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Manchester City Football Club

Annual Report 2009/10

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After becoming owner of Manchester City Football Club in September 2008, Sheikh Mansour wrote directly to the fans. In that letter, he promised to put their interests first as the Club's most important stakeholders and made clear he was committed to the Club for the long term.

Two years later, these original commitments continue to guide the Club's Board and executive leadership and I hope are evident in all aspects of this Annual Report for 2009-10.

In and of itself, the publication of this Annual Report represents a significant milestone. It is a statement of openness to the Club's fans and employees, and also one of confidence in our long-term vision and progress towards its achievement.

The focus of the Board and executive leadership has been the improvements to the Club's infrastructure, facilities and professional capabilities. We are encouraged by the growth in the Club's capacity to generate revenue from various sources.

Simply put, we are where we expected to be at this stage of the Club's transformation. Perhaps more importantly, we are confident that investments made in the 2009-10 financial year will benefit City fans, players and employees alike for many years to come.

We are certainly pleased with the team's improved performance on the pitch. While it must be conceded that we fell short of our ambition for the 2009-10 season, we should not underestimate the importance of the Club achieving its best-ever finish in the Premier League.

With the football organisation and first team squad we have assembled in the last two years, we now have the expertise and players required to compete with the best clubs in England, Europe and around the world. By building on the strong foundations we already have in youth development, we are determined that a growing proportion of the Club's first team will be drawn from within in the years ahead.

Off the pitch, we expanded the Club's philanthropic activities, within the Manchester area but also in places as far afield as Sierra Leone, New York and Abu Dhabi. With more than 200,000 people per year reached by the City in the Community program, including 50,000 children benefiting from our free soccer schools during 2009-10, we are fortunate to have such a unique platform upon which to build our broader community outreach activities in the future.

**“
We are confident that investments made in the 2009-10 financial year will benefit City fans, players and employees alike for many years to come
”**

With such a diverse range of activities under one umbrella, it is clear that you cannot separate the Club's performance on the pitch from its success off it. We are a football club, an international business, a local employer and a community organisation all rolled into one, and the successful transformation of Manchester City Football Club means meeting our objectives in each of these areas over time.

Together with all of the people working for Manchester City, the Club's Board and executive leadership are optimistic that the next major achievement in our ongoing transformation process will be a successful season in 2010-11 that meets, and potentially exceeds, all of our shared expectations.

Khaldoon Al Mubarak
Chairman

Message from the Chairman



This is the first comprehensive Annual Report published by Manchester City Football Club since its acquisition by the Abu Dhabi United Group in 2008. It is fitting that it should occur now, on the second anniversary of that event and in the midst of such important developments at Eastlands.

Manchester City Football Club is undergoing a significant transformation, and our financial results for 2009-10 reflect the pace of that process through rapid and ongoing investment in our infrastructure, facilities and professional capabilities.

Ultimately, our aim is to drive the evolution of MCFC from a much-loved football team into a strong and successful organisation with its roots planted deeply in the Manchester community to which it belongs. Put simply, the Club with arguably the best fans in the world is working harder than ever to provide its most loyal and important stakeholders with the results they deserve both on and off the pitch.

Change has occurred across the organisation in both high profile and less obvious ways.

New capital projects such as the City@Home corporate offices, improvements to our training grounds, new gym and medical facilities, and improved accommodation at our Academy have all had a significant impact.

As too has the recruitment of 106 non-playing staff in the 2009-10 financial year. These new team members have brought new skills and expertise into the organisation. Importantly we have introduced new benefits for our employees, which have enhanced our reputation as an employer of choice in the industry and the region, allowing us to attract the very best talent.

The Club has always prided itself on living up to its commitment to the community that it serves. The continuation of that commitment is a priority for the owner, the Board and the organisation as a whole. As a result the last year has seen an expansion of the Club's corporate social responsibility offering. Building upon the flagship City in the Community program we have increased the potential impact of our philanthropy and enhanced our ability to work with more individuals, fans and community organisations in the local area and beyond in the years ahead.

Of course the most obvious change in our Club over the last year has been the creation of a first team playing squad under the guidance of a world-class manager - a group capable of achieving the results we require whilst at the same time injecting significant momentum into our player development and recruitment activities at all levels.

From an organisational perspective, we have a clear picture of what success should look like. The Club's transformation is therefore driven by a desire to constantly deliver the right environment for the very best football to flourish. At the same time our aim is to always create a premium experience for our supporters and to deliver the right support for our people and our community. We will continue to evolve our facilities to a world leading level and seek to operate with excellence as an organisation. With all of this comes an obligation to deliver growth and development that can ultimately be commercially balanced and sustained.

Improving our performance in each of these areas simultaneously is an ambitious strategy, and there is no denying that a transformation of this magnitude requires heavy up-front investment. In the 2009-10 financial year, the Club has reported a loss, while our commercial revenue has increased significantly.

These results should come as no surprise. Investments made in the 2009-10 financial year are consistent with our owner's long-term vision to operate on a more successful and sustainable footing in the future.

It is safe to say that player acquisitions on the scale we have seen in recent transfer windows will no longer be required in the years ahead now that we have such a deep and competitive squad.

In 2009-10, we narrowly fell short of our goals on the pitch, but still achieved nine club records including our best ever result in the Premier League. Under the management of Roberto Mancini, the team is in ideal shape for the 2010-11 season, and is committed to providing the fans with the result we all are hoping for.

However, whatever happens this year, the fans and employees of MCFC can be confident in the knowledge that their football club is now in a position to compete and succeed in the way that so many hoped would one day be possible.

It is up to all of us to make the most of that opportunity.

Garry Cook
Chief Executive Officer

Message from the CEO



Manchester City Football Club
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Message from the CEO



Football is our core focus at Manchester City, and in the last two years we have made significant changes to the ways in which our football capabilities are managed within the Club to ensure that excellence in football is being achieved at all levels of the player development cycle.

At the elite level, we have assembled one of the most talented first team squads ever to represent Manchester City. Under the management of Roberto Mancini, we are confident that we now have the players to compete and succeed in tournaments in England, Europe and around the world.

However, for both financial and strategic reasons, it makes sense for Manchester City to develop and draw upon as much talent as we can from within our own academy and development squads in the future. Developing home grown talent and giving young players the opportunity to compete at the highest levels is good for football, good for the players and good for the Club.

This is why youth development remains a key priority at Manchester City, and why such significant investment has been made in the 2009-10 financial year in our training facilities, coaching capabilities and elite player development programmes.

To get the most out of our playing and coaching resources, we have also made significant improvements to the quality of our training, gym and medical facilities, now among the best in the Premier League. In fact, a number of international players in our first team squad relied upon City's medical and sports science team during the last year to get them back to full strength after injuries and able to represent their countries in addition to their Club.

It is imperative that we take care of our most valuable assets when they're away from the pitch and the training ground too, by ensuring they receive the support they need in many other aspects of their lives. For young players this means ensuring their education gets the attention it deserves. For those on the brink of first team football, it means offering guidance on the pressures that come from stepping into the spotlight. And for high-profile recruits, it means making sure their entry into life in Manchester is as effortless as it possibly can be. All of this is the work of the Club's player care department, created and equipped to meet the changing needs of our developing and professional footballers.

Even with these systems in place, all football clubs face challenges ensuring that talented players are not lost to the game in the pivotal 18-21 year age bracket. For so many young players, this period is make or break. Aware of this, we are constantly improving the Club's capacity to ensure that players on the verge of first team inclusion get the development opportunities, football experience, and mentoring they need in order to seamlessly transition from the elite development stage to a successful career in the Premier League.

We are already having success in these initiatives, with five players from Manchester City's youth development squad making their first team debuts in the last two years. As our ongoing work in youth development continues, we are confident that even more young players within our own ranks today will join the first team in the years to come and benefit from the opportunity of playing alongside some of the best football players in the world.

“

The acquisition, retention and development of quality players of all ages are central to on-pitch success both now and in the future. We have worked hard to create a single house of football with a leading scouting and recruitment team in addition to best-in-class medical, analytical and support services for all of our players, whether they are 9 or 29, youngest academy boy or established England international

”

Brian Marwood,
Chief Football
Administration
Officer

Football Excellence



Manchester City Football Club
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ONE. Football Excellence



SAURDAY 6TH DECEMBER 5.30PM | MANCHESTER CITY VS CHELSEA CITY OF MANCHESTER STADIUM



MANCHESTER CITY VS ARSENAL SAT SEPT 12TH 3PM



The 2009-10 season was a remarkable one, memorable for so many reasons with records both on and off the pitch being created at every turn:

- May 2010 saw the Club secure fifth position in the table, its best ever finish in the Premier League.
- We achieved 67 points; our best ever tally in the Premier League, losing just twice at home in the League all season.
- We also achieved the highest number of wins (18) as well as our best ever goal tally in the Premier League, with a significant contribution of 28 goals in all competitions from our top goal scorer, Carlos Tevez.
- We suffered the fewest defeats in our Premier League history (7); second only to the eventual Champions and marked our best ever win in the League, beating Burnley 6-1.

