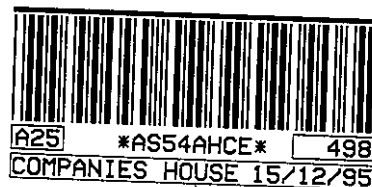


MANCHESTER CITY FOOTBALL CLUB plc

**Directors' report and
financial statements**

31 May 1995

Registered number 40946



Manchester City Football Club plc

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors and Advisers	2
Report of the Directors	3-4
Statement of Directors' Responsibilities	5
Report of the Auditors	6
Profit and Loss Account	7
Statement of Recognised Gains and Losses	8
Balance Sheet	9
Notes to the Accounts	10-21

Manchester City Football Club plc

Directors and advisers

DIRECTORS

FH Lee
CJ Barlow
GJ Doyle FBII
JG Dunkerley
GJ Grant
J Greibach
DA Holt
B Jervis
AM Lewis ACA
WA Miles
ILG Niven FBII
F Pye
B Turnbull

SECRETARY

JB Halford

MANAGER

A Ball

REGISTERED OFFICE

Maine Road, Moss Side, Manchester M14 7WN

BANKERS

Co-operative Bank plc

AUDITORS

KPMG
Chartered Accountants, Manchester

SOLICITORS

Kuit Steinart Levy

Manchester City Football Club plc

Report of the Directors 1995

1 Principal activity and review of the business

The principal activity of the company is the operation of a professional football club. The directors are satisfied with the performance of the company for the year.

2 Results and dividends

The profit for the year transferred to reserves amounted to £203,759 (1994: loss of £6,085,552). No dividend is proposed in respect of the year.

3 Acquisition of the company

On 8 December 1994 the entire issued share capital of the company was acquired by Manchester City PLC.

4 Directors and Directors' interests

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

FH Lee
CJ Barlow
GJ Doyle FBII
JG Dunkerley
GJ Grant (appointed 8 December 1994)
J Greibach
DA Holt
B Jervis (appointed 8 December 1994)
AM Lewis ACA
WA Miles
ILG Niven FBII
F Pye
B Turnbull
CB Muir OBE (resigned 12 August 1994)
AG Thomas (resigned 2 May 1995)

None of the directors who held office at 31 May 1995 had any disclosable interest in the shares of the company.

The interests of the directors in the shares of the ultimate holding company are disclosed in the accounts of that company if the director is also a director of the holding company.

5 Fixed assets

The changes in fixed assets during the period are summarised in note 8 in the financial statements. The directors obtained a valuation of the land and buildings from Dunlop Heywood, Consultant Surveyors, as at 31 May 1995.

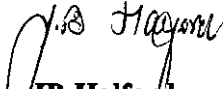
Manchester City Football Club plc

Report of the Directors 1995 (continued)

6 Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


JB Halford
Secretary

2 November 1995

Manchester City Football Club plc

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



St James' Square
Manchester M2 6DS

Auditors' report to the members of Manchester City Football Club plc

We have audited the financial statements on pages 7 to 21.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 1995 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditors

2 November 1995

Manchester City Football Club plc

Profit and Loss Account

For the year ended 31 May 1995

	Note	Year ended 31 May 1995 £	Year ended 31 May 1994 £
TURNOVER	2		
From operations		9,090,843	8,024,519
Transfer fees receivable		2,262,000	1,635,000
		<u>11,352,843</u>	<u>9,659,519</u>
Administrative expenses		(2,852,554)	(2,547,523)
Staff costs	5	(5,845,691)	(5,551,506)
Transfer fee expenditure		(1,757,270)	(7,324,025)
Payments to other clubs			
Leagues and associations		(310,275)	(165,574)
Donations from development association		181,475	211,039
		<u>(10,584,315)</u>	<u>(15,377,589)</u>
OPERATING PROFIT/(LOSS)			
From operations		263,798	29,045
Transfer fees	6	504,730	(5,689,025)
		<u>768,528</u>	<u>(5,718,070)</u>
Interest payable		(564,769)	(367,482)
		<u>203,759</u>	<u>(6,085,552)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION AND FOR THE FINANCIAL YEAR			

All the results for the two years are from continuing operations.

