

Manchester City Limited

Directors' Report and Financial Statements

For the year ended 31 May 2014

Registered number 2989498

WEDNESDAY



A3MY9I22

A24

17/12/2014

#134

COMPANIES HOUSE

Manchester City Limited

Contents

	Page
Directors and Advisors	2
Strategic Report	4
Directors' Report	6
Statement of Directors' Responsibilities	7
Independent Auditors' Report	8
Consolidated Profit and Loss Account	10
Consolidated Statement of Total Recognised Gains and Losses	11
Consolidated Note of Historical Cost Profits and Losses	11
Balance Sheets	12
Consolidated Cash Flow Statement	13
Notes to the Consolidated Financial Statements	14

Manchester City Limited

Directors and Advisors

Directors

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

Company Secretary

S Cliff

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

Directors and Advisors (continued)

The Board of Directors comprises:

Khaldoon Al Mubarak (Chairman)

Khaldoon Al Mubarak was appointed to the Board on 23 September 2008. He is Chairman of the Abu Dhabi Executive Affairs Authority, which provides strategic policy advice to the Chairman of the Abu Dhabi Executive Council, of which he is also a member. He is Chairman of the Emirates Nuclear Energy Corporation, the Abu Dhabi Media Zone Authority and Emirates Aluminium (EMAL). He is also Deputy Chairman of the Urban Planning Council and a board member of First Gulf Bank and Ferrari SpA.

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. He is also a Director of Aldar Properties, Ashford Hospitality Trust and Capital Trust.

Simon Pearce (Non-Executive Director)

Simon Pearce was appointed to the Board on 23 September 2008. He is a Special Advisor to the Chairman of the Executive Affairs Authority of Abu Dhabi. He is also a Director of twofour 54, an initiative to accelerate the development of the media sector in the UAE and MENA region, and ADMM, the owners and operators of Yas Marina Circuit.

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 non-Executive Director for Etihad Airways.

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.

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

Strategic Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 May 2014.

Principal activities

The principal activity of the Group is the operation of a professional football club.

Business Review and Key Performance Indicators

Manchester City maintained its positive trajectory in 2013-14 by reducing losses and increasing revenues for the third consecutive year.

The Group has reported a bottom line loss of £23m for 2013-14 while achieving an operating profit before player trading for the second year running. The bottom line figure includes £16m to be paid as a result of the compromise agreement reached with UEFA in May 2014 over disputed breaches of its Financial Fair Play regulations.

Manchester City generated £347m in revenue in 2013-14, breaking the £300m threshold for the first time in its history. The Club has experienced revenue growth across the board with commercial partnerships revenue up by 16% to £165.8m, broadcast revenue up by 51% to £133.2m, and match day revenue up by 20% to £47.5m.

Key drivers of increased revenue in 2013-14 included the new Barclays Premier League television deal, extended campaigns in the UEFA Champions League and Capital One Cup, the retention and recruitment of a variety of regional and global commercial partners and the hosting of additional events at the Etihad Stadium.

The Club sold out 18 of its 19 home matches in the 2013-14 Barclays Premier League and hosted a total of 29 home games in all competitions. Average attendance at the Etihad Stadium was 47,091 during 2013-14, the highest since the move from Maine Road in 2003. The Club sold out of its full allocation of 36,400 seasoncards for 2013-14 by June 2013. More than 7,500 people have joined a waiting list for the first seasoncards to be made available by the expansion of the Etihad Stadium that began in March 2014.

Significantly wage costs have been stabilised and the Group's wage turnover ratio now stands at a healthy 59% (2013: 86%).

Consistent with the commitment made in 2009-10 that transfers of the scale seen in previous years would be unlikely to be repeated, and through prudent squad planning, the Group is now benefiting from greater stability in its first team squad which translates into reduced amortisation costs.

The Group has also made important progress on two key infrastructure projects during 2013-14. The opening of the City Football Academy in late 2014 will transform the Group's recruitment, training and development capabilities while the expansion of the Etihad Stadium to a capacity of 55,000 will enable more spectators to attend Manchester City home games from the 2015-16 season onwards.

Importantly, Manchester City's financial position remains strong. The Group has net assets valued at more than £572m and continues to operate with zero financial debt.

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 Group 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 Group monitors its compliance with all applicable rules and regulations on a continuous basis and considers the impact of any potential changes.