- We qualified for European competition on merit for the first time in more than 30 years.
- We had our second highest average attendance since the Premier League was formed, with numerous games a sell-out.
- With an eye on our developing talent, four of our Academy graduates debuted under Roberto Mancini in the space of five months, more than under any other manager in such a time frame.
- Away from the pitch we continued to set high standards with the highest ever number of player-attended events in our history, with more than 250 individual appearances for supporter functions and charitable causes.
- And, for the first time in the Club's history, the entire playing and non-playing staff came together to compete in fundraising events for Sport Relief.

Highlights of the 2009-10 Season



August 2009
City defeat Barcelona 1-0 to win the Gamper Trophy at the Camp Nou



November 2009
City play in the inaugural Emirates Foundation Cup against the United Arab Emirates in Abu Dhabi, under the banner Our Country vs Our City



January 2010
City reach semi-finals of Carling Cup

May 2010
City narrowly miss out on a top four finish in the Premier League after going down 1-0 at home to Tottenham Hotspur



The MCFC Academy

- It is a testament to the quality and dedication of our Academy coaching team that Manchester City has produced so many players of Premier League standard.
- Despite the number of high-profile player transfers in 2009-10, four young players from the Manchester City Academy have made their first team debuts under Roberto Mancini this year playing international games against world-class sides such as Inter Milan and Sporting Lisbon.
- Although training at separate sites, the Academy and first teams are now operationally integrated from a coaching and development perspective, to ensure our best players have a clear path to the first team over time.

Coaching and Facilities

- Major improvements have been made to the Carrington training ground in the last two years, making them virtually unrecognisable from the condition they were in prior to 2008.
- A state-of-the-art gym has been established and underfloor heating installed to enhance the quality and functionality of the Club's training facilities.
- Major steps have been taken during the last two years to further integrate our coaching and performance analysis capabilities to ensure players and coaching staff at all levels have greater access to the skills, technology and expertise available at the Club.



Developing Our Elite Young Players

- The Club believes that the period when a player is between 18 and 21 years of age is of critical importance, which is why we have created an Elite Development Squad.
- The Elite Development Squad helps to incubate the careers of our most promising players in this age group by providing them with the competitive football they need at this important stage, whether through reserve team football at City or via loan arrangements with other clubs.
- Work in 2009 was underway to develop an innovative partnership with our non-league neighbours Hyde FC, which was launched in June 2010 creating a new home for Manchester City's reserve, Under-21 and Academy teams who can now play in a more competitive atmosphere in newly-improved playing facilities.

Player Care

- The Club has a duty of care to help players from many backgrounds integrate into life in Manchester socially, culturally and logistically, and for that reason now there is a dedicated Player Care team to ensure our players at every level have the support they need.
- Manchester City is creating an education centre at our Academy to better enable promising young players to combine their football development and education.
- A formal mentoring system is also being established at the Club, to enable young players to benefit from the insights and experiences of our first team squad members.



The Club has a duty of care to help players from many backgrounds integrate into life in Manchester socially, culturally and logistically



A World-Class Squad for the 2010-11 Season



Shay Given



Joe Hart



Stuart Taylor



Aleksandar Kolarov



Greg Cunningham



Wayne Bridge



Dedryck Boyata



Jerome Boateng



Joleon Lescott



Kolo Toure



Micah Richards



Pablo Zabaleta



Shaleum Logan



Abdisalam Ibrahim



David Silva



Gareth Barry



Patrick Vieira



Yaya Toure



Nigel de Jong



Michael Johnson



Vincent Kompany



James Milner



Kelvin Etuhu



Adam Johnson



Emmanuel Adebayor



Mario Balotelli



Jô



Alex Tchuimeni-Nimely



Roque Santa Cruz



Carlos Tevez



Shaun Wright-Phillips





“

We shut off the floodlights and a hush fell over the crowd. We hadn't told people what to expect and no-one had ever done anything like it before at a football match. Then a giant Blue Moon projection appeared inside the stadium and the fans began to sing as it floated over them. The hairs stood up on the back of my neck

”

Andy Derbyshire,
Head of Match Day
and Events

Manchester City's ambition is to be a leading club in every aspect of our performance. In many cases, that's a challenge that has required significant investment and reform in recent years.

However, in one area Manchester City has always been at the top of the table. A decade after City fans showed unstinting support to help the Club win promotion from the Second Division of the Football League, new owner Sheikh Mansour delivered a clear message to Manchester City supporters: "You are the greatest fans in the world."

City fans remain this club's heritage and its future.

Respect for this legacy means that everyone at the Club – from the players to the ground staff – has a duty to deliver the best possible experience for the supporters. This is a responsibility that needs to be fulfilled throughout all of our touch points with the fans, from the website, to the box office, to inside the stadium on match days and even in the car parks.

The newly introduced City Promise initiative sets out our key objectives for ensuring our fans and visitors enjoy a premium match day experience each time they visit the stadium, and has involved extensive investment in professional training for all of our match day employees. We have also established a dedicated match day and events team to ensure the experience for fans and visitors is as memorable as possible.

Fans



Manchester City Football Club
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TWO. Fans



مانشستر تشكرك يا الشيخ منصور

MANCHESTER THANKS YOU, SHEIKH MANSOUR
www.bluemoon-mfc.co.uk

ETIHAD
AIRWAYS



ETIHAD
AIRWAYS



mfc.co.uk

EMERGING OF MANCHESTER CITY

We have completely reinvented our approach to ticketing over the last two years and developed new partnerships to broaden access to our games. We have also made a range of improvements to the City of Manchester Stadium in order to give the Club's home a more distinctive character and significantly enhance our match day facilities. In fact, we estimate that the Club has spent an average of approximately £255 per Seasoncard holder on improvements to our fan related services and facilities in the last two years.

Our average attendance for Premier League home games in 2009-10 was 45,513, up 6.1 percent on the previous season, and the third highest in the Premier League. Our retention rate among Seasoncard holders from 2009-10 was 92 percent, and even our lowest attended home game last season versus Blackburn attracted more than 40,000 attendees. Over the course of the 2009-10 season, our attendance for the year (home Premier League matches only) reached an impressive figure of 864,751 – or 96 percent of capacity - with the most attended game against Tottenham Hotspur in May 2010 attracting a capacity crowd of 47,370.

Alongside a more accessible approach to ticketing and recently opened facilities at the stadium such as the new Family Stand and City Square fanzone, fans can expect a number of special events and surprises to enhance their match day experiences throughout the coming season.

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A New Ticketing Strategy

- Introduced in the 2008-09 season, the Club's new ticketing strategy seeks to fill the stadium for as many games as possible, increase ticket revenue by adding value for our Seasoncard holders, and ensure live Manchester City football remains accessible to a broad range of fans.
- During the 2008-09 season, the Club moved away from its flat pricing structure so that spectators no longer had to pay the same price regardless of the view they had, while Seasoncards for Under 16s remained priced at £95.
- The result of this segmentation work was that the average adult Seasoncard price fell by 7 percent from 2008-09 to 2009-10 while the number of Seasoncards sold rose from 29,000 to 33,000.
- For the 2010-11 season, the number of Seasoncards has been capped at 35,000 and a waiting list is now in operation.





Over the last two years, the Club has spent an average of £255 per Seasoncard holder on improvements to our fan related services and facilities

The City Promise

- The City Promise (see opposite) is the Club's quality commitment to fans and visitors, which applies to the standards of our staff, facilities and all other aspects of the match day experience.
- To help deliver on the City Promise, all of the Club's 600 part-time match day employees have received professional training on all elements of the initiative.
- Our match day staff have also been transitioned onto fixed term contracts, giving them a greater stake in the future of the Club and providing our fans and visitors with a more consistent experience.



Showing Your Support

- Based on feedback from our fans, we have made significant improvements to the retail experience provided by the Club during 2009-10 by enhancing our digital offering, product ranges and distribution capabilities.
- In the first year of our new kit supply partnership with Umbro, retail sales and merchandise revenue increased by 60 percent in 2009-10 to a total of £7.9m.
- The most popular name printed on City shirts by the fans was leading goalscorer of the season Carlos Tevez.
- Roberto Mancini inspired plenty of City fans of his own during the colder months of the year, with more than 12,000 of his trademark scarves sold during the season.

City Square

- The most dramatic supporter innovation for the current season has been the opening of City Square in August 2010, a spectacular new meeting place for fans designed to bring new life to a previously grey area adjacent to the stadium which has become a focal point for pre-match entertainment.
- City Square includes a live entertainment venue with a capacity of 5,000, which can be used for live appearances by players and performers.
- A new café and bar offer a range of food and drink options for fans and visitors to the stadium.
- Interactive video screens with content provided by mcfc.co.uk and the Manchester City fan community will ensure City Square becomes an informative and entertaining space both before and after games.



