City Football Group Limited

Directors' Report and Financial Statements

For the period ended 31 May 2014

Registered number 08355862

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City Football Group Limited

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City Football Group Limited

Directors and Advisors

Directors

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

Company Secretary

S Cliff

Registered Office

Regents Place, 14th Floor, 10 Brock Street, London NW1 3FG

Bankers

Barclays Bank PLC, 51 Mosley Street, Manchester M60 2AU

Auditors

BDO LLP, 3 Hardman Street, Manchester M3 3AT

Solicitors

Shearman & Sterling LLP, Broadgate West, 9 Appold Street, London EC2A 2AP

City Football Group Limited

Directors and Advisors (continued)

The Board of Directors comprises:

Khaldoon Al Mubarak (Chairman)

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

Martin Edelman (Non-Executive Director)

Martin Edelman was appointed to the Board on 23 September 2008. He was a Director of Cendant Corporation from 1997-2006 and was a Director of HFS from November 1993 until September 1997. He has been Of Counsel to Paul, Hastings, Janofsky & Walker, LLP, a New York City law firm, since June 2000 and currently serves as a Director of the Avis Budget Group. He is also a Director of Aldar Properties, Ashford Hospitality Trust and Capital Trust.

Simon Pearce (Non-Executive Director)

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

Mohamed Al Mazrouei (Non-Executive Director)

Mohamed Al Mazrouei joined Abu Dhabi Media Company as Chairman of the Board in July 2010. Mr Al Mazrouei is Under Secretary to the Abu Dhabi Crown Prince's Court, a role he assumed in April 2008. He also serves as a non-Executive Director for Etihad Airways.

John MacBeath (Non-Executive Director)

John MacBeath is a Chartered Accountant with extensive international business experience in the oil & gas and aerospace industrial sectors. He joined the Board in January 2010 and was appointed Interim Chief Executive Officer between September 2011 and September 2012.

Alberto Galassi (Non-Executive Director)

Alberto Galassi was appointed to the Board on 24 June 2012. He is currently CEO of Piaggio Aero Industries and previously served on the Executive Committee of Piaggio Aero as Board Member responsible for Marketing and Sales. He is attorney at law specialising in International commerce and arbitration and has been a member of the Bar since 1996.

City Football Group Limited

Strategic Report

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

City Football Group was incorporated in January 2013, these group financial statements have been prepared for the 17 month period to 31 May 2014. As explained in more detail in note 1, the consolidated financial statements include 17 months of the company and newly formed subsidiaries since incorporation and its existing subsidiary undertakings' results for their accounting reference period of one year from 1 June 2013 to 31 May 2014.

Principal activities

The principal activity of the Group is the operation of professional football clubs as well as providing football and commercial services to other organisations.

Business Review and Key Performance Indicators

City Football Group was created in January 2013 to hold investments in multiple football clubs around the world, specifically Manchester City, New York City and Melbourne City, as well as holding a smaller stake in Yokohama Marinos.

The Group has reported a bottom line loss of £63.4m for the period as the newly formed service companies and New York City Football Club start to build their business. The bottom line figure includes £16m levied on Manchester City as a result of the compromise agreement reached with UEFA in May 2014 over disputed breaches of its Financial Fair Play regulations.

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

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

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

New York City Football Club generated no revenues during the period as its season does not start until early 2015. Similarly Melbourne City Football Club was purchased in February 2014 so only 3 months of results contributing revenues of just over £2m are included within the Group.

Significantly wage costs were £228m of which most again were incurred by Manchester City Football Club who had a total wage cost reduction of 12% to £205m and whose wage turnover ratio now stands at a healthy 59% (2013: 86%).

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

Importantly, the Group's financial position remains strong. The Group has net assets valued at more than £577m and continues to operate with zero financial debt.

Strategic Report (continued)

Risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the Group's performance. The Group's income is affected by the performance of the first team because significant revenues are dependent upon strong team performances in the Premier League, domestic and European Cup competitions. The Group is regulated by the rules of the FA, Premier League, FFA, MLS, UEFA and FIFA and any change to these regulations could have an impact as the regulations cover areas such as: the distribution of broadcasting income, the eligibility of players and the operation of the transfer market. The Group monitors its compliance with all applicable rules and regulations on a continuous basis and considers the impact of any potential changes.

