

Manchester City Limited

Directors' Report and Financial Statements

For the year ended 31 May 2012

Registered number 2989498

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Manchester City Limited

Contents	Page
Directors and Advisors	3
Chairman's Statement	4 - 5
Chief Executive's Statement	6
Financial Review	7
Board of Directors	8
Report of the Directors	9 - 10
Statement of Directors' Responsibilities	11
Report of the Independent Auditors	12 - 13
Consolidated Profit and Loss Account	14
Consolidated Statement of Total Recognised Gains and Losses	15
Consolidated Note of Historical Cost Profits and Losses	15
Consolidated Balance Sheet	16
Consolidated Cash Flow Statement	17
Notes to the Financial Statements	18 - 31

Manchester City Limited

Directors and Advisors

Directors

K Al Mubarak (Chairman)
J MacBeath
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 Limited

Chairman's Statement

At the time of the acquisition of Manchester City Football Club in September 2008, Sheikh Mansour bin Zayed Al Nahyan stated he wanted to build a team capable of maintaining a place in the top four within England while competing for European honours. In his open letter to fans, he identified the need for significant investment in the early years to enable the Club to become successful and sustainable over time.

The hard work of everyone involved at Manchester City over the last four years has begun to create an obvious momentum. However, 2011-12 will always be remembered as a particularly significant year in the history of the Club. Unbeaten at home all season, the team set new Club records for both matches won and points earned on the way to the Premier League title. Perhaps more importantly, this season Manchester City has demonstrated an ability to win in even the most challenging of circumstances.

It is important to recognise the personal and ongoing influence of Sheikh Mansour bin Zayed on the rapid transformation that is taking place. His strategic investment and counsel to the organisation, and commitment to its long-term development, has given everyone associated with Manchester City the confidence to live up to the goals that he has set.

This year's on-pitch success will give the Club a timely commercial boost. There will be direct benefits in the form of increased broadcast revenue but also new opportunities to benefit from natural growth of the global fan base and the Club's increased commercial value to potential partners at home and abroad.

International commercial growth continues to be an important priority with a particular focus on Asia, North and South America, and the Middle East. The Club's international outreach has been accelerated by two pre-season tours to the United States, important visits to China and Malaysia and the innovative use of technology to connect more deeply with audiences around the world. Our recently announced kit deal with Nike will help to further expand the Club's global footprint from 2013-14.

Closer to home the significance of the City Football Academy (CFA) project should not be underestimated. It is the most significant current initiative to secure the long-term sustainability of the Club's football operations. Importantly, it will also make a lasting contribution to the regeneration of the East Manchester area and the community of which the Club is an integral part.

The CFA will strengthen the Club's youth development and training capabilities, enable more players to move through the Academy and Elite Development Squads into the first team in the future, while bringing all of the Club's operations together on a single site within the Etihad Campus.

The development of more homegrown players is fundamental from a financial perspective, and will help to achieve one of the owner's original objectives for a sound and sustainable business. The approach is also consistent with the Club's strong record of youth development and community engagement.

Manchester City Limited

Chairman's Statement (continued)

We remain a pillar of the local community 62% of our members live within 10 miles of the Etihad Stadium and 100% of our domestic community initiatives focus on the Greater Manchester area

Manchester City has come a long way in a relatively short time In the last two seasons we have tasted victory in the FA Cup, experienced the UEFA Champions League, won the Barclays Premier League and with two goals in added time, redefined what is typical of City for a generation of supporters

The responsibility lies with all of us to continue the hard work that will ensure that this is only the beginning of a long and successful era for Manchester City

K Al Mubarak

Chairman

28 September 2012

Manchester City Limited

Chief Executive's Statement

Since joining Manchester City in September 2012, my first priority has been to deepen my understanding of the Club, its history and its operations. What I have found is a Club on the verge of a historic transformation, reinforced by a genuine commitment to doing things well. It is a Club with a rich history and the potential for an even brighter future. I am honoured to be part of this exciting project.

This is a time of real significance for football. There is no denying that the sport faces its share of challenges, and competition for global audiences has never been fiercer. Football continues, however, to be the world's most played and viewed sport and participation in the greatest competitions together with the use of ever advanced media technologies presents us with a real opportunity to deliver improved digital content to that global audience. The rewards for clubs which are successful in this area are immense.