Manchester City Limited

Strategic Report (continued)

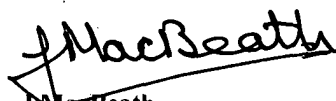
Strategic Review

We have budgeted for a profit in 2014-15 and now expect to be entering the 2015-16 season as a profitable business with no outstanding sanctions or restrictions.

The establishment of the City Football Group, now with professional clubs in the UK, US, Australia and Japan, has created commercial opportunities for Manchester City Limited on an entirely different scale. Today, the City Football Group is attracting global sponsors such as Nissan, Etihad and Hays, and creating what we believe is a genuinely new model for a successful sports and commercial enterprise.

When the City Football Academy (CFA) opens in the heart of East Manchester in late-2014 it will significantly expand the Club's ability to attract, recruit and develop the most promising young footballers in the world. By providing access to world-class facilities, coaching and education, the CFA will ensure that talented young players are given the best possible chance of succeeding in the competitive world of professional football.

By order of the Board



J MacBeath

Director

9 October 2014

Manchester City Limited

Directors' Report

Directors

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

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

Result for the year

The loss for the financial year was £22,929,000 (2013: £51,621,000). The Directors do not propose a dividend (2013: £nil).

Political and charitable contributions

The Group made no political contributions. Donations to UK charities amounted to £2,228,313 (2013: £241,361). This amount includes £1.9m supporting Premier League youth and community development expenditure.

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.

Manchester City Limited

Statement of Directors' Responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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.

Website publication

Financial statements are published on the Group'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 Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group'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.

By order of the Board



J MacBeath

Director

9 October 2014

Manchester City Limited

Independent Auditors' Report to the Members of Manchester City Limited

We have audited the financial statements of Manchester City Limited for the year ended 31 May 2014 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, 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 of 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 Financial Reporting Council's (FRC'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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 May 2014 and of the Group's 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 Auditors' Report to the Members of Manchester City 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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*

Date: 10 October 2014

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 2014

	Note	Operations excluding player trading Year ended 31 May 2014 £000	Player trading Year ended 31 May 2014 £000	Total Year ended 31 May 2014 £000	Total Year ended 31 May 2013 £000
Turnover	2	346,512	-	346,512	271,000
Other operating income	3	1,775	-	1,775	47,728
Operating expenses	3	(289,676)	(76,484)	(366,160)	(369,353)
Operating profit/(loss)		58,611	(76,484)	(17,873)	(50,625)
Profit on disposal of players		-	197	197	5,872
Profit/(loss) before interest and taxation		58,611	(76,287)	(17,676)	(44,753)
Interest receivable and similar income	6	52	-	52	233
Interest payable and similar charges	7	(960)	-	(960)	(3,737)
Stadium finance lease charges		(4,345)	-	(4,345)	(3,364)
Profit/(loss) on ordinary activities before taxation		53,358	(76,287)	(22,929)	(51,621)
Taxation	8	-	-	-	-
Profit/(loss) on ordinary activities after taxation	19	53,358	(76,287)	(22,929)	(51,621)

The results for both periods are from continuing operations.

The notes on pages 14 to 27 form part of these financial statements.

Manchester City Limited

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 May 2014

	Note	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Loss for the financial year		(22,929)	(51,621)
Unrealised deficit on revaluation of properties	19	-	(29,257)
Total recognised losses for the year		(22,929)	(80,878)

Consolidated Note of Historical Cost Profits and Losses

for the year ended 31 May 2014

	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Loss on ordinary activities before and after taxation	(22,929)	(51,621)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,120	1,120
Historical cost loss on ordinary activities before and after taxation	(21,809)	(50,501)

The notes on pages 14 to 27 form part of these financial statements.

Manchester City Limited

Balance Sheets

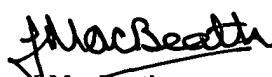
as at 31 May 2014

Registered number: 2989498

		Group		Company	
	Note	2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Intangible assets	10	207,264	186,215	-	-
Tangible assets	11	346,310	260,006	-	-
Investments	12	-	-	572,333	435,262
		553,574	446,221	572,333	435,262
Current assets					
Debtors - amounts falling due within one year	13	176,956	156,307	-	-
Debtors - amounts falling due after more than one year	13	22,873	32,367	-	-
Cash at bank and in hand		21,401	14,045	-	-
		221,230	202,719	-	-
Creditors – amounts falling due within one year	14	(116,984)	(106,860)	-	-
Net current assets		104,246	95,859	-	-
Total assets less current liabilities		657,820	542,080	572,333	435,262
Creditors - amounts falling due after more than one year	15	(69,910)	(67,336)	-	-
Deferred income	17	(15,577)	(39,482)	-	-
Net assets		572,333	435,262	572,333	435,262
Capital and reserves					
Called up share capital	18	61,139	53,592	61,139	53,592
Share premium account	19	1,152,069	999,616	1,152,069	999,616
Revaluation reserve	19	44,686	44,686	-	-
Profit and loss account	19	(685,561)	(662,632)	(640,875)	(617,946)
Shareholders' funds	21	572,333	435,262	572,333	435,262

The notes on pages 14 to 27 form part of these financial statements.

