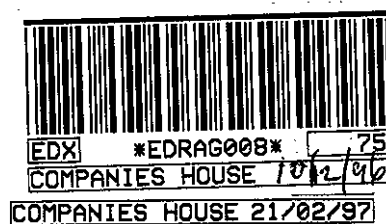


# **Manchester City Football Club Plc**

## **Directors' report and financial statements**

**31 May 1996**

**Registered number 40946**



# Manchester City Football Club plc

## Directors' report and financial statements

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# Manchester City Football Club plc

## Directors and advisers

### Directors

FH Lee  
CJ Barlow  
GJ Doyle FBII (deceased 19 October 1996)  
JG Dunkerley  
J Greibach (resigned 1 August 1996)  
DA Holt  
B Jervis (resigned 1 August 1996)  
AM Lewis ACA  
WA Miles  
ILG Niven FBII  
F Pye (resigned 28 August 1996)  
B Turnbull

### Secretary

JB Halford

### 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 1996

### 1 Principal activity

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

### 2 Results and dividends

The loss for the year transferred to reserves amounted to £3,168,073 (*1995: profit of £203,759*). No dividend is proposed in respect of the year.

### 3 Directors and Directors' interests

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

FH Lee	
CJ Barlow	
GJ Doyle FBII	(deceased 19.10.96)
JG Dunkerley	
GJ Grant	(resigned 1.8.96)
J Greibach	
DA Holt	
B Jervis	(resigned 1.8.96)
AM Lewis ACA	
WA Miles	
ILG Niven FBII	
F Pye	(resigned 28.8.96)
B Turnbull	

None of the directors who held office at 31 May 1996 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.

### 4 Fixed assets

The changes in fixed assets during the period are summarised in note 9 in the financial statements.

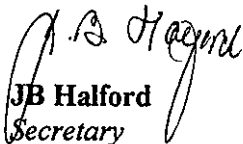
# Manchester City Football Club plc

## Report of the Directors 1996 (continued)

### 5 Auditors

Our auditors KPMG have indicated that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, a resolution is to be proposed at the annual general meeting for the appointment of KPMG Audit Plc as auditors of the company.

By order of the board

  
**JB Halford**  
*Secretary*

# 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.

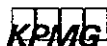
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1996 and its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

4 November 1996



# Manchester City Football Club plc

## Profit and Loss Account

For the year ended 31 May 1996

	Note	Year ended 31 May 1996 £	Year ended 31 May 1995 £
Turnover	2	12,697,965	9,272,318
Administrative expenses		(5,255,658)	(2,852,554)
Staff costs	5	(6,425,856)	(5,829,391)
Settlement of final signing on fees			(16,300)
Payments to other Clubs, Leagues and Associates		(253,790)	(310,275)
		(11,935,304)	(9,008,520)
Operating profit		762,661	263,798
Interest payable	7	1,342,522	(564,769)
Loss before transfer fees		(579,861)	(300,971)
Transfer fees receivable		5,865,042	2,262,000
Transfer fees payable		(8,453,254)	(1,757,270)
Net transfer fees (payable)/receivable		(2,588,212)	504,730
(Loss)/profit on ordinary activities before and after taxation and for the financial year		(3,168,073)	203,759

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 1996*

	Year ended 31 May 1996 £	Year ended 31 May 1995 £
(Loss)/profit for the financial year	(3,168,073)	203,759
Revaluation surplus in the year	-	12,563
<b>Total recognised gains and losses for the year</b>	<b><u>(3,168,073)</u></b>	<b><u>216,322</u></b>