Strategic Review

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

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

New York City will start playing in the MLS during the next financial year and will be expected to incur losses in the short term as its business grows and its fanbase develops. Similarly City Football Marketing and City Football Services will incur losses whilst they grow their sales propositions to external parties.

We have budgeted for losses in 2014-15 but expect the Group to be profitable within the next 3 years.

By order of the Board

J MacBeath
Director
9 October 2014

City Football Group Limited

Directors' Report

Directors

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

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

Result for the period

The loss for the financial period was £63,422,000 (*2013: £74,074,000*). The Directors do not propose a dividend (*2013: £nil*).

Political and charitable contributions

The Group made no political contributions. Donations to UK charities amounted to £2,237,199 (*2013: £241,361*). This amount includes £1.9m supporting Premier League youth and community development expenditure.

Employee involvement

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Company and are of interest to them as employees.

Disabled employees

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

City Football Group Limited

Statement of Directors' Responsibilities

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

J MacBeath
Director
9 *October 2014*

City Football Group Limited

Independent Auditors' Report to the Members of City Football Group Limited

We have audited the financial statements of City Football Group Limited for the period ended 31 May 2014 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 May 2014 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

City Football Group Limited

Independent Auditors' Report to the Members of City Football Group Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester

Date: 10 October 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

City Football Group Limited

Consolidated Profit and Loss Account

for the period ended 31 May 2014

	Note	**Period ended 31 May 2014 £000**	Year ended 31 May 2013 £000
Turnover	2	**347,050**	271,000
Other operating income	3	**1,775**	25,275
Operating expenses	3	**(406,682)**	(369,353)
Operating loss		**(57,857)**	(73,078)
Profit on disposal of players		**197**	5,872
Loss before interest and taxation		**(57,660)**	(67,206)
Interest receivable and similar income	6	**61**	233
Interest payable and similar charges	7	**(1,610)**	(3,737)
Stadium finance lease charges		**(4,345)**	(3,364)
Loss on ordinary activities before taxation		**(63,554)**	(74,074)
Taxation	8	**-**	-
Loss on ordinary activities after taxation		**(63,554)**	(74,074)
Equity Minority Interests		**132**	-
Loss for the financial period	19	**(63,422)**	(74,074)

The results for both periods are from continuing operations.

The notes on pages 14 to 30 form part of these financial statements.

City Football Group Limited

Consolidated Statement of Total Recognised Gains and Losses

for the period ended 31 May 2014

	Note	**Period ended 31 May 2014 £000**	Year ended 31 May 2013 £000
Loss for the financial period		**(63,422)**	(74,074)
Unrealised deficit on revaluation of properties	19	**-**	(29,257)
Total recognised losses for the period		**(63,422)**	(103,331)

Consolidated Note of Historical Cost Profits and Losses

for the period ended 31 May 2014

	Period ended 31 May 2014 £000	Year ended 31 May 2013 £000
Loss on ordinary activities before and after taxation	**(63,554)**	(74,074)
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	**1,120**	1,120
Historical cost loss on ordinary activities before and after taxation	**(62,434)**	(72,954)

The notes on pages 14 to 30 form part of these financial statements.

City Football Group Limited

Balance Sheets

as at 31 May 2014
Registered number:08355862

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Fixed assets					
Intangible assets	10	**214,741**	186,215	-	-
Tangible assets	11	**349,123**	260,006	828	-
Investments	12	**62,578**	-	550,181	-
		626,442	446,221	551,009	-
Current assets					
Debtors - amounts falling due within one year	13	**143,970**	133,854	12,310	-
Debtors - amounts falling due after more than one year	13	**22,873**	32,367	-	-
Cash at bank and in hand		**42,863**	14,045	17,304	-
		209,706	180,266	29,614	-
Creditors – amounts falling due within one year	14	**(172,882)**	(127,982)	(3,372)	-
Net current assets		**36,824**	52,284	26,242	-
Total assets less current liabilities		**663,266**	498,505	577,251	-
Creditors - amounts falling due after more than one year	15	**(69,910)**	(67,336)	-	-
Deferred income	17	**(16,105)**	(39,482)	-	-
Net assets		**577,251**	391,687	577,251	-
Capital and reserves					
Called up share capital	18	**298,892**	52,595	298,892	-
Share premium account	19	**284,969**	-	284,969	-
Merger reserve	19	**694,522**	979,491	-	-
Revaluation reserve	19	**44,686**	44,686	-	-
Profit and loss account	19	**(749,007)**	(685,085)	(6,610)	-
Shareholders' funds	21	**574,062**	391,687	577,251	-
Minority interests		**3,189**	-	-	-
Total capital employed		**577,251**	391,687	577,251	-

The notes on pages 14 to 30 form part of these financial statements.