A Family Friendly Club

- According to research the Club conducted in 2010, 97 percent of season ticket holders and even 79 percent of non-fans consider MCFC to be a family-friendly football club.
- We are proud of our reputation as a family-friendly club and have invested substantially to create a new Family Stand, which we have doubled in size for the 2010/11 season.
- Every aspect of the Family Stand's design lets fans know that they are in a child-friendly area, to discourage bad language, which is consistently highlighted as a concern by City supporters.
- The stand is designed with the needs of children and families in mind – with lower refreshment serving points and specially designed bathroom facilities.
- New menus have been introduced, with healthier options and smaller portions for children.
- Games and interactive displays throughout the concourse will add a new dimension to the entertainment before the game and at half time.

Working With Our Fans

- Nobody understands what makes a match day special more than City fans, which is why we encourage all of the Club's supporters to share their ideas with us so we can help bring them to life.
- Fan consultations, conducted throughout 2009, were involved with the development of the new ticketing strategy for the 2010-11 season and the design of the new Family Stand.
- Before the 2009-10 season home kit launch with Umbro, fan group leaders were given a preview of the designs and the first 5,000 fans to buy the shirt were invited to a free concert to celebrate the launch.
- In July 2010, the Club and representatives from both organisations were instrumental in the unification of the two leading City supporter organisations - The Official Supporters Club (OSC) and the Centenary Supporters Association (CSA) - creating the new Manchester City Supporters Club (MCSC).
- The Manchester City Supporters Club has more than 100 branches across the world, with close to 10,000 members. The Club, in 2009, created a Blue Moon plaque to mark designated bars in cities across the world as the official gathering point for City fans.
- Consultation through surveys, focus groups and the reading of supporter websites will continue to be a key source of advice for the Club in its ongoing efforts to meet and exceed the expectations of our supporters.



We are proud of our reputation as a family-friendly club and have invested substantially to create a new Family Stand, which we have doubled in size for the 2010/11 season





Tailored by England 



Working with Umbro, we have brought high-quality tailoring to the Manchester City kit worn by so many of our fans in the stadium, celebrating the heritage of MCFC while providing technical benefits for our players



Working with Our Partners

- Our commercial partners play a major role in delivering a better quality supporter experience and the commercial and match day experience teams are working together to harness their expertise.
- Working with Umbro, we have brought high-quality tailoring to the Manchester City kit worn by so many of our fans in the stadium, celebrating the heritage of MCFC while providing technical benefits for our players.
- When a volcanic ash cloud closed European airspace in April 2010, our partner Etihad Airways ensured that a competition winner and diehard City fan could still attend the Manchester derby by air, rail and road.

Genuine City Hospitality

- In the 2009-10 financial year, the Club's match day hospitality revenue has grown to £6.1m, which is an increase of 13 percent on the previous year.
- We have made significant investments to improve the quality of our hospitality offering and facilities, including major refurbishment of our lounges and hospitality suites.
- 408 heated seats have been installed for Boardroom and Chairman's guests in addition to improvements in catering throughout the stadium, including premium pies, the size of which have been increased by 30 percent, and better quality wraps, burgers and confectionery.



We're Tweeting

Thank you for all the #ff #followfriday mentions, guys! Hugely appreciated as always! :-)

2 hours ago



► Follow us on twitter

The MCFC website has been the recipient of multiple awards, including the prestigious Roses Advertising Awards Website of the Year 2010

The fans' point of view

Adam Johnson made a very impressive full debut. He started extremely brightly sending Hungary's rightback one way then the next with his guile and trickery. *C!?

Man City issues blog

► Fan sites

Seasoncard 2010/11

- Buy your Seasoncard now! 13 July 2010 12:52
- Seasoncard sales pass milestone 04 July 2010 12:36
- All Level Two Seasoncards now sold out 01 July 2010 15:16

► Seasoncard 2010/11

City on Flickr



► MCFC Flickr Group

Going Digital

- The Club has worked hard to establish an up-to-the-minute, award winning website, standing out from its competitors in terms of exclusive content and photography.
- With a 55 percent jump in unique users from 568,000 in 08-09 to 808,000 in 09-10 and an increase of 42 percent in page views to almost 10,000,000, the MCFC website has been the recipient of multiple awards, including the prestigious Roses Advertising Awards Website of the Year 2010.
- Arabic-language and U.S. versions of the website, both with exclusive content, have been launched, to provide tailored information to City's growing community of international supporters.
- An expanding social media presence for the Club, with content designed by leading companies such as Poke and Endemol, helps keep our fans connected to us and to each other. The Club is in the higher echelons of the football social media tables, with strong Flickr usage, Facebook followers of almost 150,000 and approximately 35,000 followers on Twitter.
- The Club won a Golden Twit at the Twitter "Oscars" in 2009 for best twitter feed as voted by the public.

Manchester City

Home News Schedule citytv Roster Hospitality Academy The Club Fans

Roberto's pre Spurs press conference

Interviews Fri 13 Aug 2010, 11:38AM

Play video

Roberto looks ahead to Spurs

Behind the scenes with the new home kit

Solid Silva saves Spain

The fans' point of view

Adam Johnson made a very impressive full debut. He started extremely brightly sending Hungary's rightback one way then the next with his guile and trickery. *C!?

Be part of it

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Team News

- Solid Silva saves Spain Thursday, August 12, 2010 4:54 PM
- Osocha and Tutta out on loan Wednesday, August 11, 2010 5:01 PM
- Happy Richards ready for battle Tuesday, August 10, 2010 5:02 PM

Cityecademy is launched

City are once again breaking new ground with the launch of the online coaching school, cityecademy.

Find out more ►



cityecademy

We aim to celebrate the best of the city's culture and musical heritage and export the best of Manchester life around the world

Celebrating City Culture and Heritage

- We are proud of our heritage, loyal club servants and former players. The Club's doors are always open to former players with many taking roles in our match day suites, or as welcome guests.
- Most notably, the Club created a new position of Club Ambassador, appointing our much loved 60s City legend Mike Summerbee to the role.
- In March 2010, then Club Secretary Bernard Halford, in his 50th year in football was announced as only the second Life President of the Club in recognition of his outstanding contribution and continued commitment to Manchester City.
- In 2010, two sets of former players were introduced to the crowd before matches. The first was the 1969-70 League Cup winning team ahead of our first leg Carling Cup Semi Final clash against Manchester United and later in the season, the 10th anniversary of the pivotal second division play off final against Gillingham was marked with fans responding warmly to the key players from that remarkable day.
- As a club with roots in the heart of Manchester, we aim to celebrate the best of the city's culture and musical heritage and export the best of Manchester life around the world.
- The Club intends to continue its tradition, expanded during visits to cities as diverse as New York and Abu Dhabi, of hosting City-styled barbeques and music events to give our international fans an authentic taste of Mancunian culture and hospitality.
- To date a total of seven pubs and bars in various countries around the world have been branded as City supporter venues with our customary Blue Moon plaques in locations as diverse as Melbourne and Paris, Abu Dhabi and New York.
- Throughout the 2009-10 season, the City Buskers programme provided young local artists with unprecedented opportunities to perform outside the City of Manchester Stadium on match days, gaining exposure for their music and improving the match day experience for supporters.



A young boy with short blonde hair, wearing a green soccer jersey and shorts, is running across a green grass field. He is looking down and to the right. The background shows a blurred green field with white lines and a red wall in the distance. The lighting is bright, suggesting it's daytime.

“

The City in the Community programme is an embodiment of the Club's integrity and authenticity. We've always been about more than just photo opportunities and one-off events. We want all of our programmes to leave a lasting legacy on the individuals, organisations and communities we work with

”

Sarah Lynch,
Managing Director,
CSR

Community



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THREE: Community

In 1880, Anna Connell, the minister's daughter of St Mark's Church, West Gorton, Manchester decided to form a football team. Her mission was to give access to football for her community, a community that was suffering from social deprivation, resulting in high levels of unemployment, alcoholism and violence.

In 1894, the Club originally known as "St Mark's" evolved to become Manchester City, founded on a belief that football can create a greater sense of community and opportunity. And it is that belief that remains at the heart of the Club to this day.

Throughout its history, MCFC has maintained a strong and lasting relationship with the people of Manchester and its surrounding areas. Our connection to the local community has always been central to the Club's identity. Today, we are proud to remain a key institution in the community to which we belong, and one whose positive impact continues to grow.

In the 2009-10 financial year, we have made significant investments in the flagship City in the Community programme, which next year will celebrate its 25th anniversary. Meanwhile, internal developments and new staff appointments have greatly expanded the potential of the Club to maximise its positive social, economic and community impact in the years ahead.

In February 2010, we appointed a new Managing Director for Corporate Social Responsibility with significant international business experience to oversee and better coordinate the Club's work in the following areas:

1. The City in the Community initiative, which has contributed significantly to the community of Manchester since 1986.
2. City in the Community Giving, a new programme designed to provide monetary grants to other not-for-profit organisations operating in the Greater Manchester area.
3. Responsible Corporate Citizenship, to ensure that MCFC contributes to the achievement of positive social, economic and environmental outcomes through all of our day-to-day operations.