Manchester City Football Club plc

Statement of recognised gains and losses *for the year ended 31 May 1995*

	Year ended 31 May 1995 £	Year ended 31 May 1994 £
Profit/(loss) for the financial year	203,759	(6,085,552)
Revaluation surplus in the year	12,563	5,982,525
	<hr/>	<hr/>
Total recognised gains and losses for the year	216,322	(103,027)
	<hr/>	<hr/>

Manchester City Football Club plc

Balance Sheet at 31 May 1995

	Note	1995 £	1994 £
FIXED ASSETS			
Tangible assets	8	27,730,645	19,999,222
CURRENT ASSETS			
Debtors	9	763,143	371,584
Investments	10	1,000	1,000
Cash in hand		9,834	3,823
		<u>773,977</u>	<u>376,407</u>
CREDITORS			
Amounts falling due within one year	11	(17,696,050)	(8,942,803)
NET CURRENT LIABILITIES		<u>(16,922,073)</u>	<u>(8,566,396)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,808,572	11,432,826
CREDITORS			
Amounts falling due after more than one year	12	(1,865,460)	(3,258,126)
ACCRUALS AND DEFERRED INCOME	13	(6,111,786)	(5,602,090)
		<u>2,831,326</u>	<u>2,572,610</u>
CAPITAL AND RESERVES			
Called up share capital	14	962,120	778,886
Share premium account	15	59,303	50,360
Calls on shares forfeited		23	23
Revaluation reserve	16	10,335,015	10,472,235
Profit and loss account	17	(8,525,135)	(8,728,894)
SHAREHOLDERS' FUNDS		<u>2,831,326</u>	<u>2,572,610</u>

These Financial Statements were approved by the board of directors on 2 November 1995 and were signed on its behalf by:

FH LEE
Chairman

AM LEWIS
Director

Manchester City Football Club plc

Notes

(forming part of the financial statements)

1 ACCOUNTING POLICIES

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

(a) BASIS OF ACCOUNTING

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

(b) TURNOVER

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

(c) TRANSFER FEES

Fees payable and receivable from other football clubs on the transfer of players' registrations, together with associated costs, are dealt with through the profit and loss account in the accounting period in which the registration is transferred. Contingent elements of transfer fees payable and receivable are recognised when the appropriate material conditions are met.

(d) DEPRECIATION

Depreciation has been charged on tangible fixed assets as follows:

Freehold buildings	-	2% straight line
Fixtures and fittings	-	10% straight line
Computer equipment	-	25% straight line
Motor vehicles	-	25% reducing balance

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

(e) 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 with 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.

Manchester City Football Club plc

Notes (continued)

1 ACCOUNTING POLICIES (continued)

(f) CAPITAL GRANTS

Grants receivable from the Football Trust and similar bodies 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.

(g) CASH FLOW

The company is a fully owned subsidiary of a company incorporated in the United Kingdom and therefore, in accordance with the provisions of Financial Reporting Standard 1 ("FRS1"), has not prepared a cash flow statement.

2 ANALYSIS OF TURNOVER

	Year ended 31 May 1995 £	Year ended 31 May 1994 £
Gate receipts	4,503,122	4,026,773
Related activities	4,587,721	3,997,746
Transfer fees receivable	2,262,000	1,635,000
	<u>11,352,843</u>	<u>9,659,519</u>

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 May 1995 £	Year ended 31 May 1994 £
Profit/(loss) on ordinary activities before taxation is stated		
After Charging		
Cost of sales	387,811	240,568
Auditors' remuneration:		
Audit	15,000	15,000
Other services	53,000	25,550
Depreciation and other amounts written off tangible fixed assets:		
Owned	577,547	328,240
Leased	31,982	15,976
Hire of other assets	69,153	27,981

Manchester City Football Club plc

Notes (continued)

4 REMUNERATION OF DIRECTORS

	Year ended 31 May 1995 £	Year ended 31 May 1994 £
Directors' emoluments	74,988	84,332
Compensation for loss of office	-	70,000

The emoluments, excluding pension contributions, of the chairman were *£nil* (1994: *£nil*) and those of the highest paid director were £74,998 (1994: £23,000). In 1994 the emoluments of the previous chairman were £61,332.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid directors) were within the following ranges:

	Number of directors	
	Year ended 31 May 1995	Year ended 31 May 1994
£0 - £5,000	14	12
£20,001 - £25,000	-	1
£60,000 - £65,000	-	1
£70,001 - £75,000	1	-

5 STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	Year ended 31 May 1995	Year ended 31 May 1994
Office and management	40	42
Playing staff	53	50
Other	37	27
	<u>130</u>	<u>119</u>

Manchester City Football Club plc

Notes (continued)

5 STAFF NUMBERS AND COSTS (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 1995 £	Year ended 31 May 1994 £
Wages and salaries	5,226,157	4,992,613
Social security costs	533,521	490,381
Other pension costs	86,013	68,512
	<u>5,845,691</u>	<u>5,551,506</u>

6 INTEREST PAYABLE

	Year ended 31 May 1995 £	Year ended 31 May 1994 £
Bank loans and overdrafts repayable within five years	284,251	353,866
Loan stock	82,815	-
Payable to holding company	145,239	-
Other interest	13,749	12,806
Hire purchase interest	38,715	810
	<u>564,769</u>	<u>367,482</u>

Bank interest of £196,090 has been capitalised during the year as it was incurred on expenditure to construct the Kippax Stand.