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

J MacBeath
Director

City Football Group Limited

Group Cash Flow Statement

for the period ended 31 May 2014

	Note	**Period ended 31 May 2014 £000**	Year ended 31 May 2013 £000
Net cash outflow from operating activities	24	**(13,180)**	(26,825)
Return on investments and servicing of finance			
Interest paid		**(160)**	(5,369)
Interest element of finance lease payments		**(4,554)**	(4,120)
Interest received		**61**	58
Net cash outflow from return on investments and servicing of finance		**(4,653)**	(9,431)
Capital expenditure			
Purchase of intangible fixed assets		**(116,128)**	(101,099)
Purchase of other intangible fixed assets		**(13,124)**	-
Sale of intangible fixed assets		**34,578**	22,145
Purchase of tangible fixed assets		**(96,762)**	(40,422)
Purchase of subsidiary undertaking	31	**(5,303)**	-
Net cash acquired with subsidiary		**49**	-
Purchase of fixed asset investments		**(2,926)**	-
Net cash outflow from capital expenditure		**(199,616)**	(119,376)
Net cash outflow before financing		**(217,449)**	(155,632)
Financing			
Issue of shares		**246,310**	189,782
Loan capital repaid		**-**	(32,428)
Capital element of finance lease rental payments		**(299)**	(277)
Net cash inflow from financing		**246,011**	157,077
Movement in cash in the period	26	**28,562**	1,445

The notes on pages 14 to 30 form part of these financial statements.

City Football Group Limited

Notes to the Consolidated Financial Statements

1 Accounting policies

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

Basis of preparation

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

The Group is reliant on its ultimate parent undertaking, Abu Dhabi United Group Investment & Development, for its continued financial support. It has received written confirmation from its ultimate parent undertaking that sufficient funds will be provided to finance the business for at least 12 months from the date of approval of the financial statements. Based on discussions with the ultimate owner and formal confirmation of support, the Directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the City Football Group Limited ('the Company') and its subsidiary undertakings up to 31 May 2014. During the period there was a group reorganisation that resulted in a new intermediate parent company for the Group. City Football Group Limited was incorporated on 10 January 2013 and acquired Manchester City Limited ('MCL') during the period as part of this restructure. Shares in the Company were exchanged for shares in MCL. This has been accounted for using merger accounting principles.

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves. The consolidated financial statements include 17 months to 31 May 2014 of the Company and newly formed subsidiaries since incorporation and existing subsidiary undertakings' results for their accounting reference period of one year from 1 June 2013 to 31 May 2014.

Turnover

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

Advanced match revenue is included within deferred income and is recognised over the period of the football season as games are played. Commercial and other partnership revenues are included within deferred income and are recognised over the life of the relevant contracts.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% straight line
Long leasehold buildings	-	estimated useful economic life of the asset
Short leasehold buildings	-	estimated useful economic life of the asset
Fixtures and fittings	-	10% straight line
Computer equipment	-	25% straight line

Cost includes directly attributable finance costs.

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

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this the Etihad Stadium, held within long leasehold land and buildings, is subject to a full valuation on a depreciated replacement cost basis every five years with an interim valuation carried out in the third year of this cycle.

Where the Group's websites are expected to generate future revenues in excess of costs of development then these costs are capitalised.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised over the contract period on a straight line basis. Impairments in value below the amortised value are provided for when the carrying amount exceeds the amount recoverable through use or sale.

Signing on fees

Signing on fees are charged to the profit and loss account over the life of the player's contract.