Manchester City is in a unique position to capitalise on these opportunities. Having returned to the summit of English football in 2011-12, the Club has earned the chance to compete for a place as one of the biggest and most successful clubs globally in the years ahead. It is an opportunity we will work hard at to achieve.

There are many reasons to be optimistic. The Club has assembled a world-class team on the pitch, evidenced by the historic triumph in the Barclays Premier League, but it is also supported by a talented off pitch team, already recognised for its strong community work and the match day experience it provides. Now however, it is vital that we extend this winning mentality and commitment to excellence across all aspects of our operations.

Our priorities are interconnected and begin with continued success on the pitch. This success has to boost our commercial performance, both in the traditional sources of revenue and through new, creative ideas and business models which we will be developing. The revenue generated will allow us to continue investing in football and producing winning teams. This cycle will be key in achieving the long held ambition for sustainability at Manchester City FC.

The City Football Academy (CFA), which we envisage will become a global centre of excellence for youth football development, is a truly unique project that will revolutionise the recruitment, training, development and education of the world's most promising footballers. It is my belief that this project and the long-term perspective of our owner will further differentiate the Club from its competitors in the future.

Our annual financial results must be considered in context. Encouragingly, they demonstrate that alongside significant investment in the playing squad, the Club has continued and will continue to grow its revenues.

As we grow, the unique identity of Manchester must remain at the heart of our communication with potential supporters around the world. Football remains one of the few fields in which it is possible to be local and global at the same time. In fact, people demand it. It is with the Club's origins and heritage that people make a lasting connection and we are fortunate to have Manchester at the heart of our organisation.

For all of us associated with Manchester City, it is an honour to represent this historic institution. We owe it to the supporters, the owner and to each other to complete the transformation of Manchester City into one of the most successful and sustainable football clubs in the world.

F Soriano
Chief Executive
28 September 2012

Manchester City Limited

Financial 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, as planned, 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.

For 2011-12, the Club has reported a net loss of £97.9m, down from £197.5m in the previous year. 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.

The capital base of the Club has also been strengthened through the issuing of £169m in new equity during the year.

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.

G Wallace
Chief Operating Officer
28 September 2012

Manchester City Limited

Board of Directors

The Board of Directors comprises

Khaldoon Al Mubarak (Chairman)

Khaldoon Al Mubarak was appointed to the Board on 23 September 2008. He is CEO & Managing Director of Mubadala Development Company and Chairman of the Executive Affairs Authority of Abu Dhabi. He is also a Director of First Gulf Bank and ALDAR Properties.

Mohamed Al Mazrouei (Non-Executive Director)

Mohamed Al Mazrouei joined Abu Dhabi Media Company as Chairman of the Board in July 2010. Mr Al Mazrouei is Under Secretary to the Abu Dhabi Crown Prince's Court, a role he assumed in April 2008. He also serves as a board member for Etihad Airways.

Simon Pearce (Non-Executive Director)

Simon Pearce was appointed to the Board on 23 September 2008. He is Executive Director of Strategic Communications Affairs for the Executive Affairs Authority of Abu Dhabi. He is also a Director of twofour 54 and ADMM, the owners and operators of Yas Marina Circuit.

John MacBeath (Non-Executive Director)

John MacBeath is a Chartered Accountant with extensive international business experience in the oil & gas and aerospace industrial sectors. He joined the Board in January 2010 and was appointed Interim Chief Executive Officer between September 2011 and September 2012.

Martin Edelman (Non-Executive Director)

Martin Edelman was appointed to the Board on 23 September 2008. He was a Director of Cendant Corporation from 1997-2006 and was a Director of HFS from November 1993 until September 1997. He has been Of Counsel to Paul, Hastings, Janofsky & Walker, LLP, a New York City law firm, since June 2000 and currently serves as a Director of the Avis Budget Group.

Alberto Galassi (Non-Executive Director)

Alberto Galassi was appointed to the Board on 24 June 2012. He is currently CEO of Piaggio Aero Industries and previously served on the Executive Committee of Piaggio Aero as Board Member responsible for Marketing and Sales. He is attorney at law specialising in International commerce and arbitration and has been a member of the Bar since 1996.