# Manchester City Football Club plc

## Balance Sheet

at 31 May 1996

	Note	1996 £	1996 £
Fixed assets			
Tangible assets	9	31,105,679	27,730,645
Current assets			
Debtors	10	1,384,059	763,143
Investments	11	1,000	1,000
Cash at bank and in hand		781,768	9,834
		<u>2,166,827</u>	<u>773,977</u>
Creditors			
Amounts falling due within one year	12	(20,214,561)	(17,696,050)
Net current liabilities		<u>(18,047,734)</u>	<u>(16,922,073)</u>
Total assets less current liabilities		<u>13,057,945</u>	<u>10,808,572</u>
Creditors			
Amounts falling due after more than one year	13	(6,831,906)	(1,865,460)
Accruals and deferred income	14	(6,562,786)	(6,111,786)
		<u>(336,747)</u>	<u>2,831,326</u>
Capital and reserves			
Called up share capital	15	962,120	962,120
Share premium account	16	59,303	59,303
Calls on shares forfeited		23	23
Revaluation reserve	17	10,131,029	10,335,015
Profit and loss account	18	(11,489,222)	(8,525,135)
Equity shareholders' funds		<u>(336,747)</u>	<u>2,831,326</u>

These Financial Statements were approved by the board of directors on 2 November 1996 and were signed on its behalf by:

**FH LEE**  
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.

#### *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.

#### *Transfer fees*

Transfer fees receivable are stated in the profit and loss account net of final signing on 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.

#### *Signing on fees*

Signing on fees are charged to staff costs over the life of the players' contract. The balance of signing on fees payable in the event of a transfer before the end of a player's contract are deducted from the related transfer fees receivable.

#### *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.

# 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 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.

#### *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.

#### *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 1996 £	Year ended 31 May 1995 £
Gate receipts	5,460,744	4,503,122
Related activities	7,069,062	4,587,721
Donations from development association	168,159	181,475
	<u>12,697,965</u>	<u>9,272,318</u>

# Manchester City Football Club plc

## Notes (continued)

### 3 Profit/(loss) on ordinary activities before taxation

	Year ended 31 May 1996 £	Year ended 31 May 1995 £
Profit/(loss) on ordinary activities before taxation is stated		
After Charging		
Cost of sales of commercial activities	1,326,309	387,811
Auditors' remuneration:		
Audit	20,500	15,000
Other services	53,755	53,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	668,489	577,547
Leased	222,346	31,982
Hire of other assets	68,242	69,153

### 4 Remuneration of directors

	Year ended 31 May 1996 £	Year ended 31 May 1995 £
Directors' emoluments	85,716	74,988

The emoluments, excluding pension contributions, of the chairman were £nil (1995: £nil) and those of the highest paid director were £85,716 (1995: £74,998).

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 1996	Year ended 31 May 1995
£0	-	£5,000	12	14
£70,001	-	£75,000	-	1
£85,001	-	£90,000	1	-

# Manchester City Football Club plc

## Notes (continued)

### 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 1996	Year ended 31 May 1995
Players and football administration staff	84	68
Administration staff	44	44
Commercial staff	20	18
	<u>148</u>	<u>130</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 May 1996 £	Year ended 31 May 1995 £
Wages and salaries	5,589,665	5,209,857
Social security costs	540,471	533,521
Other pension costs	295,720	86,013
	<u>6,425,856</u>	<u>5,829,391</u>

### 6 Final signing on fees

Included within transfer fees receivable are payments of £952,500 (1985: £16,300) made in the year in respect of settlement of signing on fees on transfer of the relevant player to another club. Where transfers are at the request of the player no such payments are required.

# Manchester City Football Club plc

## Notes (continued)

### 7 Interest payable

	Year ended 31 May 1996 £	Year ended 31 May 1995 £
Bank loans and overdrafts repayable within five years	626,497	284,251
Loan stock	-	82,815
Payable to holding company	337,416	145,239
Hire purchase interest	372,920	38,715
Other interest	5,689	13,749
	<u>1,342,522</u>	<u>564,769</u>

In addition to the above, interest of £154,690 (1995: £196,090) has been capitalised in the year.

### 8 Tax on profit on ordinary activities

	Year ended 31 May 1996 £	Year ended 31 May 1995 £
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 £15 million.

