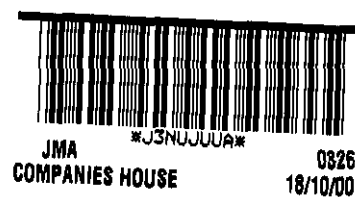


Manchester City Football Club Plc

Directors' report and Financial statements

31 May 2000

Registered number 40946



Manchester City Football Club Plc

Contents	<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 Total Recognised Gains and Losses	8
Note of Historic Cost Profits and Losses	8
Balance Sheet	9
Notes to the Accounts	10-21

Manchester City Football Club Plc

Directors and Advisers

Directors

DA Bernstein FCA (Chairman)
CM Bird (Appointed 1 June 2000)
AJ Mackintosh ACA (Appointed 1 June 2000)
DM Makin (Appointed 1 June 2000)
D Tueart

Secretary

JB Halford

Registered Office

Maine Road, Moss Side, Manchester M14 7WN

Bankers

Co-operative Bank plc, 1 Balloon Street, Manchester M60 4EP

Auditors

KPMG Audit Plc, Chartered Accountants, St James' Square, Manchester M2 6DS

Solicitors

Kuit Steinart Levy, St Mary's Parsonage, Manchester M3 2RD

Manchester City Football Club Plc

Report of the Directors

The Directors submit their report and the financial statements for the year ended 31 May 2000.

Results for the year

The loss for the financial year transferred to the reserves is £1,945,000 (*1999: loss £3,731,000*).

The Directors do not propose a dividend.

Principal activity

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

Fixed assets

The changes in fixed assets during the period are summarised in notes 7 and 8 in the financial statements.

Directors and Directors' interests

None of the Directors who held office at 31 May 2000 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. The Directors who served during the year are set out on page 2.

Manchester City Football Club Plc

Report of the Directors *(continued)*

Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £28,000 (1999: £5,000).

Supplier payment policy

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

In accordance with SI 1997 The Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997 the Group had 47 days of purchases outstanding at the end of the financial year.

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.

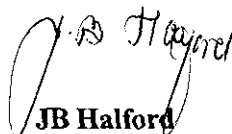
Disabled employees

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution is to be proposed at the AGM for the re-appointment of KPMG Audit Plc as auditors of the Company.

By order of the Board



JB Halford

Secretary

31 August 2000

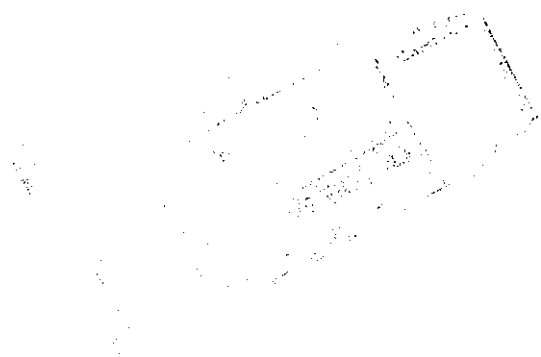
Manchester City Football Club Plc

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 group 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.



Manchester City Football Club Plc

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

We have audited the financial statements on pages 7-21

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Directors' report. As described on page 5 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

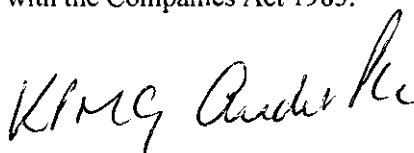
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 affairs of the Company as at 31 May 2000 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditors



31 August 2000

Manchester City Football Club Plc

Profit and Loss Account

for the year ended 31 May 2000

	Note	Year ended 31 May 2000	Year ended 31 May 1999
		£000	£000
Turnover	2	17,513	12,731
Cost of sales		(2,748)	(2,231)
		<u>14,765</u>	<u>10,500</u>
Operating expenses	3	(13,933)	(11,017)
Operating profit/(loss) Before amortisation of players	3-4	<u>832</u>	<u>(517)</u>
Amortisation of players		(2,433)	(1,803)
Operating loss After amortisation of players		<u>(1,601)</u>	<u>(2,320)</u>
Profit/(Loss) on disposal of players		314	(437)
Loss before interest and taxation		<u>(1,287)</u>	<u>(2,757)</u>
Other interest receivable and similar income		156	97
Interest payable and similar charges	5	(814)	(1,071)
Loss on ordinary activities before and after taxation	19	<u>(1,945)</u>	<u>(3,731)</u>

The results for the two years are from continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