Manchester City 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 £97,857,000 (2011 £197,491,000) The Directors do not propose a dividend (2011 £nil)

Principal activity and review of the business

The principal activity of the Group is the operation of a professional football club A review of the business and future developments is included in the Chief Executive's & Financial Review Statements

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 Group's performance are disclosed in more detail within the Financial Review Statement

Political and charitable contributions

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

Supplier payment policy

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

The Group 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 Group 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
G Cook (Resigned 9 September 2011)
M Edelman
S Pearce
M Al Mazrouei

Manchester City Limited

Report of the Directors (continued)

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

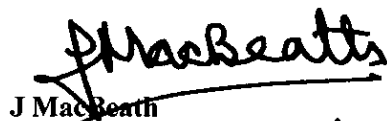
Disabled employees

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
Director

28 September 2012

Manchester City 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 Group and Company and of the profit or loss of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Manchester City Limited

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

We have audited the financial statements of Manchester City Limited for the year ended 31 May 2012 which comprise the consolidated profit and loss account, the consolidated balance sheet, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the consolidated cash flow statement 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 Group's and Parent 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 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*

1 October 2012

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

Manchester City Limited

Consolidated 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	28	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	(2,738)	(4,610)
Stadium finance lease charges		(4,338)	(3,382)
Loss on ordinary activities before taxation		(98,705)	(197,491)
Taxation	8	848	-
Loss on ordinary activities after taxation	19	(97,857)	(197,491)

The results for both years relate to continuing operations

The notes on pages 18 to 31 form part of these financial statements

Manchester City 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		(97,857)	(197,491)
Unrealised deficit on revaluation of properties		(17,141)	-
Total recognised losses for the year		(114,998)	(197,491)

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	(97,857)	(197,491)
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	(96,643)	(196,277)

The notes on pages 18 to 31 form part of these financial statements

Manchester City Limited

Balance Sheets

as at 31 May 2012

Registered number 2989498

		Group		Company	
	Note	2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Intangible assets	10	226,244	231,771	-	-
Tangible assets	11	219,969	214,051	-	-
Investments	12	-	-	46,486	46,486
		446,213	445,822	46,486	46,486
Current assets					
Debtors	13	86,539	42,964	279,872	226,224
Cash at bank and in hand		12,600	30,330	-	-
		99,139	73,294	279,872	226,224
Creditors					
Amounts falling due within one year	14	(109,657)	(132,948)	-	(50)
Net current (liabilities)/assets		(10,518)	(59,654)	279,872	226,174
Total assets less current liabilities		435,695	386,168	326,358	272,660
Creditors					
Amounts falling due after more than one year	15	(78,670)	(83,363)	-	-
Deferred income	17	(30,667)	(30,145)	-	-
Net assets		326,358	272,660	326,358	272,660
Capital and reserves					
Called up share capital	18	44,640	36,682	44,640	36,682
Share premium account	19	818,786	658,048	818,786	658,048
Revaluation reserve	19	73,943	91,084	-	-
Profit and loss account	19	(611,011)	(513,154)	(537,068)	(422,070)
Shareholders' funds	21	326,358	272,660	326,358	272,660

The notes on pages 18 to 31 form part of these financial statements

These financial statements were approved by the Board of Directors on 28 September 2012 and were signed on its behalf by


J MacBeath
Director

Manchester City Limited

Group Cash Flow Statement

for the year ended 31 May 2012

	Note	Year ended 31 May 2012 £000	Year ended 31 May 2011 £000
Net cash outflow from operating activities	24	(53,176)	(15,658)
Return on investments and servicing of finance			
Interest paid		(2,651)	(2,722)
Interest element of finance lease payments		(3,421)	(3,734)
Interest received		4	88
Net cash outflow from return on investments and servicing of finance		(6,068)	(6,368)
Capital expenditure			
Purchase of intangible fixed assets		(122,854)	(155,120)
Sale of intangible fixed assets		27,621	11,449
Purchase of tangible fixed assets		(29,645)	(13,263)
Sale of tangible fixed assets		-	122
Net cash outflow from capital expenditure		(124,878)	(156,812)
Net cash outflow before financing		(184,122)	(178,838)
Financing			
Issue of shares		168,696	176,692
Loan capital repaid		(1,926)	(1,754)
Capital element of finance lease rental payments		(378)	(371)
Net cash inflow from financing		166,392	174,567
Movement in cash in the year	26	(17,730)	(4,271)

The notes on pages 18 to 31 form part of these financial statements

Manchester City Limited

Notes to the Consolidated 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 Group 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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 31 May 2012. The acquisition method of accounting has been adopted. Investments held as fixed assets are stated at cost less any provision for impairment.