These financial statements were approved by the Board of Directors on 9 October 2014 and were signed on its behalf by:


J MacBeath
Director

Manchester City Limited

Group Cash Flow Statement

for the year ended 31 May 2014

	Note	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Net cash inflow/(outflow) from operating activities	24	27,427	(26,825)
Return on investments and servicing of finance			
Interest paid		(162)	(5,369)
Interest element of finance lease payments		(4,554)	(4,120)
Interest received		52	58
Net cash outflow from return on investments and servicing of finance		(4,664)	(9,431)
Capital expenditure			
Purchase of intangible fixed assets		(116,105)	(101,099)
Sale of intangible fixed assets		34,584	22,145
Purchase of tangible fixed assets		(93,587)	(40,422)
Net cash outflow from capital expenditure		(175,108)	(119,376)
Net cash outflow before financing		(152,345)	(155,632)
Financing			
Issue of shares		160,000	189,782
Loan capital repaid		-	(32,428)
Capital element of finance lease rental payments		(299)	(277)
Net cash inflow from financing		159,701	157,077
Movement in cash in the year	26	7,356	1,445

The notes on pages 14 to 27 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 and are in accordance with applicable accounting standards.

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 Manchester City Limited ('the Company') and its subsidiary undertakings up to 31 May 2014. The acquisition method of accounting has been adopted.

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.

Advanced match revenue is included within deferred income and is recognised over the period of the football season as games are played. Commercial and other partnership revenues are included within deferred income and 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 2014 as in the Group'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 2014 £000	Year ended 31 May 2013 £000
Matchday	47,457	39,615
Broadcasting - UEFA	31,329	24,144
Broadcasting - All Other	101,910	64,250
Other commercial activities	165,816	142,991
	346,512	271,000

All turnover originates in the United Kingdom. The Group has one activity which is the operation of a professional football club and therefore a segmental analysis has not been provided. All of the results for this activity are included within the primary statements.

3 Operating loss

	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Other operating income		
Sale of intellectual property to related parties (Note 28)	-	22,453
Sale of intellectual property to third parties	-	24,500
Other operating income	1,775	775
	1,775	47,728
Operating expenses		
Direct cost of sales and consumables	8,988	6,832
Remuneration of auditors and its associates:		
Audit fees	44	43
Tax Services	38	35
Other services	7	4
Hire of other assets – operating leases	168	457
Capital grants released and amortised	(116)	(57)
Other external charges	58,630	42,280
UEFA settlement	16,260	-
Insurance proceeds	(6,670)	-
Staff costs (Note 5)	205,044	233,106
Amortisation of player registrations	76,484	80,869
Depreciation of tangible fixed assets:		
Owned	5,277	3,922
Leased	2,006	1,862
	366,160	369,353
Operating loss		
Operating profit before player trading	58,611	30,244
Amortisation of player registrations	(76,484)	(80,869)
	(17,873)	(50,625)

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

4 Directors' remuneration

	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Directors' emoluments	-	426
Company contributions to money purchase pension schemes	-	-
Amounts paid to third parties in respect of Directors' services	5	362

No directors were paid by the Company in the year (2013: £426,000) and no Company pension contributions were made (2013: £nil).

5 Staff numbers and costs

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

Number of employees	Year ended 31 May 2014	Year ended 31 May 2013
Football staff – including players	112	222
Commercial/administration staff	202	227
	314	449

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	179,021	204,701
Social security costs	25,288	28,031
Other pension costs	735	374
	205,044	233,106

6 Interest receivable and similar income

	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Bank interest	51	58
Other	1	175
	52	233

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

7 Interest payable and similar charges

	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Foreign exchange losses	798	-
Other loans	-	3,685
Finance lease interest	162	52
	960	3,737

Included within other loans is a charge of £nil (2013: £1,849,000) which relates to the repayment of the outstanding loan notes in full.