Deferred tax

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

No deferred tax asset has been recognised as at 31 May 2014 as in the Group's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Capital grants

Grants receivable in respect of capital expenditure are treated as deferred income and released to the profit and loss account over a future period. This period will equal the economic life of the assets to which the grants relate in order to match the income to the depreciation charged on those assets. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account.

Foreign currency transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pensions

A subsidiary of the Group is a member of the Football League Pension and Life Assurance Scheme which has been closed for new employees. All pension schemes are defined contribution schemes and all contributions are charged to the profit and loss account as they become payable

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

Notes to the Consolidated Financial Statements *(continued)*

2 Turnover

	Period ended 31 May 2014 £000	Year ended 31 May 2013 £000
Matchday	**48,171**	39,615
Broadcasting - UEFA	**31,329**	24,144
Broadcasting - All Other	**101,910**	64,250
Other commercial activities	**165,640**	142,991
	347,050	271,000

Turnover that is attributable to markets outside the United Kingdom is £2,199,000 (2013 - £nil). The Group has one activity which is the operation of professional football clubs and therefore a segmental analysis has not been provided. All of the results for this activity are included within the primary statements.

3 Operating loss

	Period ended 31 May 2014 £000	Year ended 31 May 2013 £000
Other operating income		
Sale of intellectual property to third parties	**-**	24,500
Other operating income	**1,775**	775
	1,775	25,275
Operating expenses		
Direct cost of sales and consumables	**9,261**	6,832
Remuneration of auditors and its associates:		
Audit fees	**70**	43
Tax Services	**84**	35
Other services	**7**	4
Hire of other assets – operating leases	**473**	457
Capital grants released and amortised	**(1,159)**	(57)
Other external charges	**76,005**	42,280
UEFA settlement	**16,260**	-
Insurance proceeds	**(6,670)**	-
Staff costs (Note 5)	**228,254**	233,106
Amortisation of player registrations	**76,488**	80,869
Depreciation of tangible fixed assets:		
Owned	**5,603**	3,922
Leased	**2,006**	1,862
	406,682	369,353

4 Directors' remuneration

	Period ended 31 May 2014 £000	Year ended 31 May 2013 £000
Directors' emoluments	**-**	426
Company contributions to money purchase pension schemes	**-**	-
Amounts paid to third parties in respect of Directors' services	**166**	362

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

Notes to the Consolidated Financial Statements *(continued)*

5 Staff numbers and costs

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

Number of employees	Period ended 31 May 2014	Year ended 31 May 2013
Football staff – including players	**249**	222
Commercial/administration staff	**338**	227
	587	449

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**199,891**	204,701
Social security costs	**27,423**	28,031
Other pension costs	**940**	374
	228,254	233,106

6 Interest receivable and similar income

	Period ended 31 May 2014	Year ended 31 May 2013
	£000	£000
Bank interest	**60**	58
Other	**1**	175
	61	233

7 Interest payable and similar charges

	Period ended 31 May 2014	Year ended 31 May 2013
	£000	£000
Foreign exchange losses	**1,448**	-
Other loans	**-**	3,685
Finance lease interest	**162**	52
	1,610	3,737

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

Notes to the Consolidated Financial Statements *(continued)*

8 Taxation

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

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

(b) Factors affecting tax charge for the year:

The current tax charge for the period varies from the standard rate of corporation tax in the UK of 23% *(2013: 24%)*. The differences are explained below:

	Period ended 31 May 2014 £000	Year ended 31 May 2013 £000
Loss on ordinary activities before taxation	**(63,422)**	(74,074)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% *(2013: 24%)*	**(14,378)**	(17,778)
Effects of:		
Expenses not deductible for tax purposes	**4,022**	1,415
Fixed asset timing differences	**1,501**	(1,053)
Other timing differences	**(334)**	-
Tax losses incurred in the period	**9,189**	17,416
Current tax credit for the period	-	-

The Group has corporation tax losses available for carry forward of approximately £643 million *(2013: £612 million)*.

c) Factors that may affect future tax charges:

The Group expects its effective tax rate in future years to be less than the standard rate of corporation tax in the UK due principally to the amount of tax losses available to be set off against future taxable profits.

9 Company results

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company incurred a loss after tax of £6,610,000 which is dealt with in the financial statements of the parent company and eliminated on consolidation.