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.

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.

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

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.

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.

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.

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

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	265,000	234,822
Amortisation of players and impairment of players' registrations	83,031	113,295
	348,031	348,117

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

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

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

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	2,602	4,511
Finance lease interest	82	65
	2,738	4,610

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

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	(98,705)	(197,491)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	(25,338)	(54,645)
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	16,604	47,619
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

9 Company results

The Company has taken advantage of section 208 of the Companies Act 2006 and has not presented its own profit and loss account The result of the Company for the year was a loss of £114,998,000 (2011 £197,491,000)

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

10 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

11 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	31,620	2,646	163,878	1,796	28,967	228,907
Additions	10,385	-	488	16,683	2,089	29,645
Disposals	-	-	-	-	(2,270)	(2,270)
Revaluation	-	-	(24,345)	-	-	(24,345)
As at 31 May 2012	42,005	2,646	140,021	18,479	28,786	231,937
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	40,361	2,350	139,660	18,479	19,119	219,969
As at 1 June 2011	30,118	2,409	158,809	1,796	20,919	214,051

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

11 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 Limited

Notes to the Consolidated Financial Statements *(continued)*

11 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

12 Fixed asset investments

Company

Shares in
Subsidiary
Undertakings
£000

Cost and net book value at 31 May 2012	46,486
Cost and net book value at 31 May 2011	46,486

	Country of incorporation	Principal activities	Class and Percentage of shares held
Subsidiary undertakings			
Manchester City Football Club Limited	England and Wales	Professional Football Club	100% ordinary shares
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 Limited

Notes to the Consolidated Financial Statements *(continued)*

13 Debtors: amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade debtors	36,793	8,608	-	-
Debtors arising from player transfers	13,429	18,363	-	-
Amounts owed by group companies	-	-	279,872	226,224
Amounts owed by related party undertakings	12,800	-	-	-
Other debtors	1,794	499	-	-
Prepayments and accrued income	21,723	15,494	-	-
	86,539	42,964	279,872	226,224

14 Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Other loans (Note 16)	1,827	1,893	-	50
Obligations under finance leases (Note 16)	402	378	-	-
Trade creditors	5,543	2,420	-	-
Creditors arising from player transfers	40,858	75,993	-	-
Amounts owed to related undertakings	3,733	7,457	-	-
Other creditors including tax and social security	12,348	16,159	-	-
Accruals	44,946	28,648	-	-
	109,657	132,948	-	50

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Other loans (Note 16)	30,602	32,391	-	-
Obligations under finance leases (Note 16)	38,232	38,568	-	-
Creditors arising from player transfers	9,836	12,404	-	-
	78,670	83,363	-	-

16 Borrowings

	Other Loans	Finance Leases	2012 Total	2011 Total
	£000	£000	£000	£000
Within one year	1,827	402	2,229	2,271
Between one and two years	1,915	33	1,948	2,070
Between two and five years	6,170	269	6,439	6,492
After more than five years	22,517	37,930	60,447	62,397
	32,429	38,634	71,063	73,230

External loans include £32,384,000 of loan notes (2011 £34,043,000). The first tranche of £30.3m is repayable in annual instalments over a 25 year period at a fixed interest rate of 7.27%. The second tranche of £13.7m is repayable in annual instalments over a 15 year period at a floating interest rate for the first three years and thereafter at a fixed interest rate of 7.57%. During the year £888,000 was repaid from the first tranche while another £841,000 was repaid from the second tranche. The notes are being repaid under a securitisation agreement serviced by future season ticket sales and matchday ticket sales. Details of all external loans are provided within note 27.

Manchester City Limited

Notes to the Consolidated Financial Statements (continued)

16 Borrowings (continued)

Finance Leases

Obligations under finance leases include future obligations under the lease of the Etihad Stadium. Details are provided within note 11.