8 Taxation

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

	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Current tax		
UK corporation tax at 23% (2013: 24%) on profits for the year	-	-
Adjustments in respect of prior years	-	-
Tax on profits from ordinary activities	-	-

(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 23% (2013: 24%). The differences are explained below:

	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000
Loss on ordinary activities before taxation	(22,929)	(51,621)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	(5,197)	(12,389)
Effects of:		
Expenses not deductible for tax purposes	3,762	1,415
Fixed asset timing differences	1,501	(1,053)
Other timing differences	(389)	-
Tax losses incurred in the year	323	12,027
Current tax credit for the year	-	-

The Group has corporation tax losses available for carry forward of approximately £614 million (2013: £612 million).

c) Factors that may affect future tax charges:

The Group 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 Limited

Notes to the Consolidated Financial Statements *(continued)*

9 Company results

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company incurred a loss after tax of £nil (2013: £80,878,000) which is dealt with in the financial statements of the parent company and eliminates on consolidation.

10 Intangible fixed assets

Group	
Amounts paid for players' registrations:	£000
Cost	
As at 1 June 2013	428,618
Additions	109,519
Disposals	(97,693)
As at 31 May 2014	440,444
Amortisation	
As at 1 June 2013	242,403
Amortisation of player registrations	76,484
Disposals	(85,707)
As at 31 May 2014	233,180
Net book value	
As at 31 May 2014	207,264
As at 1 June 2013	186,215

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

11 Tangible fixed assets

Group	Land and Buildings (Freehold) £000	Land and Buildings (Short Leasehold) £000	Land and Buildings (Long Leasehold) £000	Assets under course of construction £000	Fixtures, Fittings & Equipment £000	Total £000
Cost/valuation						
As at 1 June 2013	59,816	2,288	140,496	43,742	31,416	277,758
Additions	17	-	799	82,750	10,021	93,587
Disposals	-	-	(62)	(2)	(3,122)	(3,186)
As at 31 May 2014	59,833	2,288	141,233	126,490	38,315	368,159
Depreciation						
As at 1 June 2013	1,671	563	1,667	-	13,851	17,752
Charge for the year	104	74	1,932	2	5,171	7,283
Disposals	-	-	(62)	(2)	(3,122)	(3,186)
As at 31 May 2014	1,775	637	3,537	-	15,900	21,849
Net book value						
As at 31 May 2014	58,058	1,651	137,696	126,490	22,415	346,310
As at 1 June 2013	58,145	1,725	138,829	43,742	17,565	260,006

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

	2014 £000
At depreciated replacement cost	139,190
Aggregate depreciation thereon	(3,390)
Net book value	135,800
Historical cost of revalued assets	80,832
Aggregate depreciation thereon	(11,339)
Historical cost net book value	69,493

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.

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

11 Tangible fixed assets *(continued)*

The net book value of fixed assets at 31 May 2014 includes £135,800,000 (2013: £137,665,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £1,865,000 (2013: £1,525,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2013: £283,000).

Finance Lease on Etihad Stadium

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the Etihad Stadium. Rental payments are made quarterly. 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 an interest rate of 7.57% and an estimated long term inflation rate of 2.5% have been applied. This reflects the discount rate previously applied to the finance lease before the amendment as the directors consider this reflects the rate at which they could borrow from a third party.

The finance lease liability was initially established at £34,903,000. In the year ended 31 May 2013 the lease was renegotiated with Manchester City Council and certain terms were amended. As a result fixed asset additions of £29,257,000 were recognised to reflect the capital enhancement of the stadium asset, the revaluation reserve was reduced by £29,257,000 to ensure the total value of the stadium asset following the additions did not exceed the 2013 GVA Grimley valuation. This resulted in an amended initial finance lease liability of £67,614,000.

12 Fixed asset investments

Company	Shares in Subsidiary Undertakings £000
Cost	
As at 1 June 2013	1,059,190
Additions	160,000
As at 31 May 2014	1,219,190
Provision	
As at 1 June 2013	623,928
Additions	22,929
As at 31 May 2014	646,857
Net book value	
As at 31 May 2014	572,333
As at 1 June 2013	435,262

Subsidiary undertakings	Principle activities	Proportion of voting rights and share capital held
Manchester City Football Club Limited	Professional Football Club	100%
Manchester City Investments Limited *	Issuer of Loan Notes	100%
Manchester City Property Limited *	Letting of Own Property	100%
Manchester City Developments Limited *	Property Investment	100%

All companies are incorporated in England and Wales.