Manchester City Football Club plc

Notes (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 May 1995 £	Year ended 31 May 1994 £
Corporation Tax on results of the period	<u>Nil</u>	<u>Nil</u>

The company has corporation tax losses available for carry forward of approximately £12 million.

8 FIXED ASSETS

Tangible assets	Freehold Land and Buildings £	Fixtures, Fittings Equipment £	Motor Vehicles £	Total £
(a) Cost/valuation				
As at 1 June 1994	19,735,050	1,001,674	79,635	20,816,359
Additions	8,193,935	134,454	-	8,328,389
Revaluations	(738,306)	-	-	(738,306)
As at 31 May 1995	<u>27,190,679</u>	<u>1,136,128</u>	<u>79,635</u>	<u>28,406,442</u>
(b) Depreciation				
As at 1 June 1994	275,050	524,055	18,032	817,137
Charge for year	475,819	118,309	15,401	609,529
Revaluations	(750,869)	-	-	(750,869)
As at 31 May 1995	<u>-</u>	<u>642,364</u>	<u>33,433</u>	<u>675,797</u>
(c) Net book value				
As at 31 May 1995	<u>27,190,679</u>	<u>493,764</u>	<u>46,202</u>	<u>27,730,645</u>
As at 1 June 1994	<u>19,460,000</u>	<u>477,619</u>	<u>61,603</u>	<u>19,999,222</u>

Manchester City Football Club plc

Notes (continued)

8 FIXED ASSETS (continued)

Tangible fixed assets are shown at their original cost to the company with the exception of freehold land and buildings. The land and buildings are shown at a 1995 valuation. The directors obtained the valuation of the land and buildings from Dunlop Heywood, Consultant Surveyors, as at 31 May 1995. The land and buildings are all shown at valuation. Details of original cost are not available.

	1995 £	1994 £
Contracted for but not provided	3,048,730	230,000
Authorised but not contacted for	-	6,500,000

The net book value of fixed assets at 31 May 1995 includes £1,015,946 (1994: £47,928) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £31,982 (1994: £15,976).

The cost of tangible assets includes £89,070 (1994: £90,888) of capitalised interest relating to the construction of the Umbro Stand and £196,090 (1994: £Nil) relating to the construction of the Kippax Stand.

9 DEBTORS

	1995 £	1994 £
Amounts falling due within one year		
Trade Debtors	363,581	49,431
Other Debtors	5,622	6,950
Prepayments and accrued income	393,940	315,203
	<u>763,143</u>	<u>371,584</u>

10 INVESTMENTS

	1995 £	1994 £
1,000 £1 shares in TSB Group Plc	<u>1,000</u>	<u>1,000</u>

The market value of the above investment as at 31 May 1995 was £2,530 (1994: £2,070).

Manchester City Football Club plc

Notes (continued)

11 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995 £	1994 £
Mortgage instalments	4,000	4,000
Bank Overdraft	7,299,400	2,382,937
Bank loan	279,010	424,904
Trade Creditors	1,957,368	2,875,856
Hire purchase instalments	218,626	21,337
Amounts owed to holding company	5,539,277	-
Taxation and Social Security costs	440,629	863,337
Loans	703,000	688,000
Directors loans	252,247	322,747
Unclaimed Dividends	680	680
Accruals	1,001,813	1,359,005
	<u>17,696,050</u>	<u>8,942,803</u>

The bank borrowings and mortgages are secured by charges on the land and premises at Maine Road and at Platt Lane. The amount of the bank loan repayable within one year is shown above. The remainder is repayable on or before 1999.

Hire Purchase instalments includes £900,000 which is secured by a floating charge over the assets of the group.

12 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1995 £	1994 £
Bank loans - secured	837,031	1,000,000
Other Loans	283,533	117,235
Mortgage Loan - secured	43,194	45,891
Directors' and other Loans	-	2,075,000
Hire Purchase Instalments	701,702	20,000
	<u>1,865,460</u>	<u>3,258,126</u>

Manchester City Football Club plc

Notes (continued)

12 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

MORTGAGES

The Mortgage secured on residential property bears interest at Bank mortgage rate on

	<u>47,194</u>	<u>49,891</u>
Amounts repayable within five years	20,000	20,000
Amounts repayable after five years	<u>27,194</u>	<u>29,891</u>
	<u>47,194</u>	<u>49,891</u>

The current portion of the mortgage amounting to £4,000 is shown in current liabilities (1994: £4,000).

