent company, Abu Dhabi United Group Investment & Development Limited in the form of equity investment.

20 Reconciliations of movement in shareholders' funds

	2012 £000	2011 £000
Loss for the financial year	(95,296)	(194,805)
Revaluation adjustment	(17,141)	-
Net decrease to shareholders' funds	(112,437)	(194,805)
Opening shareholders' deficit	(356,384)	(161,579)
Total closing shareholders' deficit	(468,821)	(356,384)

21 Pensions

The Company is a member of The Football League Limited Pension and Life Assurance Scheme, a pension scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

At 31 May 2012 a Minimum Funding Requirement Deficit was identified in the scheme, of which £380,544 (2011 £170,496) was allocated to the Company.

The latest full actuarial valuation was carried out at 31 August 2011 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the year was £30,492 (2011 £30,942).

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

22 Commitments

The annual commitment for payments in respect of other operating leases

	2012	2011
Expiring	£000	£000
Within one year	303	196
Within two and five years	224	-
After five years	-	-
	527	196

The capital commitments contracted but not provided for are as follows

	2012	2011
	£000	£000
Contracted but not provided for	-	-

23 Financial instruments and risk management

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to finance the Company's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged since the prior year.

Interest rate risk profile of financial assets and liabilities

The Company has no financial assets, other than short-term debtors and an amount of cash at bank. The interest rate risk profile of the Company's financial liabilities as at 31 May 2012 was

	Total	Floating rate	Fixed rate	Non-
	£000	financial	Financial	Interest
	£000	liabilities	Liabilities	Financial
		£000	£000	Liabilities
				£000
As at 31 May 2012	38,678	12	38,634	32
As at 31 May 2011	39,137	159	38,946	32

The weighted average date to maturity of the non-interest financial liabilities is 1 year.

The floating rate financial liabilities comprise other loans of £12,000 repayable within 1 year attracting interest ranging from base minus 2.5% to base minus 4.5% over the term, to a minimum of 0% (this loan is secured over certain assets of the Company).

The maturity profile of the Company's financial liabilities as at 31 May 2012 is shown in note 15.

The carrying values of financial assets and financial liabilities approximate to their fair values.

Manchester City Football Club Limited

Notes to the Financial Statements *(continued)*

24 Related party transactions

The Company is a wholly owned subsidiary of Manchester City Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Manchester City Limited or other wholly owned subsidiaries

During the year the Company sold certain Design, Know-how and Other Intellectual Property rights to Abu Dhabi United Group Investment & Development Limited for £12.8m

The Company received funding on behalf of Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development Limited, during the prior year and a balance of £11,077,000 (2011 £7,457,000) is included in creditors due within one year

25 Post balance sheet events

Since the year-end the football registrations of Matija Nastasic (from Fiorentina), Maicon (from Inter Milan), Scott Sinclair (from Swansea City), Jack Rodwell (from Everton), Javi Garcia (from Benfica) and Richard Wright have been acquired. The registrations of Adam Johnson (to Sunderland), Emmanuel Adebayor (to Tottenham Hotspur), Nigel De Jong (to AC Milan), Stefan Savic (to Fiorentina), Greg Cunningham (to Bristol City) and Vladimir Weiss (to Pescara) were sold. The net expenditure on these transactions was approximately £39.4m

26 Ultimate parent company

As at 31 May 2012 the Company's ultimate parent undertaking was Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by Sheikh Mansour

Manchester City Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Manchester City Limited consolidated financial statements can be obtained from Companies House