* denotes indirect investments.

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

13 Debtors

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	82,615	35,533	-	-
Debtors arising from player transfers	11,248	20,296	-	-
Amounts owed by group undertakings (Note 28)	34,930	28,311	-	-
Amounts owed by related party undertakings (Note 28)	623	200	-	-
Other debtors	78	2,347	-	-
Prepayments and accrued income	47,462	69,620	-	-
	176,956	156,307	-	-
Amounts falling due after more than one year				
Trade debtors	11,250	16,875	-	-
Debtors arising from player transfers	10,309	14,415	-	-
Other debtors	1,314	1,077	-	-
	22,873	32,367	-	-
Total debtors	199,829	188,674	-	-

14 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Obligations under finance leases (Note 16)	315	299	-	-
Trade creditors	4,040	6,354	-	-
Creditors arising from player transfers	9,484	19,933	-	-
Amounts owed to group undertakings	2,084	-	-	-
Amounts owed to related party undertakings	4,937	10,613	-	-
Other creditors including tax and social security	14,906	11,320	-	-
Accruals	81,218	58,341	-	-
	116,984	106,860	-	-

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Obligations under finance leases (Note 16)	67,000	67,315	-	-
Creditors arising from player transfers	2,910	21	-	-
	69,910	67,336	-	-

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

16 Borrowings

Group

	Finance Leases £000	2014 Total £000	2013 Total £000
Maturity of debt:			
Within one year	315	315	299
Between one and two years	331	331	315
Between two and five years	1,096	1,096	1,043
After more than five years	65,573	65,573	65,957
	67,315	67,315	67,614

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:

	2014 £000	2013 £000
Within one year	3,550	3,550
In the second to fifth year	14,200	14,200
Over five years	160,925	164,475
Less future finance charges	(111,360)	(114,611)
	67,315	67,614

17 Deferred income

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Within one year:				
Deferred income	14,459	38,311	-	-
Deferred credit for capital grants	45	57	-	-
	14,504	38,368	-	-
More than one year:				
Deferred income	-	-	-	-
Deferred credit for capital grants	1,073	1,114	-	-
	1,073	1,114	-	-
Total deferred income	15,577	39,482	-	-

Deferred credit for capital grants

The movements in deferred credit for capital grants during the year were as follows:	£000
At 1 June 2013	1,171
Grants released in year	(53)
At 31 May 2014	1,118

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

18 Called up share capital

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

	2014 £000	2013 £000
Issued and called up		
611,264,723 (2013: 535,793,025) Ordinary shares of 10p each – fully paid	61,127	53,580
20 (2013: 20) Ordinary shares of 10p each – 2.5p paid	-	-
49,998 (2013: 49,998) Redeemable deferred shares of £1 each – 25p paid	12	12
	61,139	53,592

During the year 75,471,698 ordinary shares of 10p each were issued for a consideration of £2.12 per share. The total consideration was £160m and the premium of £152.5m has been included in the share premium account (see note 19).

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 2013	999,616	44,686	(662,632)	(617,946)
Retained loss for the year	-	-	(22,929)	(22,929)
Issue of shares	152,453	-	-	-
At 31 May 2014	1,152,069	44,686	(685,561)	(640,875)

20 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £100,563,000 (2013: £53,857,000) 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.

21 Reconciliations of movement in shareholders' funds

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Loss for the financial year	(22,929)	(51,621)	(22,929)	(80,878)
Revaluation adjustment	-	(29,257)	-	-
Issue of shares	160,000	189,782	160,000	189,782
Net increase in shareholders' funds	137,071	108,904	137,071	108,904
Opening shareholders' funds	435,262	326,358	435,262	326,358
Total closing shareholders' funds	572,333	435,262	572,333	435,262

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

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 2014 a Minimum Funding Requirement Deficit was identified in the scheme, of which £316,436 (2013: £353,303) 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 £63,857 (2013: £58,296).

23 Commitments

The annual commitments under non-cancellable operating leases are set out below.

	2014	2013
Expiring:	£000	£000
Within one year	67	153
Within two and five years	4	65
After five years	-	-
	71	218

The capital commitments contracted but not provided for are as follows:

	2014	2013
	£000	£000
Contracted but not provided for	47,905	70,301

The capital commitments represent contracted amounts in relation to the construction of the City Football Academy and the expansion of the Etihad Stadium.