Our consultations with City fans have made it clear that our supporters expect their football club to take seriously its responsibility to the local community, and they are proud of the contributions their Club has made to date.

As our City in the Community programme and broader CSR framework expands, we are committed to maintaining our reputation as an organisation that players, employees and fans alike are all proud to say they are a part of.



St Mark's Church, West Gorton



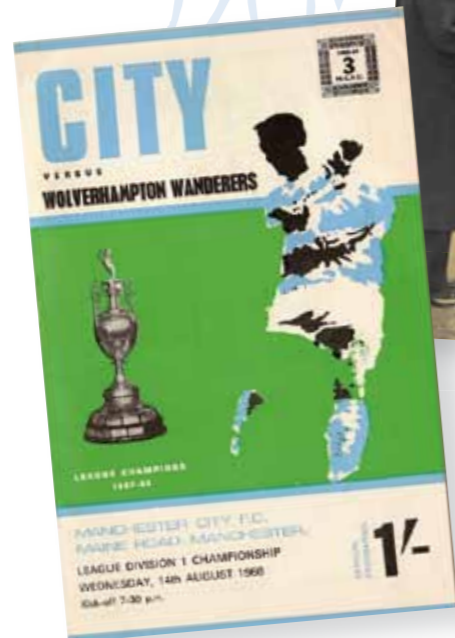
1904 FA Cup Winners



1934 FA Cup Winners



Frank Swift - City goalkeeper 1933-1949



Throughout its history, MCFC has maintained a strong and lasting relationship with the people of Manchester and its surrounding areas





In the last year, more than 50,000 children participated in City in the Community's free soccer schools

City in the Community

- City in the Community (CITC) was founded in 1986, aiming to forge closer links between our Club and the local community.
- With a team of 20 full time and 30 part time staff CITC runs projects based around four key areas: Sport, Health, Young People and Skills & Enterprise.
- Every year our award winning team engages with over 200,000 people of all ages and across all communities over Manchester, Tameside and Stockport.
- In the last year, more than 50,000 children participated in City in the Community's free soccer schools.
- Through staff donations and a contribution from the Club, MCFC provided the Manchester Children's Hospital with a £500,000 donation for the establishment of a specially-designed children's play area.
- Through CITC, first team player and the Club's Enterprise Ambassador, Nigel De Jong, is helping young people from the Greater Manchester area develop enterprise and business skills to establish their own careers.
- More than 3,000 high school students have gained an accreditation in business studies as a result of CITC's enterprise programme, run in partnership with the Premier League.
- City in the Community aims to expand the capacity of its sports programmes from 70,000 in 2009-10 to more than 80,000 in 2010-11 following the opening of new facilities in the SportCity complex.





City in the Community Giving

- Through CIRC Giving, proactive local charities and not-for-profit organisations are invited to apply on an annual basis for the Club's support for projects designed to have a lasting and positive impact on the Greater Manchester area.
- City fans will choose from a shortlist of charities each year to identify the organisations the Club will support in the year ahead.
- Once chosen, the Club will raise funds for selected charities and support them in other ways throughout the year.
- Fans and staff are also encouraged to hold their own events in support of the winning organisations, with the Club providing support and publicity for these efforts through our own media channels.

citc
city in the community



In July 2010, MCFC initiated the construction of a rooftop football pitch at the Lexington Academy school in Spanish Harlem

City CSR Goes International

- In July 2010, MCFC initiated the construction of a rooftop football pitch at the Lexington Academy school in Spanish Harlem, in partnership with the Embassy of the UAE in Washington, DC, marking the establishment of a landmark programme to provide children in New York with access to much-needed facilities and MCFC's award-winning coaching and education programmes.
- During its international tours, the Club's schedule always includes free football programmes for children, such as those held in Abu Dhabi in November 2009 and April 2010, as well as in Portland in July 2010.
- At the initiative of the Manchester City Supporters Club, the Club supported fundraising efforts to provide a team minibus to a Manchester City-supported team that has entered a league in Sierra Leone.

New East Manchester Joint Development Board

- In March 2010, MCFC, Manchester City Council and New East Manchester (NEM) signed a formal agreement to work together to create a transformation plan for East Manchester, focused on the area around the City of Manchester Stadium.
- A Joint Development Board (JDB) has been formed between the three parties, which will combine Manchester City Council and NEM's land ownership and experience in community regeneration with MCFC's commercial relationships and history of investment in the Club's development.
- The combined interests of the land held by the three parties represents a total of around 200 acres, including the existing SportCity campus and 46 acres of land in Openshaw West owned by Manchester City Football Club. The Club has confirmed that it is its intention that over time, the potential development of this land would form part of its contribution to the regeneration of East Manchester.
- The agreement creates the opportunity for a long-term partnership between MCFC, Manchester City Council and NEM to develop their mutual ambitions for the commercial development of the area to deliver long lasting economic and community growth to the East Manchester area.

Responsible Corporate Citizenship

- MCFC recently formalised its Equal Opportunity Employment policy, acquiring Two Ticks accreditation for employees with disabilities.
- MCFC's carbon footprint was reduced by roughly 30 percent between 2007-08 and 2008-09.
- In mid-2009 MCFC established a sustainable procurement policy to ensure local suppliers are used by the Club whenever a comparable service is available in the local area.
- When establishing the new City@Home corporate offices in 2009, 95 percent of the building work and materials used were sourced from local suppliers.
- The CSR team is currently exploring ways to further enhance the social, economic and environmental impact of the Club's day-to-day operations.



“

In order to maximise our commercial and operational capabilities, we need to fix, build and then grow our business. Central to this process is our people - existing staff and those who have joined us in the past two years. These are the transfers that didn't make the newspapers, but for the Club and its future development, they are just as important as the new recruits we have out on the pitch every week

”

Garry Cook,
Chief Executive Officer

It takes a significant number of people and resources to put a world-class team on the pitch every week, and to establish a sustainable commercial framework to support them.

Since the take-over of MCFC by the Abu Dhabi United Group, the Club has invested heavily in the expansion of its commercial and operational capabilities, to better equip the organisation to compete with the world's best in the fast-paced industry that is modern football.

In the last two years, the Club has recruited talent both on and off the pitch. And while our player transfers have been well documented, the investments we have made in commercial and organisational expertise over the same period have been equally important.

Together with our longer-term employees, these new recruits are working harder than ever to put our football club on a sustainable footing for long-term success both on and off the pitch. At no time in recent memory has our organisation enjoyed such a strong sense of camaraderie, shared vision, and anticipation for the future.

We often say that people are our most important asset. That's why in the last 18 months the Club has established a new human resources function and introduced a range of new benefits for staff including health insurance, greater recognition for long service, training opportunities and a transparent system for performance appraisal and professional development.

We have invested in new offices (95 percent made and sourced locally) to provide our staff with the infrastructure and equipment they need to do their jobs effectively, and consulted widely with our off-site teams to identify their needs and those of the Club, precipitating a range of important infrastructure projects.

These investments are ongoing. We expect their rate of growth to slow once we have addressed the areas most in need of improvement, and put in place the foundations required for our football club to thrive for many years to come.

However, even as the rate of expenditure slows, our commitment to investing in the world's best people and providing them with the infrastructure and resources they need to fulfill their potential will continue.

We are already seeing signs of progress, with the Club's performance for 2009-10 improving in all of our primary revenue generating activities. Corporate partnership has been a particularly strong area, with new partnership agreements signed with Etihad Airways, Umbro, Ferrostaal, Etisalat, the Abu Dhabi Tourism Authority and Aabar during the 2009-10 financial year.

Combined with the new partnership agreements signed since the 2009-10 financial year ended with companies such as Thomas Cook Sport, Jaguar Land Rover, Heineken, Malmaison and a renewal of our agreement with Key 103, we view this growing demand for closer involvement with the Club as an endorsement of our unique partnership offering and ambitious vision for the future.

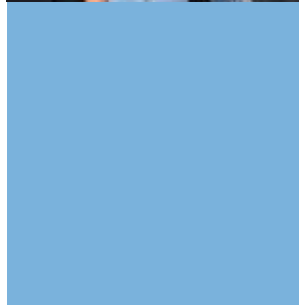
Commercial and Operational Excellence



Manchester City Football Club
Annual Report 2009/10

FOUR. Commercial and Operational Excellence

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Ticket Sales and Retail

- Average attendance for Premier League home games for 2009-10 was 45,513, which was a 6.1 percent increase on attendance in the 2008-09 season.
- In the 2009-10 season the Club had the third highest Premier League average attendance.
- Our total home Premier League attendance figure for the year was 864,751, with our stadium filled to an average 96 percent of capacity throughout the 2009-10 season.
- We have had a retention rate of 92 percent among our Seasoncard holders from 2009-10, with the total amount of Seasoncards capped at 35,000 for the current season, up 6 percent from the previous year.
- Our Seasoncard allocation for the 2010-11 season was sold out, and a waiting list is now in operation.