# Manchester City Football Club plc

## Notes (continued)

### 9 Fixed assets

Tangible assets	Freehold Land and Buildings £	Fixtures, Fittings Equipment £	Motor Vehicles £	Total £
Cost/valuation				
As at 1 June 1995	27,190,679	1,136,128	79,635	28,406,442
Additions	1,548,400	2,679,869	37,600	4,265,869
Revaluations	-	-	-	-
Disposals	-	(68,180)	(51,135)	(119,315)
As at 31 May 1996	28,739,079	3,747,817	66,100	32,552,996
Depreciation				
As at 1 June 1995	-	642,364	33,433	675,797
Charge for year	588,323	269,003	33,509	890,835
Revaluations	-	-	-	-
On disposals	-	(68,180)	(51,135)	(119,315)
As at 31 May 1996	588,323	843,187	15,807	1,447,317
Net book value				
As at 31 May 1996	28,150,756	2,904,630	50,293	31,105,679
As at 1 June 1995	27,190,679	493,764	46,202	27,730,645

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.

	1996 £	1995 £
Contracted for but not provided	-	3,048,730
Authorised but not contracted for	67,142	-

The net book value of fixed assets at 31 May 1996 includes £4,384,365 (1995: £1,015,946) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £222,346 (1995: £31,982).

Tangible assets includes £89,070 (1995: £89,070) of capitalised interest relating to the construction of the Umbro Stand and £350,780 (1995: £196,090) relating to the construction of the Kippax Stand.



# Manchester City Football Club plc

## Notes (continued)

<b>10</b>	<b>Debtors</b>	<b>1996</b>	<b>1995</b>
		<b>£</b>	<b>£</b>
	<b>Amounts falling due within one year</b>		
	Trade Debtors	975,479	363,581
	Other Debtors	3,985	5,622
	Prepayments and accrued income	404,595	393,940
		<u>1,384,059</u>	<u>763,143</u>
<b>11</b>	<b>Investments</b>	<b>1996</b>	<b>1995</b>
		<b>£</b>	<b>£</b>
	1,100 25p shares in Lloyds TSB Group Plc	<u>1,000</u>	<u>1,000</u>
	The market value of the above investment as at 31 May 1996 was £3,443 (1995: £2,530).		
<b>12</b>	<b>Creditors - amounts falling due within one year</b>	<b>1996</b>	<b>1995</b>
		<b>£</b>	<b>£</b>
	Transfer fee creditors	3,284,086	508,750
	Mortgage instalments	4,000	4,000
	Bank Overdraft	5,677,853	7,299,400
	Bank loan	296,000	279,010
	Trade Creditors	1,112,768	1,448,618
	Hire purchase instalments	542,141	218,626
	Amounts owed to holding company	5,991,777	5,539,277
	Taxation and Social Security costs	1,853,273	440,629
	Loans	720,747	703,000
	Directors loans	49,500	252,247
	Unclaimed Dividends	-	680
	Accruals	682,416	1,001,813
		<u>20,214,561</u>	<u>17,696,050</u>

Security of loans in order of priority is detailed below:

The bank borrowings and mortgages are secured by charges on the land and premises at Maine Road, the Social Club and at Platt Lane and a debenture over all assets. The bank loan has to be repaid by 1999.

Hire Purchase instalments includes £3,600,000 which is secured by a debenture over the assets of the group, and a fixed charge over TV monies.

Certain of the other loans are secured by fixed and floating charges over the Platt Lane development and the Social Club.

# Manchester City Football Club plc

## Notes (continued)

### 13 Creditors - amounts falling due after more than one year

	1996 £	1995 £
Transfer fees	578,828	-
Bank loans - secured	575,285	837,031
Other Loans	821,283	283,533
Mortgage Loan - secured	37,243	43,194
Directors' and other Loans	1,300,000	-
Hire Purchase Instalments	3,519,267	701,702
	<u>6,831,906</u>	<u>1,865,460</u>

Other loans are unsecured and include £1,300,000 of loans which are repayable, save in certain circumstances, by 30 June 1998, if not already converted to ordinary shares and convertible loan stock. Interest on this loan is payable at the rate of 3%. The balance of other loans is interest free.