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

	2014	2013
	£000	£000
Operating loss	(17,873)	(50,625)
Amortisation and impairment of players' registrations	76,484	80,869
Depreciation	7,283	5,784
Increase in debtors	(29,985)	(73,509)
(Decrease)/increase in creditors	(8,429)	10,761
Release and amortisation of grants	(53)	(105)
Net cash inflow/(outflow) from operating activities	27,427	(26,825)

25 Reconciliation of net cash flow to movement in net debt

	2014	2013
	£000	£000
Increase in cash in the year	7,356	1,445
Net cash inflow from movement in debt	299	32,674
Movement in net debt resulting from cash flows	7,655	34,119
Other non-cash changes	-	(29,225)
Opening net debt position	(53,569)	(58,463)
Closing net debt position	(45,914)	(53,569)

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

26 Analysis of changes in net debt

	As at 1 June 2013 £000	Cash flow £000	Other non- cash changes £000	As at 31 May 2014 £000
Cash at bank and in hand	14,045	7,356		21,401
Movement in net cash position in the year	14,045	7,356	-	21,401
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
Net debt (excluding finance leases)	14,045	7,356	-	21,401
Finance leases	(67,614)	299	-	(67,315)
	(53,569)	7,655	-	45,914

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 Group 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 2014 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate Financial Liabilities £000	Non- Interest Financial Liabilities £000
As at 31 May 2014	67,315	-	67,315	-
As at 31 May 2013	67,614	-	67,614	-

The fixed rate liabilities comprise finance lease obligations of £67,315,000 as detailed in note 16.

The maturity profile of the Group's financial liabilities as at 31 May 2014 is shown in note 16.

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

Manchester City Limited

Notes to the Consolidated Financial Statements *(continued)*

28 Related party transactions

Transactions with parent undertakings

Transactions during the year ended 31 May 2014 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 hospitality boxes to Abu Dhabi United Group Investment & Development Limited for £206,000, a balance which is included in debtors due within one year of £623,000 (2013: £200,000).

The Company paid for services totalling £2,582,000 provided by its immediate parent company, City Football Group Limited, during the year and a balance of £1,828,000 (2013: £783,000 debtor) is included in creditors due within one year.

Transactions with subsidiaries of City Football Group Limited

Transactions during the year ended 31 May 2014 with City Football Marketing Limited, a fellow subsidiary of City Football Group Limited, consisted of the sale of intangible assets of £nil (2013: £11,566,000), provision of other services of £723,000 (2013: £nil) and recharges for costs incurred providing services for the benefit of the Company totalling £6,025,000 (2013: £750,000). A balance of £17,409,000 is included in debtors due within one year (2013: £14,428,000).

Transactions during the year ended 31 May 2014 with City Football Services Limited, a fellow subsidiary of City Football Group Limited, consisted of the sale of intangible assets of £nil (2013: £10,887,000), provision of other services of £34,000 (2013: £nil) and recharges for costs incurred providing services for the benefit of the Company totalling £4,106,000 (2013: £1,118,000). A balance of £17,213,000 is included in debtors due within one year (2013: £13,100,000).

Transactions during the year ended 31 May 2014 with Manchester City Women's Football Club Limited, a fellow subsidiary of City Football Group Limited, consisted of a donation of £256,000 (2013: £nil) which is included in creditors due within one year (2013: £nil).

Transactions during the year ended 31 May 2014 with New York City Football Club LLC, a fellow subsidiary of City Football Group Limited, consisted of loans totalling £308,000 (2013: £nil), which are included in debtors due within one year.

Transactions with Brookshaw Developments Limited

The Company received funding on behalf of Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development Limited, during 2013 and a balance of £4,937,000 (2013: £10,613,000) is included in creditors due within one year.

29 Post balance sheet events

Since the year-end the football registrations of Fernando (from FC Porto), Eliaquim Mangala (from FC Porto), Wilfredo Caballero (from Malaga), Bruno Zuculini (from Racing Club), Frank Lampard and Bacary Sagna have been acquired. The registrations of Javier Garcia (to Shakhtar Donetsk), Jack Rodwell (to Sunderland) and Emyr Huws (to Wigan Athletic) were sold. The net expenditure on these transactions was approximately £38.8m.

30 Ultimate parent company

As at the 31 May 2014 the Group's parent undertaking was City Football Group Limited, a company incorporated in England and Wales. The Group's ultimate parent undertaking was Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by His Highness Sheikh Mansour bin Zayed Al Nahyan.