A World-Class Team Off The Pitch

- In the last two years, MCFC has recruited 148 new non-playing employees, appointing key personnel to oversee the Club's human resources policies, infrastructure development, commercial partnerships, corporate social responsibility and other key functions.
- MCFC has recently introduced a range of new benefits for staff, including private medical insurance for eligible employees, group income protection and life insurance, new training opportunities and a transparent system for performance appraisal and professional development.
- The Club applies a strict equal opportunities policy, and has Two Ticks accreditation for its commitment to employ, retain and invest in the professional development of staff with disabilities.

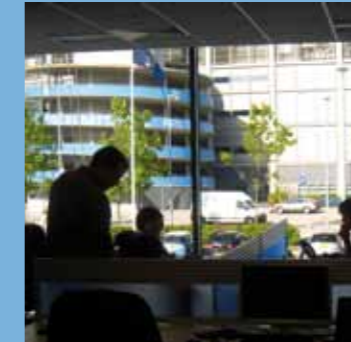


More than £1.5m has been spent in 2010 alone on improvements to the pitches in the City of Manchester Stadium and our training grounds at Carrington and Platt Lane



New Infrastructure and Facilities

- In July 2009, MCFC opened its new 1200m² corporate offices adjacent to the City of Manchester Stadium providing staff with world-class facilities and equipment. Known as City@Home, and built at a cost of £2.1 million, the new MCFC offices were 95 percent locally made and sourced, providing a significant boost to the local economy.
- In 2009-10, more than £2 million has been invested in improving the training facilities at Carrington, new accommodation and pitches for the MCFC Academy and the establishment of a new medical centre and gym for all of our players. More than 60 percent of the work and materials for these important infrastructure projects were provided by local suppliers.
- In 2009-10, the MCFC retail store, box office, award-winning media suite and executive boxes have all been improved at a cost of over £3 million, with more than 90 percent of the work and materials provided by local suppliers. These investments have enhanced the Club's revenue generating potential while improving the matchday experience for partners, media and supporters.





Bespoke Corporate Partnerships

- Our corporate partners at the time of publication include a diverse mix of leading local and international companies such as Etihad Airways, Umbro, Ferrostaal, Etisalat, Abu Dhabi Tourism Authority, Aabar, Thomas Cook Sport, Jaguar, Heineken, Malmaison, Manchester and Key 103.
- We view our corporate partners as colleagues, not sponsors. We conduct a weekly conference call with each of our corporate partners to understand their changing needs and to develop up-to-the-minute plans to help them more effectively leverage their involvement with the Club.
- We worked with one of our new partners, Ferrostaal, to establish a football tournament involving MCFC and a youth competition in Germany, a key strategic market for both them and us as a football club with an international perspective.
- Etihad Airways, as our shirt sponsor, acts as a true partner, leveraging the relationship with City at every opportunity with measurable outcomes for both parties. From a commercial perspective, Etihad Airways is one of the top four shirt sponsors in the Premier League.
- MCFC held its first ever partner forum in May 2010, where all partners and the Club were represented to discuss their individual and shared plans for activating their sponsorship during the season. It was such a success, the forum will now be held twice a year, with the next expected to take place in November 2010.



Etihad Airways, as our shirt sponsor, acts as a true partner, leveraging the relationship with City at every opportunity with measurable outcomes for both parties



The financial year to 31 May 2010 reflects the continuation of the planned investment strategy which was developed and commenced in the prior year. Throughout the year there has been substantial investment made in all areas of the Club both on and off the pitch as we seek to build upon the foundations that were laid in 2008-09.

Not surprisingly, the substantial investment has had a significant impact upon this year's financial results and we are reporting an increase in net losses over the prior year. However, the Club's overall financial performance for 2009-10 is in line with the Board and management team's long-term financial and operating strategies and consistent with expectations at this stage of the transformation process.

The financial foundations upon which the Club operates have been strengthened with the conversion into equity of £304.9m in shareholder loans. A further £135.8m of new equity was issued during the financial year and post year-end a further £53.2m of new equity was issued. As we continue to invest in all areas of the Club, we do so virtually debt free – with only £36m of long term commercial bank debt following the conversion of shareholder loans into equity during the year.

At an operating level, the most positive development in the 2009-10 financial results is that efforts to expand the Club's revenue generating capacity appear to be gaining traction. For the first time in the Club's history we have reported revenues in excess of £100m with a 44% rise in turnover to £125.1m.

We have reported revenues in excess of £100m with a 44% rise in turnover to £125.1m

The Club achieved significant growth across all of its revenue streams, with particular success in the attraction and retention of an increasingly international stable of corporate partners and sponsors. The Club's best ever performance in the Premier League and record number of televised matches in the 2009-10 Season has also helped drive total revenues to a Club record level.

Financial highlights for 2009-10 include:

- Corporate partnership revenue increasing by £25.9m to £32.4m, an increase of nearly 400% on the previous year, driven by new long term deals with a number of key partners, including Etihad Airways, Abu Dhabi Tourism Authority, Aabar and Etisalat.
- Ticketing revenues increasing by £2.8m (18.6%) to £18.2m largely driven by extended runs in the FA and Carling Cups.
- Season ticket revenues up by £0.9m to £9.6m, as season ticket numbers for the 2009-10 season increased by more than 10% on the previous year.
- Television rights fee income increasing by £5.7m (11.8%) to £54m reflecting the Club's highest-ever Premier League finishing position (5th) and record number of live televised Premier League matches (23).
- Match day hospitality revenue growing by £0.7m (13%) on the previous year to £6.1m.
- Retail sales and merchandise revenue increasing by £2.9m (60%) to £7.9m in first year of a new kit supply partnership with Umbro.
- Interest charges reduced by £13.3m to £3.99m following the conversion to equity of shareholder debt.

For the 2009-10 financial year, the Club has reported a net loss of £121.3m. Importantly, this loss includes the first full season's cost of the summer 2009 transfer acquisitions (Tevez, Adebayor, Kolo Toure, Barry, Santa Cruz and Lescott), and the amortisation of player contracts, which is up from £39.4m in 2008/9 to £71.0m in 2009/10.

The Club's operating loss before amortisation of players for 2009-10 is £55.1m, which is up £20.9m (61%) on 2008-09, principally driven by significant increases in both player and non-player wage costs which have been only partially offset by substantial growth in the Club's commercial and other revenues.

Corporate partnership revenue increasing by £25.9m to £32.4m

Ticketing revenues increasing by £2.8m (18.6%) to £18.2m

Season ticket revenues up by £0.9m to £9.6m

Television rights fee income increasing by £5.7m (11.8%) to £54m

Match day hospitality revenue growing by £0.7m (13%) to £6.1m

Retail sales and merchandise revenue increasing by £2.9m (60%) to £7.9m

A significant portion of the Club's investment in the last financial year has been to address pressing historical needs for our players, coaches and staff, and to continue the establishment of a solid foundation upon which a more sustainable commercial performance can be achieved in the future.

The Club has also expanded its corporate social responsibility capabilities, investing in the flagship City in the Community program and broader community initiatives in the 2009-10 financial year. These initiatives are highly valued by our owner, Board, management, staff and fans, and are central to fulfilling the role of Manchester City Football Club as a responsible institution at the heart of the Greater Manchester area.

Many investments made by the Club in the last financial year are designed to reduce potential costs and drive revenue in the years ahead. For example, ongoing investment in youth development, training facilities and the Academy are intended to deliver both short and long-term cost savings when assembling a competitive squad in seasons to come. The Club's investment in assets such as stadium infrastructure, land, hospitality facilities and public catering are designed to expand our revenue generating capacity at the same time.

As the Club continues to assess the level of investment required to compete at the highest level, it does so whilst proactively engaging with all relevant stakeholders involved in the evolving debate around how to create greater commercial sustainability within football clubs.

It is also fair to say that the scale of the Club's recent investment in the transfer market is unlikely to be repeated in the near future now that the playing squad is of a sufficient quality and depth to be competitive in both England and Europe.

This will reduce the impact of player transfers and salary costs on financial performance in the years ahead.

Graham Wallace
Chief Financial & Administration Officer

Financial Review



Manchester City Football Club
Annual Report 2009/10

Financial Review

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Directors and Advisors

Directors Of Manchester City Limited

K Al Mubarak	(Chairman)
G Cook	(Chief Executive)
S Pearce	
M Edelman	
J Macbeath	
M Al Mazrouei	

Club Secretary

R Baker

Registered Office

City of Manchester Stadium, SportCity, Manchester M11 3FF

Registered Number

2989498

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

Board of Directors

The Board of Directors comprises:

Khaldoon Al Mubarak *Chairman*

Khaldoon Al Mubarak was appointed to the Board on 23 September 2008. He is CEO & managing director of Mubadala Development Company and chairman of the Executive Affairs Authority of Abu Dhabi. He is also a director of First Gulf Bank and ALDAR Properties.