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

17 Deferred income

	Group		Company	
	2012 £000	2011 £000	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

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

18 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		
446,273,172 (2011: 366,699,711) Ordinary shares of 10p each – fully paid	44,628	36,670
20 Ordinary shares of 10p each – 2.5p paid	-	-
49,998 Redeemable deferred shares of £1 each – 25p paid	12	12
	44,640	36,682

During the year 79,573,461 ordinary shares of 10p each were issued for a consideration of £2.12 per share. The total consideration was £168.7m and the premium of £160.7m has been included in the share premium account (see note 19).

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

19 Reserves

	Share Premium Group and Company £000	Revaluation Reserve Group £000	Profit & Loss Account Group £000	Profit & Loss Account Company £000
At 1 June 2011	658,048	91,084	(513,154)	(422,070)
Retained loss for the year	-	-	(97,857)	(114,998)
Issue of shares	160,738	-	-	-
Revaluation in the year	-	(17,141)	-	-
At 31 May 2012	818,786	73,943	(611,011)	(537,068)

20 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.

21 Reconciliations of movement in shareholders' funds

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Loss for the financial year	(97,857)	(197,491)	(114,998)	(197,491)
Revaluation adjustment	(17,141)	-	-	-
Issue of shares	168,696	176,692	168,696	176,692
Net increase/(decrease) to shareholders' funds	53,698	(20,799)	53,698	(20,799)
Opening shareholders' funds	272,660	293,459	272,660	293,459
Total closing shareholders' funds	326,358	272,660	326,358	272,660

22 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 Limited

Notes to the Consolidated Financial Statements (continued)

23 Commitments

The annual commitment for payments in respect of other operating leases

	2012	2011
	£000	£000
Expiring		
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	-	-

24 Reconciliation of operating loss to net cash outflow from operating activities

	2012	2011
	£000	£000
Operating loss	(104,091)	(194,931)
Amortisation and impairment of players' registrations	83,031	113,295
Depreciation	6,586	5,858
Loss on disposal of fixed assets	-	486
Decrease in stocks	-	481
(Increase)/decrease in debtors	(51,663)	28,863
Increase in creditors	13,009	30,343
Release and amortisation of grants	(48)	(53)
Net cash outflow from operating activities	(53,176)	(15,658)

25 Reconciliation of net cash flow to movement in net debt

	2012	2011
	£000	£000
Decrease in cash in the year	(17,730)	(4,271)
Net cash flow from movement in debt	2,304	2,125
Movement in net cash position in the year	(15,426)	(2,146)
Other non-cash changes	(137)	(77)
Opening net debt position	(42,900)	(40,677)
Closing net debt position	(58,463)	(42,900)

26 Analysis of changes in net debt

	As at 1 June 2011	Cash flow	Other non- cash changes	As at 31 May 2012
	£000	£000	£000	£000
Cash at bank and in hand	30,330	(17,730)	-	12,600
Movement in net cash position in the year	30,330	(17,730)	-	12,600
Debt due within one year	(1,893)	137	(71)	(1,827)
Debt due after one year	(32,391)	1,789	-	(30,602)
Net debt (excluding finance leases)	(3,954)	(15,804)	(71)	(19,829)
Finance leases	(38,946)	378	(66)	(38,634)
	(42,900)	(15,426)	(137)	(58,463)

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

27 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 £000	Floating rate financial liabilities £000	Fixed rate Financial Liabilities £000	Non- Interest Financial Liabilities £000
As at 31 May 2012	71,063	12	71,019	32
As at 31 May 2011	73,230	159	72,989	82

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 fixed rate liabilities comprise loan notes of £32,384,000 and finance lease obligations of £38,634,000 as detailed in note 16.

The maturity profile of the Company's financial liabilities as at 31 May 2012 is shown in note 16.

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

28 Related party transactions

Transactions during the year ended 31 May 2012 with the parent undertaking, Abu Dhabi United Group Investment & Development Limited consisted of the subscription for additional shares in the Club outlined in note 18 and also 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 £3,733,000 (2011: £7,457,000) is included in creditors due within one year.

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

29 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.

30 Ultimate parent company

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