

# **Manchester City Football Club Plc**

## **Directors' report and Financial statements**

**31 May 2001**

Registered number 40946



# Manchester City Football Club Plc

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# 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

Eversheds, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES  
Kuit Steinart Levy, 3 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 2001.

### Results for the year

The loss for the financial year transferred to the reserves is £615,000 (2000: loss £1,945,000).  
The Directors do not propose a dividend.

### Principal activity

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

### Directors and Directors' interests

None of the Directors who held office at 31 May 2001 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 £5,204 (2000: £28,000).

### **Supplier payment policy**

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

In accordance with SI 1997 The Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997 the Group had 40 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.

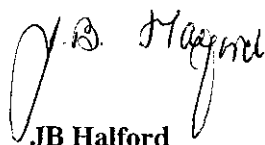
### **Disabled employees**

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*

23 October 2001

# 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

## Report of the Independent Auditors' to the members of Manchester City Football Club Plc

We have audited the financial statements on pages 7-20

### **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 1985. 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 2001 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 Auditor*

23 October 2001

# Manchester City Football Club Plc

## Profit and Loss Account

for the year ended 31 May 2001

	Note	Year ended 31 May 2001 £000	Year ended 31 May 2000 £000
Turnover	2	32,363	17,513
Operating expenses before exceptional item and amortisation of players	3	(26,963)	(16,681)
Exceptional item	5	(274)	-
<b>Operating profit before amortisation of players</b>		<b>5,126</b>	<b>832</b>
Amortisation of players		(5,334)	(2,433)
<b>Operating loss after amortisation of players</b>		<b>(208)</b>	<b>(1,601)</b>
Profit on disposal of players		10	314
<b>Loss before interest and taxation</b>		<b>(198)</b>	<b>(1,287)</b>
Other interest receivable and similar income	6	130	156
Interest payable and similar charges	7	(547)	(814)
<b>Loss on ordinary activities before and after taxation</b>	19	<b>(615)</b>	<b>(1,945)</b>

The company had no recognised gains or losses other than those dealt with in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

The results for the two years are from continuing operations.

The notes on pages 9 to 20 form part of these financial statements.



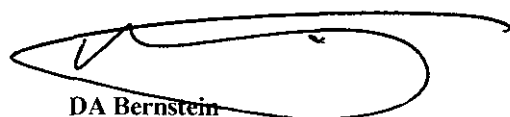
# Manchester City Football Club Plc

## Balance Sheet

as at 31 May 2001

	Note	As at 31 May 2001 £000	As at 31 May 2000 £000
<b>Fixed assets</b>			
Intangible Assets	9	19,248	7,726
Tangible Assets	10	30,421	30,483
		<hr/> 49,669	<hr/> 38,209
<b>Current assets</b>			
Stocks	12	346	223
Debtors	13	4,709	2,522
Cash at bank and in hand		12	1,745
		<hr/> 5,067	<hr/> 4,490
<b>Creditors</b>			
Amounts falling due within one year	14	(51,181)	(38,690)
		<hr/> (46,114)	<hr/> (34,200)
<b>Net current liabilities</b>			
		<hr/> 3,555	<hr/> 4,009
<b>Total assets less current liabilities</b>			
<b>Creditors</b>			
Amounts falling due after more than one year	15	(2,133)	(1,807)
Accruals and deferred income	17	(13,382)	(13,547)
		<hr/> (11,960)	<hr/> (11,345)
<b>Capital and reserves</b>			
Called up share capital	18	962	962
Share premium account	19	59	59
Revaluation reserve	19	9,519	9,519
Profit and loss account	19	(22,500)	(21,885)
		<hr/> (11,960)	<hr/> (11,345)
<b>Equity shareholders' funds</b>			
		<hr/> (11,960)	<hr/> (11,345)

These Financial Statements were approved by the Board of Directors on 23 October 2001 and were signed on its behalf by:

  
DA Bernstein  
Chairman

The notes on pages 9 to 20 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 format of the profit and loss account has changed this year to provide a more appropriate categorisation of expenditure.

#### *Turnover*

Turnover represents amounts receivable by the Company, excluding Value Added Tax, 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.