Manchester City Football Club Plc

Statement of total recognised gains and losses

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Loss for the financial year	(1,945)	(3,731)
Total recognised losses relating to the year	(1,945)	(3,731)
Prior year adjustment	-	4,899
Total (losses)/gains recognised since last annual report	(1,945)	1,168

Note of historic cost profits and losses

for the year ended 31 May 2000

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Reported loss on ordinary activities before taxation	(1,945)	(3,731)
Difference between historic cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	204
Historic cost loss on ordinary activities before taxation	(1,945)	(3,527)

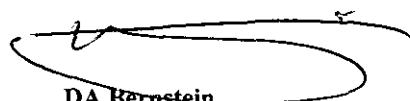
Manchester City Football Club Plc

Balance Sheet

as at 31 May 2000

	Note	As at 31 May 2000 £000	As at 31 May 1999 £000
Fixed assets			
Intangible Assets	7	7,726	3,698
Tangible Assets	8	30,483	31,004
		<u>38,209</u>	<u>34,702</u>
Current assets			
Stocks	9	223	35
Debtors	10	2,522	1,871
Cash at bank and in hand		1,745	9
		<u>4,490</u>	<u>1,915</u>
Creditors			
Amounts falling due within one year	11	(38,690)	(29,997)
Net current liabilities		<u>(34,200)</u>	<u>(28,082)</u>
Total assets less current liabilities		<u>4,009</u>	<u>6,620</u>
Creditors			
Amounts falling due after more than one year	12	(1,807)	(7,112)
Provisions for liabilities and charges	14	-	(880)
Accruals and deferred income	15	(13,547)	(8,028)
		<u>(11,345)</u>	<u>(9,400)</u>
Capital and reserves			
Called up share capital	16	962	962
Share premium account	17	59	59
Revaluation reserve	17	9,519	9,519
Profit and loss account	17	(21,885)	(19,940)
Equity shareholders' funds		<u>(11,345)</u>	<u>(9,400)</u>

These Financial Statements were approved by the Board of Directors on 31 August 2000 and were signed on its behalf by:


DA Bernstein
 Chairman

The notes on pages 10 to 21 form part of these financial statements.

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.

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. The Company has applied the transitional rules contained in FRS 15 to retain previous valuations as the basis on which certain of these assets are held. During the year the Company has also adopted new accounting standard FRS 16 "Current Tax".

Turnover

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

Signing on fees

Signing on fees are charged to staff costs over the life of the player's contract.

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. No depreciation is provided on freehold land.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Manchester City Football Club Plc

Notes (continued)

1 Accounting policies (continued)

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are amortised over the contract period on a straight line basis. Impairments in value below the amortised value, such as through injury or loss of form, are provided for when management become aware of the impairment.

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 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.

Financial Instruments

The Company has taken advantage of the exemption within FRS 13 "*Derivatives and other Financial Instruments: Disclosures*" to exclude from all the disclosures its short-term debtors and creditors.

2 Turnover

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Gate receipts	6,885	6,293
Television	1,369	769
Other commercial activities	9,138	5,617
Donations from development association	121	52
	<hr/> 17,513 <hr/>	<hr/> 12,731 <hr/>

The Company operates in the United Kingdom in one class of business.

Manchester City Football Club Plc

Notes (continued)

3 Operating expenses

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Remuneration of auditors and its associates		
Audit fees	29	22
Other services	25	44
Depreciation and other amounts written off tangible fixed assets:		
Owned	243	756
Leased	350	387
Hire of other assets	145	145
Capital grants amortisation	(124)	(127)
Staff costs (note 4)	9,484	6,887
Other operating expenses	3,781	2,903
	<u>13,933</u>	<u>11,017</u>

Amortisation of players

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Amortisation of players	<u>2,433</u>	<u>1,803</u>

Manchester City Football Club Plc

Notes (continued)

4 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 2000	Year ended 31 May 1999
Players	44	39
Football administration staff	38	38
Commercial staff/Administration staff	63	61
	<u>145</u>	<u>138</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Wages and salaries	8,327	6,113
Social security costs	1,021	573
Other pension costs (note 20)	136	201
	<u>9,484</u>	<u>6,887</u>

5 Interest payable

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Bank loans and overdrafts	370	360
Convertible unsecured loan stock	67	99
Other interest	200	350
Finance lease interest	177	262
	<u>814</u>	<u>1,071</u>

Interest receivable represents monies due on outstanding transfer fees receivable.