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

10 Intangible fixed assets

Group

	Player Registrations £000	Goodwill £000	Other £000	Total £000
Cost				
As at 1 June 2013	428,618	-	-	428,618
Arising on acquisition	-	-	451	451
Additions	109,542	5,813	1,194	116,549
Disposals	(97,693)	-	-	(97,693)
As at 31 May 2014	**440,467**	**5,813**	**1,645**	**447,925**
Amortisation				
As at 1 June 2013	242,403	-	-	242,403
Amortisation of player registrations	76,488	-	-	76,488
Disposals	(85,707)	-	-	(85,707)
As at 31 May 2014	**233,184**	-	-	**233,184**
Net book value				
As at 31 May 2014	**207,283**	**5,813**	**1,645**	**214,741**
As at 1 June 2013	186,215	-	-	186,215

11 Tangible fixed assets

Group

	Land and Buildings (Freehold) £000	Land and Buildings (Short Leasehold) £000	Land and Buildings (Long Leasehold) £000	Assets under course of construction £000	Fixtures, Fittings & Equipment £000	Total £000
Cost/valuation						
As at 1 June 2013	59,816	2,288	140,496	43,742	31,416	277,758
Arising on acquisition	-	-	-	-	99	99
Additions	17	-	799	84,140	11,743	96,699
Disposals	-	-	(62)	(2)	(3,122)	(3,186)
As at 31 May 2014	**59,833**	**2,288**	**141,233**	**127,880**	**40,136**	**371,370**
Depreciation						
As at 1 June 2013	1,671	563	1,667	-	13,851	17,752
Arising on acquisition	-	-	-	-	72	72
Charge for the year	104	74	1,932	2	5,497	7,609
Disposals	-	-	(62)	(2)	(3,122)	(3,186)
As at 31 May 2014	**1,775**	**637**	**3,537**	-	**16,298**	**22,247**
Net book value						
As at 31 May 2014	**58,058**	**1,651**	**137,696**	**127,880**	**23,838**	**349,123**
As at 1 June 2013	58,145	1,725	138,829	43,742	17,565	260,006

Notes to the Consolidated Financial Statements *(continued)*

11 Tangible fixed assets *(continued)*

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

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

Tangible fixed assets are shown at their original cost to the Group with the exception of the Etihad Stadium. A full valuation was obtained by the Directors as at 31 May 2012 from GVA Grimley Ltd on a depreciated replacement cost basis and was made in accordance with the Royal Institute of Chartered Surveyors' Asset Statements of Valuation Practice and Guidance Notes. The results of this new valuation have subsequently been incorporated into the financial statements.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding agreement to sell the assets has been entered into and it is unlikely that any gain will be rolled over.

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

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

Finance Lease on Etihad Stadium

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the Etihad Stadium. Rental payments are made quarterly. The lease has been treated as a finance lease, with the lease premium and the net present value of future rental obligations capitalised.

A finance lease creditor equal to the future obligations under the lease has been established. In calculating the future obligations an interest rate of 7.57% and an estimated long term inflation rate of 2.5% have been applied. This reflects the discount rate previously applied to the finance lease before the amendment as the directors consider this reflects the rate at which they could borrow from a third party.

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

Notes to the Consolidated Financial Statements *(continued)*

11 Tangible fixed assets *(continued)*

Company

	Fixtures, Fittings & Equipment £000	Total £000
Cost/valuation		
As at 1 June 2013	-	-
Additions	1,001	1,001
As at 31 May 2014	**1,001**	**1,001**
Depreciation		
As at 1 June 2013	-	-
Charge for the year	173	173
As at 31 May 2014	**173**	**173**
Net book value		
As at 31 May 2014	**828**	**828**
As at 1 June 2013	-	-

12 Fixed asset investments

	Group £000	Company £000
Subsidiary undertakings		
Cost and net book value		
As at 1 June 2013	-	-
Group reconstruction	-	337,551
Additions	-	209,704
As at 31 May 2014	**-**	**547,255**
Other investments		
Cost and net book value		
As at 1 June 2013	-	-
Additions	62,578	2,926
As at 31 May 2014	**62,578**	**2,926**
Total		
Cost and net book value		
As at 1 June 2013	-	-
Additions	62,578	550,181
As at 31 May 2014	**62,578**	**550,181**

On 11th July 2013 New York City Football Club LLC, a subsidiary of City Football Group Limited, acquired a membership interest in Major League Soccer LLC and Soccer United Marketing LLC. On 30th May 2014 City Football Group acquired a 19.9% minority stake in Yokohama Marinos Ltd.