Mohamed Al Mazrouei *Non-executive Director*

Mohamed Mubarak 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 board member for Etihad Airways.

Simon Pearce *Non-executive Director*

Simon Pearce was appointed to the Board on 23 September 2008. He is Executive Director of Strategic Communications Affairs for the Executive Affairs Authority of Abu Dhabi. He is also a director of twofour54 and ADMM, the owners and operators of Yas Marina Circuit.

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 December 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.

John Macbeath *Non-executive Director*

John Macbeath is a qualified Chartered Accountant with a wealth of international business experience. His early career was spent in the oil and gas industry undertaking a variety of financial and commercial roles with both BP and Statoil. More recently John has worked in the aerospace and defence sector carrying out a number of senior business development roles with BAE Systems - most recently Managing Director, Industrial and Business Development.

Garry Cook *Chief Executive*

Garry Cook was appointed to the Board as Chief Executive on 1 June 2008. He was previously president of the Jordan brand at Nike Inc, and prior to that held various senior management positions within Nike, most notably as international general manager for the Jordan brand and general manager for Nike Team Sports.

Report of the Directors

The Directors submit their report and the financial statements for the year ended 31 May 2010.

Result for the year

The loss for the financial year was £121,300,000 (2009: £92,562,000). The Directors do not propose a dividend (2009: *Nil*).

Principal activity and review of the business

The principal activity of the Group is the operation of a professional football club. A review of the business and future developments is included in the Chief Executive's & Financial Review Statements.

Directors

The Directors who served during the year were as follows:

K Al Mubarak	(Chairman)
G Cook	(Chief Executive)
S Pearce	
M Edelman	
T Srisumrid	(Resigned 18 September 2009)
V Restis	(Resigned 18 September 2009)
J Macbeath	(Appointed 30 January 2010)
M Al Mazrouei	(Appointed 30 January 2010)

Post balance sheet events

25,110,725 shares were issued to parent company, Abu Dhabi United Group Investment & Development Limited for £53.2m in cash on 30 June 2010.

Political and charitable contributions

The Group made no political contributions during the year. Donations to UK charities amounted to £423,856 (2009: £18,989).

Report of the Directors (continued)

Supplier payment policy

The Group 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 Group seeks to adhere to the payment terms providing the relevant goods and services have been supplied in accordance with the contracts.

The Group had 27 days (2009: 59 days) of purchases outstanding at the end of the financial year.

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 Club is regulated by the rules of the FA, Premier League, 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 Club monitors its compliance with all applicable rules and regulations on a continuous basis and considers the impact of any potential changes.

Financial Instruments

Details of the Group's use of financial instruments is disclosed in note 28.

Employee involvement

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Group 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.

Auditors

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.

On behalf of the Board

Garry Cook

Chief Executive Officer

21 September 2010

Statement of the Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year. 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 and Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors to the Members of Manchester City Limited

We have audited the financial statements of Manchester City Limited for the year ended 31 May 2010 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses 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, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

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 Company's affairs as at 31 May 2010 and of the Group's loss for the year 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.

Report of the Independent Auditors to the Members of Manchester City Limited

(continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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 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

United Kingdom

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

Group Profit and Loss Account

for the year ended 31 May 2010

	Note	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Turnover	2	125,050	87,033
Operating expenses before amortisation of players	3	(180,153)	(121,228)
Operating loss before amortisation of players		(55,103)	(34,195)
Amortisation of players	3	(71,006)	(39,403)
Operating loss after amortisation of players		(126,109)	(73,598)
Profit/(loss) on disposal of players		10,262	(28)
Loss before interest and taxation		(115,847)	(73,626)
Interest receivable and similar income	5	696	356
Interest payable and similar charges	6	(3,992)	(17,326)
Stadium finance lease charges		(2,157)	(1,966)
Loss on ordinary activities before and after taxation	20	(121,300)	(92,562)
Basic and diluted loss per ordinary share (pence):	8	(69.6)	(130.8)

The results for both years relate to continuing operations.

The notes on pages 68 to 85 form part of these financial statements.

Statement of Group Total Recognised Gains and Losses

for the year ended 31 May 2010

	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Loss for the financial year	(121,300)	(92,562)
Unrealised deficit on revaluation of properties	(1,726)	(8,157)
Total recognised losses for the year	(123,026)	(100,719)

Note of Group Historical Cost Profits and Losses

for the year ended 31 May 2010

	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Reported loss on ordinary activities before and after taxation	(121,300)	(92,562)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	1,214	1,486
Historical cost loss on ordinary activities before and after taxation	(120,086)	(91,076)

The notes on pages 68 to 85 form part of these financial statements.

Balance Sheets

as at 31 May 2010

		Group		Company	
	Note	2010 £000	2009 £000	2010 £000	2009 £000
<i>Registered number: 2989498</i>					
Fixed assets					
Intangible assets	10	199,028	131,788	–	–
Tangible assets	11	207,254	175,304	–	–
Investments	12	–	–	46,486	46,486
		406,282	307,092	46,486	46,486
Current assets					
Stocks	13	481	398	–	–
Debtors	14	60,200	9,959	247,023	194,413
Cash at bank and in hand		34,601	18,647	–	–
		95,282	29,004	247,023	194,413
Creditors					
Amounts falling due within one year	15	(87,320)	(255,131)	(50)	(163,534)
		7,962	(226,127)	246,973	30,879
Net current assets/(liabilities)		414,244	80,965	293,459	77,365
Total assets less current liabilities		414,244	80,965	293,459	77,365
Creditors					
Amounts falling due after more than one year	16	(92,278)	(99,294)	–	–
Deferred income	18	(28,507)	(12,555)	–	–
		293,459	(30,884)	293,459	77,365
Net assets/(liabilities)		293,459	(30,884)	293,459	77,365
Capital and reserves					
Called up share capital	19	28,348	7,558	28,348	7,558
Share premium account	20	489,690	69,744	489,690	69,744
Revaluation reserve	20	91,084	92,810	–	–
Profit and loss account	20	(315,663)	(200,996)	(224,579)	63
		293,459	(30,884)	293,459	77,365
Shareholders' funds/(deficit)		293,459	(30,884)	293,459	77,365

These financial statements were approved and authorised for issue by the Board of Directors on 21 September 2010 and were signed on its behalf by:

Garry Cook
Chief Executive Officer

The notes on pages 68 to 85 form part of these financial statements.

Group Cash Flow Statement

for the year ended 31 May 2010

	Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
Note		
Net cash outflow from operating activities	(84,391)	(26,632)
Return on investments and servicing of finance		
Interest paid	(4,871)	(4,947)
Interest element of finance lease payments	(2,010)	(2,177)
Interest received	34	356
Net cash outflow from return on investments and servicing of finance	(6,847)	(6,768)
Capital expenditure		
Purchase of intangible fixed assets	(139,837)	(103,182)
Sale of intangible fixed assets	17,513	12,263
Purchase of tangible fixed assets	(41,939)	(6,486)
Net cash outflow from capital expenditure	(164,263)	(97,405)
Net cash outflow before financing	(255,501)	(130,805)
Financing		
Issue of shares	135,800	–
Loan capital repaid	(23,672)	(15,400)
Capital element of finance lease rental payments	(273)	(319)
New finance leases	–	1,344
New debt issued	159,600	154,271
Net cash inflow from financing	271,455	139,896
Movement in cash in the year	15,954	9,091

The notes on pages 68 to 85 form part of these financial statements.

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 Group and 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.

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 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 Company and its subsidiary undertakings up to 31 May 2010. The acquisition method of accounting has been adopted. Investments held as fixed assets are stated at cost less any provision for impairment.

Turnover

Turnover represents amounts receivable by the Group, excluding Value Added Tax and transfer fees, 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.

Fixed assets and depreciation

Depreciation has been charged on tangible fixed assets 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 long leasehold, land and buildings are subject to a full valuation 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 expenditure on the functionality of the website is capitalised.

Financial instruments

The Group 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.

Stocks

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

1. Accounting policies (continued)

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 2010 as in the Company's opinion it is unlikely that there will be sufficient taxable profits arising in the foreseeable future for the asset to be recovered.

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 denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are included in the profit and loss account.

Pensions

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.