Manchester City Football Club Plc

Notes (continued)

6 Taxation

	Year ended 31 May 2000 £000	Year ended 31 May 1999 £000
Corporation Tax on results of the period	Nil	Nil

The Company has corporation tax losses available for carry forward of approximately £23 million.

7 Intangible fixed assets

	£000
Amounts paid for players registrations	
As at 1 June 1999	11,620
Additions	6,628
Disposals	(1,350)
As at 31 May 2000	16,898
Accumulated amortisation	
As at 1 June 1999	7,922
Charge for the year	2,433
Disposals	(1,183)
As at 31 May 2000	9,172
Net book value	
As at 31 May 2000	7,726
As at 31 May 1999	3,698

Manchester City Football Club Plc

Notes (continued)

8 Tangible fixed assets

	Freehold Land and Buildings £000	Fixtures, Fittings Equipment £000	Motor Vehicles £000	Total £000
Cost/valuation				
As at 1 June 1999	30,910	4,702	94	35,706
Additions	-	100	-	100
Disposals	-	-	(55)	(55)
As at 31 May 2000	30,910	4,802	39	35,751
Depreciation				
As at 1 June 1999	2,425	2,239	38	4,702
Charge for the year	97	489	7	593
Disposals	-	-	(27)	(27)
As at 31 May 2000	2,522	2,728	18	5,268
Net book value				
As at 31 May 2000	28,388	2,074	21	30,483
As at 1 June 1999	28,485	2,463	56	31,004

Tangible fixed assets are shown at their original cost to the Company with the exception of freehold land and buildings. The Directors obtained an external valuation of the land and buildings from Dunlop Heywood, Consultants Surveyors, as at 31 May 1995. The valuation was prepared on a depreciated replacement cost basis and was made in accordance with the Royal Institution of Chartered Surveyors Asset Statements of Valuation Practice and Guidance notes. The land and buildings are all shown at valuation plus subsequent cost. Details of original cost are not available.

On 8 August 1999 the Company entered into a legally binding agreement with Manchester City Council to take a lease of the City of Manchester Stadium for a period of 250 years to commence from the start of the 2003/4 season. Conditional upon such a lease becoming effective, the ownership of Maine Road will pass to the Council. Dunlop Heywood have informed the Directors that the value of the lease of the City of Manchester Stadium is greater than the net book value of Maine Road as at 31 May 1999. No depreciation has therefore been charged on Maine Road for the year ended 31 May 2000. The effect of the non-depreciation in the year was £537,000.

Manchester City Football Club Plc

Notes (continued)

8 Tangible fixed assets (continued)

The net book value of fixed assets at 31 May 2000 includes £2,792,000 (1999: £3,152,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £350,000 (1999: £387,000).

The cost of tangible assets includes £89,000 (1999: £89,000) of capitalised interest relating to the construction of the Platt Lane Stand and £351,000 (1999: £351,000) relating to the construction of the Kippax Stand.

There were no capital commitments contracted for but not provided for as at 31 May 2000 (1999: £nil).

9 Stocks

	2000 £000	1999 £000
Finished goods and goods for resale	223	35

10 Debtors

	2000 £000	1999 £000
Amounts falling due within one year		
Trade Debtors	1,855	1,058
Other debtors	278	36
Prepayments and accrued income	389	777
	<u>2,522</u>	<u>1,871</u>

Included within trade debtors is £150,000 of transfer fees receivable in more than one year.

11 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans and overdrafts	34	5,398
Other loans	282	318
Obligations under finance leases	712	720
Trade creditors	3,111	2,224
Amount owed to parent company	31,267	18,828
Taxation and social security costs	1,541	1,388
Accruals	1,743	1,121
	<u>38,690</u>	<u>29,997</u>

Further details of borrowings are given on note 13.

Manchester City Football Club Plc

Notes (continued)

12 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Bank loans and overdrafts	4	9
Other loans	428	1,509
Directors Loans	-	3,300
Obligations under finance leases	913	1,645
Accruals	462	649
	<u>1,807</u>	<u>7,112</u>

13 Borrowings

	Bank loans and overdrafts £000	Other loans £000	Finance leases £000	2000 Total £000	1999 Total £000
Within one year	34	1,085	712	1,831	6,436
Between one and two years	4	81	723	808	5,213
Between two and five years	-	243	190	433	1,155
After more than five years	-	104	-	104	185
	<u>38</u>	<u>1,513</u>	<u>1,625</u>	<u>3,176</u>	<u>12,899</u>

Bank loans and overdrafts

The bank borrowings are secured by fixed and floating charges on the assets of the Company.

Other loans

Other loans are unsecured loans and are interest free.