<i>Mortgages</i>	1996 £	1995 £
The Mortgage secured on residential property bears interest at Bank mortgage rate on	<u>41,243</u>	<u>47,194</u>
Amounts repayable within five years	20,000	20,000
Amounts repayable after five years	21,243	27,194
	<u>41,243</u>	<u>47,194</u>

The current portion of the mortgage amounting to £4,000 is shown in current liabilities (1995: £4,000).

#### *Finance leases*

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

	1996 £	1995 £
Within one year	542,141	218,626
In the second to fifth years	2,613,839	701,702
In more than 5 years	905,428	-
	<u>4,061,408</u>	<u>920,328</u>

# Manchester City Football Club plc

## Notes (continued)

### 14 Accruals and deferred income

	1996 £	1995 £
Amounts falling due within one year		
Deferred income	2,551,469	2,632,716
Deferred credit for capital grants	78,838	69,984
	<u>2,630,307</u>	<u>2,702,700</u>
Amounts falling due after more than one year		
Deferred income	207,395	43,745
Deferred credit for capital grants	3,725,084	3,365,341
	<u>3,932,479</u>	<u>3,409,086</u>
	<u>6,562,786</u>	<u>6,111,786</u>

#### *Deferred grant income*

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

	£
At 1 June 1995	3,435,325
Grants received	442,888
Grants released	(74,291)
	<u>3,803,922</u>

# Manchester City Football Club plc

## Notes (continued)

### 15 Called up share capital

	1996		1995	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	1,600,000	1,600,000	1,600,000	1,600,000
	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>
Issued				
Ordinary shares of £1 each	961,270	961,270	961,270	961,270
Ordinary shares of £1 each - 25p paid	3,399	850	3,399	850
	<u>964,669</u>	<u>962,120</u>	<u>964,669</u>	<u>962,120</u>

### 16 Share premium account

	£
At 1 June 1995 and 31 May 1996	<u>59,303</u>

### 17 Revaluation reserve

	£
At 1 June 1995	10,335,015
Transfer to profit and loss account	(203,986)
	<u>10,131,029</u>
At 31 May 1996	<u>10,131,029</u>

### 18 Profit and loss account

	£
At 1 June 1995	(8,525,135)
Retained loss for the year	(3,168,073)
Transfer from revaluation reserve	203,986
	<u>(11,489,222)</u>
At 31 May 1996	<u>(11,489,222)</u>

## Notes (continued)

# Manchester City Football Club plc

## 19 Contingent liabilities

- 1 Transfer fees of £725,000 (1995: £250,000), which are contingent upon future appearances of certain players are accounted for when the conditions for payment have been satisfied.
- 2 Signing on fees and loyalty bonuses of £2,087,667 (1995: £3,187,750), 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.
- 3 The Club, in common with clubs in The Football Association Premier League, has prepared a report for the Inland Revenue on certain tax sensitive issues. Negotiations are continuing with the Inland Revenue and at this time no assessment to tax has been raised by them. Contingent on the outcome of such negotiations, Manchester City Football Club may or may not face additional tax liabilities arising in respect of earlier periods. The directors consider that given the uncertainties involved they are unable to make a reasonable assessment as to any potential liability which may arise.

## 20 Reconciliation of movement in shareholders funds

	1996 £	1995 £
Profit/(loss) for the financial year	(3,168,073)	203,759
Issue of shares	-	42,394
Revaluation surplus	-	12,563
Net addition/(reduction) to shareholders funds	<u>(3,168,073)</u>	<u>258,716</u>
Opening shareholders funds	<u>2,831,326</u>	<u>2,572,610</u>
Total closing shareholders funds	<u>(336,747)</u>	<u>2,831,326</u>

# Manchester City Football Club plc

## Notes (continued)

### 21 Commitments

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	14,250	-	-	-
In the second to fifth years inclusive	-	-	14,250	-
	<u>14,250</u>	<u>-</u>	<u>14,250</u>	<u>-</u>

### 22 Ultimate holding company

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