City Football Group Limited

Notes to the Consolidated Financial Statements *(continued)*

12 Fixed asset investments *(continued)*

Subsidiary undertakings	Principle activities	Country of incorporation and operation	Proportion of voting rights and share capital held
Manchester City Limited	Intermediate holding company	England	100%
City Football Marketing Limited	Commercial and marketing services	England	100%
City Football Services Limited	Sporting services	England	100%
Manchester City Women's Football Club Limited	Professional football club	England	100%
Manchester City Football Club Limited *	Professional football club	England	100%
Manchester City Investments Limited *	Issuer of loan notes	England	100%
Manchester City Property Limited *	Letting of own property	England	100%
Manchester City Developments Limited *	Property investment	England	100%
City Football Group USA LLC	Intermediate holding company	United States	100%
CFG Stadium Group, LCC*	Stadium operations	United States	100%
City Football Group US Holdco, LCC*	Intermediate holding company	United States	80%
New York City Football Club LCC*	Professional football club	United States	80%
MHFC Holdings Pty Limited	Intermediate holding company	Australia	80%
Melbourne Heart Football Club Pty Limited*	Professional football club	Australia	80%
City Football Middle East FZ LLC	Commercial, marketing and sporting services	UAE	100%

* denotes indirect investments.

13 Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Amounts falling due within one year				
Trade debtors	**82,880**	35,533	**-**	-
Debtors arising from player transfers	**11,248**	20,296	**-**	-
Amounts owed by group undertakings (Note 28)	**-**	5,858	**11,029**	-
Amounts owed by related party undertakings (Note 28)	**629**	200	**456**	-
Other debtors	**296**	2,347	**-**	-
Prepayments and accrued income	**48,917**	69,620	**825**	-
	143,970	133,854	**12,310**	-
Amounts falling due after more than one year				
Trade debtors	**11,250**	16,875	**-**	-
Debtors arising from player transfers	**10,309**	14,415	**-**	-
Other debtors	**1,314**	1,077	**-**	-
	22,873	32,367	**-**	-
Total debtors	**166,843**	166,221	**12,310**	-

Notes to the Consolidated Financial Statements *(continued)*

14 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Obligations under finance leases (Note 16)	**571**	299	**-**	-
Trade creditors	**5,259**	6,354	**111**	-
Creditors arising from player transfers	**9,484**	19,933	**-**	-
Amounts owed to group undertakings	**-**	21,135	**-**	-
Amounts owed to related party undertakings	**4,487**	10,613	**-**	-
Other creditors including tax and social security	**15,266**	11,307	**48**	-
Accruals	**137,815**	58,341	**3,213**	-
	172,882	127,982	**3,372**	-

15 Creditors: amounts falling due after more than one year

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

16 Borrowings

Group

	Finance Leases	**2014 Total**	2013 Total
Maturity of debt:	**£000**	**£000**	£000
Within one year	571	**571**	299
Between one and two years	331	**331**	315
Between two and five years	1,096	**1,096**	1,043
After more than five years	65,573	**65,573**	65,957
	67,571	**67,571**	67,614

Finance Leases

Obligations under finance leases include future obligations under the lease of the Etihad Stadium. Details are provided within note 11.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2014	2013
	£000	£000
Within one year	**3,806**	3,550
In the second to fifth year	**14,200**	14,200
Over five years	**160,925**	164,475
Less future finance charges	**(111,360)**	(114,611)
	67,571	67,614

Notes to the Consolidated Financial Statements *(continued)*

17 Deferred income

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Within one year:				
Deferred income	**14,987**	38,311	-	-
Deferred credit for capital grants	**45**	1,171	-	-
	15,032	39,482	-	-
More than one year:				
Deferred income	-	-	-	-
Deferred credit for capital grants	**1,073**	-	-	-
	1,073	-	-	-
Total deferred income	**16,105**	39,482	-	-

Deferred credit for capital grants

The movements in deferred credit for capital grants during the year were as follows:	**£000**
At 1 June 2013	1,188
Grants released in year	(70)
At 31 May 2014	**1,118**

18 Called up share capital

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

	2014	2013
	£000	£000
Issued and called up		
298,892,260 *(2013: 52,595,000)* Ordinary shares of £1 each – fully paid	**298,892**	52,595

During the period 298,892,260 ordinary shares of £1 each were issued for a consideration of £1 per share. Part of the consideration was for shares in Manchester City Limited (see note 30) and the remaining amount was subsequent share subscriptions from the parent. The total consideration was £583.9m and the premium of £285m has been included in the share premium account (see note 19).