2. Turnover

Gate receipts
Television
Other commercial activities
Donations from development association

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
18,220	15,356
53,962	48,259
52,814	23,323
54	95
125,050	87,033

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

3. Operating expenses

Raw materials and consumables
Remuneration of auditors and its associates:
Audit fees
Other services
Hire of other assets – operating leases
Capital grants released and amortised
Other external charges
Staff costs (note 4)
Depreciation and other amounts written off tangible fixed and intangible assets:
– Owned
– Leased
– Amortisation of players

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
10,501	8,047
44	35
48	115
558	312
(3,164)	(52)
34,396	26,655
133,306	82,633
1,696	920
2,768	2,563
71,006	39,403
251,159	160,631
180,153	121,228
71,006	39,403
251,159	160,631

Operating expenses comprise:
Operating expenses before amortisation of players
Amortisation of players

4. Staff numbers and costs

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

Number of employees:
Football staff – including players
Commercial/administration staff

Year ended 31 May 2010	Year ended 31 May 2009
190	156
223	146
413	302

The aggregate payroll costs of these persons were as follows:

Wages and salaries
Social security costs
Other pension costs

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
118,359	73,685
13,833	8,547
1,114	401
133,306	82,633

Directors' remuneration:
Emoluments (excluding pension contributions)
Aggregate payments to pension schemes
Amounts paid to third parties in respect of Directors' services

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
1,821	2,290
135	92
313	34

Emoluments of the highest paid director amounted to £1,821,000 (2009: £1,425,000). Company pension contributions of £135,000 (2009: £90,000) were made to a money purchase scheme on his behalf.

5. Interest receivable and similar income

Bank interest
Other

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
34	356
662	–
696	356

6. Interest payable and similar charges

Bank loans and overdrafts
Other loans
Finance lease interest

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
401	1,691
3,498	15,526
93	109
3,992	17,326

7. Taxation

(a) Analysis of tax charge in year:

Current tax
UK corporation tax at 28% (2009: 28%) on profits for the year
Adjustments in respect of prior years

Tax on profits from ordinary activities

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
–	–
–	–
–	–

(b) Factors affecting tax charge for the year:

The current tax charge for the year varies from the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

Loss on ordinary activities before taxation

Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%

Effects of:

Expenses not deductible for tax purposes
Fixed asset timing differences
Other timing differences
Tax losses incurred in the year

Current tax charge for the year

Year ended 31 May 2010 £000	Year ended 31 May 2009 £000
(121,300)	(92,562)
(33,964)	(25,917)
144	346
1,288	977
816	124
31,716	24,470
–	–

The Group has corporation tax losses available for carry forward of approximately £273 million.

(c) Factors that may affect future tax charges:

The Company 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.

8. Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per share is based on a loss of £121,300,000 (2009: £92,562,000) being the loss for the year after taxation and the weighted average number of ordinary shares in issue for the year of 174,169,044 (2009: 70,776,109).

9. Company results

The Company has taken advantage of Section 208 of the Companies Act 2006 and has not presented its own profit and loss account. The result of the Company for the year was a loss of £231,275,000 (2009: profit £42,000).

10. Intangible fixed assets

Group	£000
Amounts paid for players' registrations:	
Cost	
As at 1 June 2009	185,280
Additions	145,444
Disposals	(24,245)
As at 31 May 2010	306,479
Amortisation	
As at 1 June 2009	53,492
Charge for the year	71,006
Disposals	(17,047)
As at 31 May 2010	107,451
Net book value	
As at 31 May 2010	199,028
As at 1 June 2009	131,788

The Company has no intangible fixed assets.

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 2009	4,803	641	163,143	1,240	11,011	180,838
Additions	27,344	788	6,390	–	7,522	42,044
Disposals	(2)	–	(3,916)	–	(889)	(4,807)
Revaluation adjustment	–	–	(1,726)	–	–	(1,726)
Transfer on completion	–	1,240	–	(1,240)	–	–
As at 31 May 2010	32,145	2,669	163,891	–	17,644	216,349
Depreciation						
As at 1 June 2009	1,303	125	318	–	3,788	5,534
Charge for the year	95	53	2,566	–	1,750	4,464
Disposals	–	–	(349)	–	(554)	(903)
As at 31 May 2010	1,398	178	2,535	–	4,984	9,095
Net book value						
As at 31 May 2010	30,747	2,491	161,356	–	12,660	207,254
As at 1 June 2009	3,500	516	162,825	1,240	7,223	175,304

The Company has no tangible fixed assets.

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

'Tangible fixed assets':

	2010
	£000
At depreciated replacement cost	161,193
Aggregate depreciation thereon	(2,158)
Net book value	159,035
Historical cost of revalued assets	80,832
Aggregate depreciation thereon	(7,052)
Historical cost net book value	73,780

11. Tangible fixed assets (continued)

Tangible fixed assets are shown at their original cost to the Group with the exception of the City of Manchester Stadium. A full valuation was obtained by the Directors as at 31 May 2009 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.

The revaluation adjustment relates to a difference in the interpretation of the prior year valuation of the City of Manchester Stadium which has been corrected in the current year. This item was not considered so material that it required a prior year restatement.

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 2010 includes £160,104,000 (2009: £161,759,000) in respect of assets on finance lease or hire purchase. Depreciation for the year on these assets was £2,768,000 (2009: £2,563,000).

The cumulative amount of interest capitalised in the total cost of tangible fixed assets amounts to £283,000 (2009: £283,000).

On 5 August 2003 Maine Road was exchanged for a 250 year leasehold interest in the City of Manchester Stadium. Rental payments are made quarterly based on a formula geared towards gate receipts, in excess of those achievable at Maine Road, and event income. 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 a number of assumptions have been made as the obligation varies with ticket prices, number of games and attendance levels in particular. Future attendance figures have been estimated at an average of 42,500 per Premiership fixture. An interest rate of 7.57% and an estimated long-term inflation rate of 2.5% have been applied.

The finance lease liability was initially established at £34,903,000. In the year ended 31 May 2005 the assumptions were revised. This resulted in an amended initial finance liability of £39,609,000.

The table below illustrates the sensitivity of the amended stadium finance lease creditor to changes in the assumptions on future attendance levels and inflation rates:

Inflation attendance levels	Lease rates %	Obligation £000
35,000	1.0	9,732
35,000	2.0	10,930
35,000	3.0	12,556
45,000	1.0	38,965
45,000	2.0	45,095
45,000	3.0	53,412

12. Fixed asset investments

Company	Shares in Group undertakings £000	Total £000
Cost and Net book value at 31 May 2010	46,486	46,486
Cost and Net book value at 31 May 2009	46,486	46,486

Subsidiary undertakings	Country of incorporation	Principal activity	Class and % of shares held
Manchester City Football Club Limited	England and Wales	Professional Football Club	100% ordinary shares
Manchester City Investments Limited	England and Wales	Issuer of Loan Notes	100%* ordinary shares
Manchester City Property Limited	England and Wales	Letting of Own Property	100%* ordinary shares
Manchester City Developments Limited	England and Wales	Property Investment	100%* ordinary shares

* A 100% subsidiary of Manchester City Football Club Limited.

13. Stocks

Group	2010 £000	2009 £000
Goods for resale	481	398

The Company holds no stock.

14. Debtors: amounts falling due within one year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade debtors	47,325	705	-	-
Debtors arising from player transfers	8,427	4,475	-	-
Amount owed by subsidiary undertaking	-	-	247,023	194,413
Amount owed by related party undertaking	384	-	-	-
Other debtors	-	1	-	-
Prepayments and accrued income	4,064	4,778	-	-
	60,200	9,959	247,023	194,413

15. Creditors: amounts falling due within one year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank loans and overdrafts	-	11,293	-	-
Amounts due to parent undertakings	-	145,336	-	145,336
Amounts due to other shareholders	-	10,726	-	10,726
Other loans	1,759	1,658	50	50
Obligations under finance leases	348	414	-	-
Trade creditors	3,180	6,818	-	-
Creditors arising from player transfers	61,697	56,221	-	-
Other taxation and social security	7,581	5,355	-	-
Accruals	12,755	17,310	-	7,422
	87,320	255,131	50	163,534

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Other loans	34,202	35,879	-	-
Obligations under finance leases	38,969	42,975	-	-
Creditors arising from player transfers	19,107	20,440	-	-
	92,278	99,294	-	-

17. Borrowings

	Other loans £000	Total external loans 2010 £000	Total external loans 2009 £000
Between one and two years	1,811	1,811	1,677
Between two and five years	5,781	5,781	5,517
After more than five years	26,610	26,610	28,685
	35,961	35,961	48,830

External loans

External loans include £35,573,000 of loan notes (2009: £36,990,000). The first tranche of £30,300,000 is repayable in annual instalments over a 25-year-period at a fixed interest rate of 7.27%. The second tranche of £13,700,000 is repayable in annual instalments over a 15-year-period at a floating interest rate for the first three years and thereafter at a fixed interest rate of 7.57%. During the year £766,000 was repaid from the first tranche whilst another £728,000 was repaid from the second tranche. The notes are being repaid under a securitisation agreement serviced by future season ticket sales and match day ticket sales. Details of all external loans are provided within note 28.

	Total related party loans 2010 £000	Total related party loans 2009 £000
Between one and two years	-	-
Between two and five years	-	-
After more than five years	-	-
	-	156,062

Related party loans

The parent company loans as at May 2009 were unsecured and comprised £145,336,000 from Abu Dhabi United Group Investment & Development Limited, a company controlled by Sheikh Mansour, and £10,726,000 owed to Worldwide Investments Limited. Both loans attracted interest at 10%. Unpaid interest relating to these loans totalling £7,422,000 was included within accruals at May 2009.