Finance Leases

The finance leases are secured on certain assets of the Company.

Manchester City Football Club Plc

Notes (continued)

14 Provisions for liabilities and charges

	£000
At 1 June 1999	880
Amounts utilised	(880)
At 31 May 2000	-

This provision was established to cover the costs of rationalising the football playing squad and Management, and in particular related onerous contracts, following relegation to Division 2.

15 Accruals and deferred income

	2000 £000	1999 £000
Amounts falling due within one year		
Deferred income	6,898	3,007
Deferred credit for capital grants	124	127
	<u>7,022</u>	<u>3,134</u>
Amounts falling due after more than one year		
Deferred income	1,811	59
Deferred credit for capital grants	4,714	4,835
	<u>6,525</u>	<u>4,894</u>
Total accruals and deferred income	<u>13,547</u>	<u>8,028</u>

Deferred credit for capital grants

The movements in deferred credit for capital grants during the year were as follows:

	£000
At 1 June 1999	4,962
Grants received to 31 May 2000	69
Grants released to 31 May 2000	(193)
At 31 May 2000	<u>4,838</u>

Manchester City Football Club Plc

Notes (continued)

16 Called up share capital

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

	Number of Shares	2000 £000	Number of shares	1999 £000
Authorised				
Ordinary shares of £1 each	1,600,000	1,600	1,600,000	1,600
	<u>1,600,000</u>	<u>1,600</u>	<u>1,600,000</u>	<u>1,600</u>
Issued				
Ordinary shares of £1 each	961,270	961	961,270	961
Ordinary shares of £1 each – 25p	3,399	1	3,399	1
	<u>964,669</u>	<u>962</u>	<u>964,669</u>	<u>962</u>

17 Reserves

	Share Premium	Revaluation Reserve	Profit & Loss account
	£000	£000	£000
At 1 June 1999	59	9,519	(19,940)
Transfer from profit and loss account for the year	-	-	(1,945)
At 31 May 2000	<u>59</u>	<u>9,519</u>	<u>(21,885)</u>

18 Contingent liabilities

Transfer fees and loyalty bonuses of £2,467,000 (1999: £1,601,000) which will become due to certain players 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.

Manchester City Football Club Plc

Notes (continued)

19 Reconciliation of movement in shareholders funds

	2000 £000	1999 £000
Loss for the financial year	(1,945)	(3,731)
Net reduction to shareholders' funds	(1,945)	(3,731)
Opening shareholders' funds	(9,400)	(5,669)
Total closing shareholders' funds	(11,345)	(9,400)

1999 opening shareholders' funds stated after prior year adjustment of £4,899,000.

20 Pensions

The Company does not operate a company pension scheme. Contributions are payable for certain employees to individual pension plans as disclosed in note 4.

Certain employees of the Company are members of The Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"). As the Company is one of a number of participating employers in the FLLPLAS, it is not possible to allocate any actuarial surplus or deficit and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the schemes are held separately from those of the Company, being invested with insurance companies.

Following a review of the Minimum Funding Requirement ("MFR") of the FLLPLAS, accrual of benefits on the final salary section of the Scheme was suspended as at 31 August 1999. Since then, the Trustees of the Scheme have commissioned an Independent Actuary's report on the MFR position and a substantial deficit has been identified.

Under the Pensions Act 1995, participating employers will be required to contribute to the deficiency in accordance with an agreed Schedule of Contributions, which has not been completed. In the absence of the Schedule of Contributions, the Company's liability is not accurately quantifiable and no provision has been made in the accounts as the Directors do not expect this to be material.

Manchester City Football Club Plc

Notes (continued)

21 Commitments

The annual commitment for payments in respect of operating leases:

	2000 £000	1999 £000
Expiring:		
Within one year	13	65
Within two and five years	427	51
After five years	-	-
	<u>440</u>	<u>116</u>

22 Related party transactions

Loans from JC Wardle totalling £3,300,000 were converted into ordinary shares of the ultimate holding company at a conversion rate of 90p per share during the year.

23 Post balance sheet events

Since the year-end the football registrations of Alf-Inge Haaland (from Leeds United), George Weah (from AC Milan), Paulo Wanchope (from West Ham United) and Steve Howey (from Newcastle United) have been acquired for a total cost of £7.5 million. The registrations of Robert Taylor (to Wolverhampton Wanderers), Jamie Pollock (to Crystal Palace) and Lee Peacock (to Bristol City) were sold for a total consideration of £2.65 million.

24 Ultimate holding company

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