HIRE PURCHASE INSTALMENTS

The maturity of obligations under Hire Purchase contracts is as follows:

	1995 £	1994 £
Within one year	218,626	21,337
In the second to fifth years	<u>701,702</u>	<u>20,000</u>
	<u>920,328</u>	<u>41,337</u>

Manchester City Football Club plc

Notes (continued)

13 ACCRUALS AND DEFERRED INCOME

	1995 £	1994 £
Amounts falling due within one year		
Deferred income	2,632,716	2,490,620
Deferred credit for capital grants	69,984	63,460
	<u>2,702,700</u>	<u>2,554,080</u>
Amounts falling due after more than one year		
Deferred income	43,745	87,490
Deferred credit for capital grants	3,365,341	2,960,520
	<u>3,409,086</u>	<u>3,048,010</u>
	<u>6,111,786</u>	<u>5,602,090</u>

Deferred grant income

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

	£
At 1 June 1994	3,023,980
Grants received	475,000
Grants released	(63,655)
	<u>3,435,325</u>

Disclosed on the balance sheet as falling due in less than one year £69,984 and after more than one year £3,365,341.

Manchester City Football Club plc

Notes (continued)

14 CALLED UP SHARE CAPITAL

	1995		1994	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	1,600,000	1,600,000	1,150,000	1,150,000
"A" Ordinary non-voting shares of £1 each	-	-	250,000	250,000
	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
Issued				
Ordinary shares of £1 each	961,270	961,270	702,000	702,000
Ordinary shares of £1 each - 25p paid	3,399	850	48,000	12,000
"A" Ordinary non-voting shares of £1 each	-	-	64,886	64,886
	<u>964,669</u>	<u>962,120</u>	<u>814,886</u>	<u>778,886</u>

The bonus issue made in the year was on the basis of one share for every five fully paid £1 ordinary shares held and three shares for every twenty-two partly paid £1 ordinary shares.

The 64,886 issued £1 "A" ordinary non-voting shares were converted into ordinary £1 shares with equivalent rights to all other issued £1 ordinary shares.

15 SHARE PREMIUM ACCOUNT

	£
At 1 June 1994	50,360
Premium arising in the year	<u>8,943</u>
At 31 May 1995	<u>59,303</u>

Manchester City Football Club plc

Notes (continued)

16 REVALUATION RESERVE

	£
At 1 June 1994	10,472,235
Revaluation surplus	12,563
Issue of bonus shares during the year	(149,783)
	<hr/>
At 31 May 1995	10,335,015
	<hr/>

17 PROFIT AND LOSS ACCOUNT

	£
At 1 June 1994	(8,728,894)
Retained profit for the year	203,759
	<hr/>
At 31 May 1995	(8,525,135)
	<hr/>

18 CONTINGENT LIABILITIES

- (a) No provision is included in the financial statements for transfer fees of £250,000 (1994: £500,000), which are contingent upon future appearances of certain players.
- (b) No provision is included in the financial statements for signing on fees and loyalty bonuses of £3,187,750 (1994: £4,150,800), which will become due to certain players if they are still in the service of the Club on specific future dates.
- (c) Manchester City, in common with other clubs in the Football Association Premier League, has been requested by the Inland Revenue to commission the preparation of a report on tax sensitive issues. Contingent upon the outcome of such a report, Manchester City, may or may not face additional tax liabilities arising in respect of periods ended 31 May 1995.

Manchester City Football Club plc

Notes (continued)

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	1995 £	1994 £
Profit/(loss) for the financial year	203,759	(6,085,552)
Issue of shares	42,394	39
Revaluation surplus	12,563	5,982,525
Net addition/(reduction) to shareholders funds	<u>258,716</u>	<u>(102,988)</u>
Opening shareholders funds	<u>2,572,610</u>	<u>2,675,598</u>
Total closing shareholders funds	<u>2,831,326</u>	<u>2,572,610</u>

20 COMMITMENTS

	1995		1994	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	15,000	-
In the second to fifth years inclusive	<u>14,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>14,250</u>	<u>-</u>	<u>15,000</u>	<u>-</u>

21 ULTIMATE HOLDING COMPANY

The immediate and ultimate holding company is Manchester City PLC, a company registered in England and Wales.