#### *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.

#### *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.

# Manchester City Football Club Plc

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 2001 £000	Year ended 31 May 2000 £000
Gate receipts	8,677	6,885
Television	13,969	1,369
Other commercial activities	9,618	9,138
Donations from development association	99	121
	<hr/> 32,363 <hr/>	<hr/> 17,513 <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 2001 £000	Year ended 31 May 2000 £000
Raw materials and consumables	3,099	2,748
Remuneration of auditors and its associates		
Audit fees	22	29
Other services	15	25
Hire of other assets	182	145
Capital grants amortisation	(124)	(124)
Other external charges	5,069	3,781
Staff costs including exceptional item (note 4 & 5)*	18,369	9,484
Depreciation and other amounts written off tangible fixed assets and intangible assets:		
Owned	281	243
Leased	324	350
Amortisation of players**	5,334	2,433
	<u>32,571</u>	<u>19,114</u>
Operating expenses comprise:		
Operating expenses before exceptional item and amortisation of players	26,963	16,681
*Exceptional item (note 5)	274	-
**Amortisation of players	5,334	2,433
	<u>32,571</u>	<u>19,114</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 2001	Year ended 31 May 2000
Players	47	44
Football administration staff	38	38
Commercial/Administration staff	63	63
	<u>148</u>	<u>145</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 2001 £000	Year ended 31 May 2000 £000
Wages and salaries	16,215	8,327
Social security costs	1,820	1,021
Other pension costs (note 20)	60	136
	<u>18,095</u>	<u>9,484</u>

### 5 Exceptional item

	Year ended 31 May 2001 £000	Year ended 31 May 2000 £000
Share of deficit in The Football League Limited Pension and Life Assurance Scheme	274	-

# Manchester City Football Club Plc

## Notes (continued)

### 6 Other Interest receivable and similar income

	Year ended 31 May 2001 £000	Year ended 31 May 2000 £000
Bank interest	32	-
Other	98	156
	<u>130</u>	<u>156</u>

### 7 Interest payable

	Year ended 31 May 2001 £000	Year ended 31 May 2000 £000
Bank loans and overdrafts	405	370
Other interest	33	267
Finance lease interest	109	177
	<u>547</u>	<u>814</u>

### 8 Taxation

	Year ended 31 May 2001 £000	Year ended 31 May 2000 £000
Corporation Tax on results of the period	Nil	Nil

The Company has corporation tax losses available for carry forward of approximately £24.5 million.

# Manchester City Football Club Plc

## Notes *(continued)*

### 9 Intangible fixed assets

	£000
Amounts paid for players registrations	
As at 1 June 2000	16,898
Additions	18,872
Disposals	(3,253)
<b>As at 31 May 2001</b>	<b>32,517</b>
Accumulated amortisation	
As at 1 June 2000	9,172
Charge for the year	5,334
Disposals	(1,237)
<b>As at 31 May 2001</b>	<b>13,269</b>
Net book value	
<b>As at 31 May 2001</b>	<b>19,248</b>
As at 31 May 2000	7,726

# Manchester City Football Club Plc

## Notes (continued)

### 10 Tangible fixed assets

	Freehold Land and Buildings £000	Fixtures, Fittings Equipment £000	Motor Vehicles £000	Total £000
Cost/valuation				
As at 1 June 2000	30,910	4,802	39	35,751
Additions	33	510	-	543
<b>As at 31 May 2001</b>	<b>30,943</b>	<b>5,312</b>	<b>39</b>	<b>36,294</b>
Depreciation				
As at 1 June 2000	2,522	2,728	18	5,268
Charge for the year	96	501	8	605
<b>As at 31 May 2001</b>	<b>2,618</b>	<b>3,229</b>	<b>26</b>	<b>5,873</b>
Net book value				
<b>As at 31 May 2001</b>	<b>28,325</b>	<b>2,083</b>	<b>13</b>	<b>30,421</b>
As at 1 June 2000	28,388	2,074	21	30,483

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. No depreciation has therefore been charged on Maine Road for the year ended 31 May 2001. The effect of the non-depreciation in the year was £537,000.

The net book value of fixed assets at 31 May 2001 includes £2,400,000 (2000: £2,792,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £324,000 (2000: £350,000).