17. Borrowings (continued)

	Total loans £000	Finance leases £000	2010 Total £000	2009 Total £000
Within one year	1,759	348	2,107	169,427
Between one and two years	1,811	378	2,189	2,474
Between two and five years	5,781	478	6,259	5,758
After more than five years	26,610	38,113	64,723	70,622
	<u>35,961</u>	<u>39,317</u>	<u>75,278</u>	<u>248,281</u>

Finance leases

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

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

	2010 £000	2009 £000
Within one year	2,203	2,712
In the second to fifth years	8,240	10,191
Over five years	121,304	143,199
Less future finance charges	(92,430)	(112,713)
	<u>39,317</u>	<u>43,389</u>

18. Deferred income

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Within one year:				
Deferred income	27,178	8,062	-	-
Deferred credit for capital grants	53	53	-	-
	<u>27,231</u>	<u>8,115</u>	<u>-</u>	<u>-</u>
After more than one year:				
Deferred income	-	-	-	-
Deferred credit for capital grants	1,276	4,440	-	-
	<u>1,276</u>	<u>4,440</u>	<u>-</u>	<u>-</u>
Total deferred income	<u>28,507</u>	<u>12,555</u>	<u>-</u>	<u>-</u>

Deferred credit for capital grants

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

	£000
As at 1 June 2009	4,493
Grants received in the year	-
Grants released in the year	(3,164)
As at 31 May 2010	1,329

19. Called up share capital

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

	2010 £000	2009 £000
Issued and called up		
283,354,382 (2009: 75,460,085) ordinary shares of 10p each – fully paid	28,336	7,546
20 ordinary shares of 10p each – 2.5p paid	-	-
49,998 redeemable deferred shares of £1 each – 25p paid	12	12
	<u>28,348</u>	<u>7,558</u>

During the year 64,056,603 ordinary shares of 10p each were issued for a consideration of £2.12 per share. The total consideration was £135,800,000 and the premium of £129,394,340 has been included in the share premium account (see note 20). In addition 143,837,694 ordinary shares were issued in consideration of £304.9 million of shareholder loans owing to Abu Dhabi United Group Investment & Development Limited.

19. Called up share capital (continued)

The deferred shares are redeemable by the Company at any time by giving not less than three months notice in writing at £1 or such amount together with all arrears and accruals of any dividend payable up to and including the date of redemption. On a winding up, the holders of the redeemable deferred shares would rank behind the ordinary shareholders and would not be entitled to vote at any general meeting of the Company.

Share options

As part of the arrangements when the Club signed an agreement to take a lease of the City of Manchester Stadium, the Company granted a share purchase option to Manchester City Council. The option is to acquire 5% of the existing share capital of the Company for £5 million in cash in the event that the market value of the Company is equal to or greater than £100 million. This option can be exercised up to 30 July 2009. The option expired during the year and was not exercised.

20. Reserves

	Share Premium Group and Company £000	Revaluation Reserve Group £000	Profit & Loss Account Group £000	Profit & Loss Account Company £000
As at 1 June 2009	69,744	92,810	(200,996)	63
Retained loss for the year	–	–	(121,300)	(231,275)
Issue of shares	419,946	–	–	–
Capital contribution	–	–	6,633	6,633
Revaluation adjustment	–	(1,726)	–	–
As at 31 May 2010	489,690	91,084	(315,663)	(224,579)

The capital contribution relates to the waiver of interest due to the parent company Abu Dhabi United Group Investment & Development Limited.

21. Contingent liabilities

Additional transfer fees, signing on fees and loyalty bonuses of £43,100,000 (2009: £22,896,000) which 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.

22. Reconciliation of movement in shareholders' funds

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
(Loss)/profit for the financial year	(121,300)	(92,562)	(231,275)	42
Revaluation adjustment	(1,726)	(8,157)	–	–
Issue of shares	440,736	45,306	440,736	45,306
Capital contribution	6,633	–	6,633	–
Net increase/(decrease) in shareholders' funds	324,343	(55,413)	216,094	45,348
Opening shareholders' (deficit)/funds	(30,884)	24,529	77,365	32,017
Closing shareholders' funds/(deficit)	293,459	(30,884)	293,459	77,365

23. Pension

The Group is a member of The Football League Limited Pension and Life Assurance Scheme, a pension scheme providing benefits based on final pensionable pay. Because the Group 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 2010 a minimum funding requirement deficit was identified in the scheme, of which £186,113 (2009: £199,139) was allocated to the Group.

The latest full actuarial valuation was carried out at 31 August 2009 and was updated for FRS 17 purposes by a qualified independent actuary. The contribution for the year was £27,648 (2009: £19,116).

24. Commitments

The annual commitment for payments in respect of other operating leases:

	2010 £000	2009 £000
Expiring within one year	57	57
Expiring within two and five years	164	331
Expiring after five years	–	–
	221	388

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

	2010 £000	2009 £000
Contracted but not provided for	2,581	3,063

25. Reconciliation of operating loss to net cash outflow from operating activities

	2010 £000	2009 £000
Operating loss	(126,109)	(73,598)
Amortisation of players	71,006	39,403
Depreciation	4,464	3,483
Loss on disposal of fixed assets	137	–
Loan fees waived	(2,428)	–
(Increase)/decrease in stocks	(83)	112
(Increase)/decrease in debtors	(27,173)	6,226
Decrease in creditors	(1,041)	(2,206)
Release and amortisation of grants	(3,164)	(52)
Net cash outflow from operating activities	(84,391)	(26,632)

26. Reconciliation of net cash flow to movement in net debt

	2010 £000	2009 £000
Increase in cash in the year	15,954	9,091
Net cash inflow from increase in debt	(135,655)	(139,896)
Movement in net cash position in the year	(119,701)	(130,805)
Debt capitalised	304,936	39,787
Other non-cash changes	3,722	(1,084)
Opening net debt position	(229,634)	(137,532)
Closing net debt position	(40,677)	(229,634)

Other non-cash changes in the current year reflect unpaid interest on shareholder loans rolled into new loans and the amortisation of loan issue costs.

27. Analysis of changes in net debt

	As at 1 June 2009 £000	Cash flow £000	Other non-cash changes £000	As at 31 May 2010 £000
Cash at bank and in hand	18,647	15,954	–	34,601
Movement in net cash position in the year	18,647	15,954	–	34,601
Debt due within one year	(169,013)	(137,605)	304,859	(1,759)
Debt due after one year	(35,879)	1,677	–	(34,202)
Net debt (excluding finance leases)	(186,245)	(119,974)	304,859	(1,360)
Finance leases	(43,389)	273	3,799	(39,317)
	(229,634)	(119,701)	308,658	(40,677)

28. 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 2010 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Non-interest financial liabilities £000
As at 31 May 2010	75,278	306	74,890	82
As at 31 May 2009	248,281	453	247,734	94

Debt is initially stated at the amount of the net proceeds after deducting any issue costs which are amortised over the life of the debt.

The weighted average date to maturity of the non-interest financial liabilities is one year.

The floating rate financial liabilities comprise other loans of £306,000 repayable over 10 years attracting interest ranging from base minus 2.5% to base minus 4.5% over the term, to a minimum of 0% (this loan is secured on certain assets of the Group).

The fixed rate liabilities comprise loan notes of £35,573,000 and finance lease obligations of £39,317,000 as detailed in note 17.

The maturity profile of the Group's financial liabilities as at 31 May 2010 is shown in note 17.

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

29. Related party transactions

Transactions during the year ended 31 May 2010 with the parent undertaking, Abu Dhabi United Group Investment & Development Limited are detailed in notes 17, 19 and 20.

Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment & Development Limited commenced trading in the year. The Group met certain liabilities on behalf of this company during the year and a balance of £384,000 is included in debtors due within one year.

30. Post balance sheet events

Since the year end 25,110,725 shares have been issued for £53.2 million in cash to parent company, Abu Dhabi United Group Investment & Development Limited on 30 June 2010.

Additionally, the football registrations of Jerome Boateng (from Hamburg S.V.), David Silva (from Valencia), Yaya Toure (from Barcelona FC), Aleksandar Kolarov (from S.S.Lazio), Mario Balotelli (from Inter Milan) and James Milner (from Aston Villa FC) have been acquired. The registrations of Valeri Bojinov (to Parma FC), Stephen Ireland (to Aston Villa FC), Javier Garrido (to S.S.Lazio), Robinho (to AC Milan), Robert Mak (to FC Nuremburg) and Adam Clayton (to Leeds United FC) were sold. The net expenditure on these transactions was approximately £96.6 million.

31. Ultimate parent undertaking

As at 31 May 2010 the Group's parent undertaking was Abu Dhabi United Group Investment & Development Limited, a company registered in the Jebel Ali Freezone. The Group's ultimate parent undertaking was Abu Dhabi United Group Investment & Development, a company registered in Abu Dhabi and wholly owned by Sheikh Mansour bin Zayed Al Nahyan.