19 Reserves

	Share premium **£000**	**Merger reserve** **£000**	**Revaluation reserve** **£000**	**Profit and loss account** **£000**
Group				
At 1 June 2013	-	979,491	44,686	(685,085)
Retained loss for the period	-	-	-	(63,422)
Group reconstruction merger accounting (note 1)	284,969	(284,969)	-	-
Currency translation difference of foreign currency net investments	-	-	-	(500)
At 31 May 2014	**284,969**	**694,522**	**44,686**	**(749,007)**
Company				
At 1 June 2013	-	-	-	-
Retained loss for the period	-	-	-	(6,610)
Issue of shares	284,969	-	-	-
At 31 May 2014	**284,969**	-	-	**(6,610)**

Notes to the Consolidated Financial Statements *(continued)*

20 Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £100,563,000 *(2013: £53,857,000)* that will become payable upon the achievement of certain conditions contained within player and transfer contracts if they are still in the service of the Club on specific future dates are accounted for in the year in which they fall due for payment.

21 Reconciliations of movement in shareholders' funds

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Loss for the financial period	**(63,422)**	(74,074)	**(6,610)**	-
Other recognised gains and losses	**(500)**	-	-	-
Revaluation adjustment	-	(29,257)	-	-
Merger reserve	**694,522**	-	-	-
Issue of shares	**(448,212)**	168,647	**583,861**	-
Net increase in shareholders' funds	**182,388**	65,316	**577,251**	-
Opening shareholders' funds	**391,674**	326,358	-	-
Total closing shareholders' funds	**574,062**	391,674	**577,251**	-

22 Pensions

The Group owns a subsidiary who is a member of The Football League Limited Pension and Life Assurance Scheme, a pension scheme providing benefits based on final pensionable pay. As the subsidiary is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

At 31 May 2014 a Minimum Funding Requirement Deficit was identified in the scheme, of which £316,436 *(2013: £353,303)* was allocated to the subsidiary.

The latest full actuarial valuation was carried out at 31 August 2011 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the period was £63,857 *(2013: £58,296)*.

23 Commitments

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

	2014	2013
Expiring:	**£000**	£000
Within one year	**67**	153
Within two and five years	**236**	65
After five years	**-**	-
	303	218

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

	2014	2013
	£000	£000
Contracted but not provided for	**48,386**	70,301

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

Notes to the Consolidated Financial Statements *(continued)*

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

	2014 £000	2013 £000
Operating loss	**(57,857)**	(73,078)
Amortisation and impairment of players' registrations	**76,488**	80,869
Depreciation	**7,609**	5,784
Increase in debtors	**(19,702)**	(51,056)
(Decrease)/increase in creditors	**(19,665)**	10,761
Release and amortisation of grants	**(53)**	(105)
Net cash outflow from operating activities	**(13,180)**	(26,825)

25 Reconciliation of net cash flow to movement in net debt

	2014 £000	2013 £000
Increase in cash in the period	**28,562**	1,445
Net cash inflow from movement in debt	**299**	32,674
Finance leases acquired	**(256)**	-
Movement in net debt resulting from cash flows	**28,605**	34,119
Finance leases acquired	**256**	-
Other non-cash changes	**-**	(29,225)
Opening net debt position	**(53,569)**	(58,463)
Closing net debt position	**(24,708)**	(53,569)

26 Analysis of changes in net debt

	As at 1 June 2013 £000	Cash flow £000	Acquisition £000	Other non-cash changes £000	As at 31 May 2014 £000
Cash at bank and in hand	14,045	28,513	49	256	**42,863**
Movement in net cash position in the period	14,045	28,513	49	256	**42,863**
Debt due within one year	-	-	-	-	-
Debt due after one year	-	-	-	-	-
Net debt (excluding finance leases)	14,045	28,513	49	256	**42,863**
Finance leases	(67,614)	299	(256)	-	**(67,571)**
	(53,569)	28,812	(207)	256	**(24,708)**

Notes to the Consolidated Financial Statements *(continued)*

27 Financial instruments and risk management

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to finance the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged since the prior year.