# Manchester City Football Club Plc

## Notes (continued)

### 11 Tangible fixed assets (continued)

The cost of tangible assets includes £89,000 (2000: £89,000) of capitalised interest relating to the construction of the Platt Lane Stand and £351,000 (2000: £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 2001 (2000: *Nil*).

### 12 Stocks

	2001 £000	2000 £000
Finished goods and goods for resale	346	223

### 13 Debtors

	2001 £000	2000 £000
<b>Amounts falling due within one year</b>		
Trade Debtors	2,506	1,855
Other debtors	931	278
Prepayments and accrued income	1,272	389
	<hr/> 4,709	<hr/> 2,522

### 14 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank loans and overdrafts	7,829	34
Other loans	142	282
Obligations under finance leases	732	712
Trade creditors	4,823	3,111
Amount owed to parent company	31,154	31,267
Taxation and social security costs	2,824	1,541
Accruals	3,677	1,743
	<hr/> 51,181	<hr/> 38,690

Further details of borrowings are given on note 16.

# Manchester City Football Club Plc

## Notes (continued)

### 15 Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Bank loans and overdrafts	-	4
Other loans	474	428
Obligations under finance leases	189	913
Accruals	1,470	462
	<u>2,133</u>	<u>1,807</u>

### 16 Borrowings

	Bank loans and overdrafts £000	Other loans £000	Finance leases £000	2001 Total £000	2000 Total £000
Within one year	7,829	142	732	8,703	1,831
Between one and two years	-	58	189	247	808
Between two and five years	-	173	-	173	433
After more than five years	-	243	-	243	104
	<u>7,829</u>	<u>616</u>	<u>921</u>	<u>9,366</u>	<u>3,176</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)

### 17 Accruals and deferred income

	2001 £000	2000 £000
Amounts falling due within one year		
Deferred income	7,251	6,898
Deferred credit for capital grants	124	124
	<u>7,375</u>	<u>7,022</u>
Amounts falling due after more than one year		
Deferred income	1,417	1,811
Deferred credit for capital grants	4,590	4,714
	<u>6,007</u>	<u>6,525</u>
Total accruals and deferred income	<u>13,382</u>	<u>13,547</u>

#### Deferred credit for capital grants

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

	£000
At 1 June 2000	4,838
Grants received to 31 May 2001	-
Grants released to 31 May 2001	(124)
At 31 May 2001	<u>4,714</u>

### 18 Called up share capital

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

	2001		2000	
	Number of Shares	£000	Number of shares	£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>

# Manchester City Football Club Plc

## Notes (continued)

### 19 Reserves

	Share Premium	Revaluation Reserve	Profit & Loss account
	£000	£000	£000
At 1 June 2000	59	9,519	(21,885)
Transfer from profit and loss account for the year	-	-	(615)
At 31 May 2001	59	9,519	(22,500)

### 20 Pension

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

### 21 Contingent Liabilities

Transfer fees and loyalty bonuses of £3,684,200 (2000: £2,467,000) 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.

### 22 Reconciliation of movement in shareholders funds

	2001 £000	2000 £000
Loss for the financial year	(615)	(1,945)
Net reduction to shareholders' funds	(615)	(1,945)
Opening shareholders' funds	(11,345)	(9,400)
Total closing shareholders' funds	(11,960)	(11,345)

# Manchester City Football Club Plc

## Notes (continued)

### 23 Commitments

The annual commitment for payments in respect of operating leases:

	2001 £000	2000 £000
Expiring:		
Within one year	208	13
Within two and five years	219	427
After five years	-	-
	<u>427</u>	<u>440</u>

### 24 Post balance sheet events

Since the year-end the football registrations of Simon Colosimo (from South Melbourne), Stuart Pearce (from West Ham United), Eyal Berkovic (from Glasgow Celtic), Alioune Toure (from FC Nantes) and Ali Benarbia (from Paris Saint-Germain FC) have been acquired for a total cost of £1.464 million. The registrations of Mark Kennedy (to Wolverhampton Wanderers) and Spencer Prior (to Cardiff City) were sold for a total consideration of £1.9 million.

### 25 Ultimate holding company

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