Interest rate risk profile of financial assets and liabilities

The Group has no financial assets, other than short-term debtors and an amount of cash at bank. The interest rate risk profile of the Group's financial liabilities as at 31 May 2014 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate Financial Liabilities £000	Non-Interest Financial Liabilities £000
As at 31 May 2014	**67,571**	**-**	**67,571**	**-**
As at 31 May 2013	67,614	-	67,614	-

The fixed rate liabilities comprise finance lease obligations of £67,571,000 as detailed in note 16.

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

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

28 Related party transactions

The Group has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with wholly owned subsidiaries.

Transactions with parent undertakings
Transactions during the period ended 31 May 2014 with the parent undertaking, Abu Dhabi United Group Investment & Development Limited consisted of the subscription for additional shares in the Group outlined in note 18.

Transactions with subsidiaries of City Football Group Limited
Transactions during the period ended 31 May 2014 with New York City Football Club LLC consisted of the provision of services of £299,000 *(2013: £nil)* and the provision of cash loans. A balance of £6,160,000 is included in debtors due within one year *(2013: £nil)*.

Transactions during the period ended 31 May 2014 with Melbourne Heart Football Club Pty Limited consisted of the provision of services of £246,000 *(2013: £nil)* and the provision of cash loans. A balance of £1,598,000 is included in debtors due within one year *(2013: £nil)*.

Transactions with Brookshaw Developments Limited
The Company provided cash loans to Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development Limited, during 2013 and a balance of £450,000 *(2013: £nil)* is included in debtors due within one year.

Notes to the Consolidated Financial Statements *(continued)*

29 Post balance sheet events

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

30 Merger accounting

During the year a corporate restructuring exercise resulted in a new intermediate parent company for the group being established. City Football Group Limited ('the Company') was incorporated on 10 January 2013 and acquired Manchester City Limited ('MCL') during the period as part of this restructure. 52,595,000 ordinary £1 shares in the company were exchanged for 52,595,000 ordinary £1 shares in MCL with the Groups' ultimate parent undertaking Abu Dhabi United Group Investments & Developments ('ADUG'), a company registered in Abu Dhabi.

Group reconstruction relief has been taken advantage of which allows the investment in MCL to be recorded at its previous carrying value in the transferor company. The additional premium has been classified as share premium.

The impact on the financial statements following the group restructuring is as follows:

	Merger Transactions £000
Assets	
Investments	337,551
Total net assets	**337,551**
Capital & reserves	
Share capital	52,595
Share premium	284,956
Shareholders' funds	**337,551**

Notes to the Consolidated Financial Statements *(continued)*

31 Acquisitions note

Melbourne Heart Football Club Pty Limited

The Group acquired 80% of the share capital of Melbourne Heart Football Club Pty Limited on 22 January 2014. Melbourne Heart Football Club Pty Limited is a professional football club that competes in the Australian A-League.

During the current period the Group incurred £100,000 of costs in relation to this acquisition.

The amount of identifiable net assets assumed at the acquisition date in shown below:

Recognised amounts of net assets acquired and liabilities assumed	Note	Book and fair value £000
Cash at bank and in hand		50
Trade and other debtors		144
Stock		25
Intangible fixed assets	10	451
Tangible fixed assets	11	27
Trade and other creditors		(1,334)
Identifiable net assets		**(637)**
Minority interest		127
Goodwill		5,813
Total consideration		**5,303**

Satisfied by:	
Cash consideration – paid on acquisition	**5,303**

Since the acquisition date, Melbourne Heart Football Club Pty Limited has contributed £2,183,000 to Group revenues and £1,118,000 to Group loss.

32 Ultimate parent company

The Group's ultimate parent undertaking was Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by His Highness Sheikh Mansour bin Zayed Al Nahyan.