FINANCIAL REPORT

CONTENTS

DIRECTORS AND ADVISORS

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

COMPANY SECRETARY
S Cliff

REGISTERED OFFICE
City Football HQ, 400 Ashton New Road, Manchester, M11 4TQ

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

AUDITORS
BDO LLP, 3 Hardman Street, Manchester, M3 3AT

DIRECTORS AND ADVISORS
CONTINUED

The Board of Directors comprises:

KHALDOON AL MUBARAK, CHAIRMAN
Khaldoon Al Mubarak was appointed to the Board in September 2008. Mr Al Mubarak is currently Group CEO and Managing Director of Mubadala Development Company. He also serves as Chairman of the Executive Affairs Authority of Abu Dhabi, Chairman of Emirates Nuclear Energy Corporation and Chairman of Emirates Global Aluminum. He is also a Board Member of the Abu Dhabi Supreme Petroleum Council.

MARTIN EDELMAN, MEMBER OF THE BOARD
Martin Edelman was appointed to the Board in September 2008. He is also Vice Chairman of New York City FC. Since June 2000, he has been Of Counsel to Paul Hastings, Janofsky & Walker LLP, a New York City law firm. Mr Edelman currently serves as Chairman of Manchester Life Development Company and as Director of Equity Commonwealth, Advanced Micro Devices, BXMT and Aldar. He is also on the Advisory Board at Columbia University's Business School. Mr Edelman works on behalf of several philanthropic initiatives and is on the boards of the Jackie Robinson Foundation, Intrepid Fallen Heroes Fund, Fisher Alzheimer Center and Tribeca Film Institute.

SIMON PEARCE, MEMBER OF THE BOARD
Simon Pearce was appointed to the Board in September 2008. He is also Vice Chairman of Melbourne City FC. In 2006, Mr Pearce joined the Executive Affairs Authority of Abu Dhabi, and currently serves as special Advisor to the Chairman. He is also a Board Member of Abu Dhabi Motorsport Management, operator of Yas Marina Circuit and home of the F1 Etihad Airways Abu Dhabi Grand Prix, and a Board Member of Manchester Life Development Company.

MOHAMED AL MAZROUEI, MEMBER OF THE BOARD
Mohamed Al Mazrouei was appointed to the Board in January 2010. Since April 2008, Mr Al Mazrouei has served as the Undersecretary of the Crown Prince Court of Abu Dhabi. He is the Chairman of Etihad Airways, and the former Chairman of Abu Dhabi Media.

JOHN MACBEATH, MEMBER OF THE BOARD
John MacBeath was appointed to the Board in January 2010. He served as Interim Chief Executive Officer of Manchester City FC from September 2011 to September 2012. John MacBeath is a Chartered Accountant with extensive international business experience in the oil & gas and aerospace industrial sectors.

ALBERTO GALASSI, MEMBER OF THE BOARD
Alberto Galassi was appointed to the Board in June 2012. Alberto Galassi is the CEO of Ferretti Group, a multinational shipbuilding company and leader in luxury yachts. Mr Galassi is an attorney at law specialised in international commerce and arbitration.

STRATEGIC REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and Auditors' report, for the 13 month period ended 30 June 2017. The longer accounting period is due to the Directors' decision to change the year end in line with that of the Group's therefore the results are not entirely comparable.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

Manchester City ('the Club') continued its upward trajectory on-and-off the pitch, building upon nine seasons of growth since Sheikh Mansour's investment in 2008.

The season began with a new manager, Pep Guardiola, a new website, mancity.com, and the introduction of the new Manchester City badge, voted for by fans. The Club's charity, City in the Community, began its 30th year celebration, which continued throughout the season.

During this reporting period, the men's team finished third in the Premier League, reached the FA Cup semi-final, and qualified for the UEFA Champions League (UCL) for the seventh consecutive season. In youth football, the U18's won the Premier League North Division and reached the FA Youth Cup final for the third consecutive season, and the Academy won nine trophies across all age groups.

This financial report covers a 13-month period from 1 June 2016 to 30 June 2017 following a decision to change the year end. This change was introduced to better align the Manchester City financial year with the growing number of entities in the group. It has had an adverse impact on the profitability of the business as there is generally little revenue in June while costs continue to accrue. Despite this, the Club has continued to post a profit of £1.1m on ordinary activities after taxation.

The Club's revenues for the period, £473.4m, are 21% higher than the previous year and represent the ninth consecutive period of revenue growth under the ownership of the Abu Dhabi United Group. The revenue increase on the previous season was driven primarily by a growth in both commercial and broadcast revenue.

Broadcast revenue is reported at £203.5m, an increase of 26.1%, mainly as a result of the new Premier League deal which began in the 2016-17 season. An increase in sponsorship deals during the period resulted in growth in commercial revenue of 23% to £218.0m.

Matchday revenue remained consistent as the Etihad Stadium was host to a total of 26 home games, with average attendance at the 19 Premier League home games of 54,019.

Manchester City has net assets of more than £678m and continues to operate with zero financial debt. The Club remains committed to controlling wage costs, and reported a healthy wage/revenue ratio of 56% during the 2016-17 season.

Manchester City measures key performance against the following indicators:

Key performance indicator	Result
First team performance – Premier League finishing position	3rd place
First team performance – UEFA Champions League	Round of 16
Employee costs/revenue	56%
Average league home attendance	54,019
Commercial revenue growth	23%
Profit on disposal of Players' registrations	£34.6m

RISKS AND UNCERTAINTIES

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the Club's performance. The Club'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.

By order of the Board

J MacBeath
Director
12 October 2017

DIRECTORS' REPORT

DIRECTORS

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

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

RESULT FOR THE YEAR

The profit for the period was £1,088,000 (2016: £20,483,000). The Directors do not propose a dividend (2016: £nil).

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions. Donations to UK charities amounted to £4,607,448 (2016: £2,673,025). This amount includes £3.7m supporting Premier League youth and community development.

EMPLOYEE INVOLVEMENT

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

DISABLED EMPLOYEES

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

FUTURE DEVELOPMENTS

Future developments are discussed in the Strategic Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

WEBSITE PUBLICATION

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

AUDITORS

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

By order of the Board

J MacBeath
Director
12 October 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MANCHESTER CITY LIMITED

We have audited the financial statements of Manchester City Limited for the 13 month period ended 30 June 2017 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 June 2017 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Stuart Wood (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
12 October 2017

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE 13 MONTH PERIOD ENDED 30 JUNE 2017

	Note	Operations excluding player trading 13 month period ended 30 June 2017 £000	Player trading 13 month period ended 30 June 2017 £000	Total 13 month period ended 30 June 2017 £000	Total Year ended 31 May 2016 £000
Turnover	4	473,375	–	**473,375**	391,774
Other operating income	5	2,450	–	**2,450**	800
Operating expenses	5	(384,262)	(121,742)	**(506,004)**	(389,773)
Operating profit/(loss)		91,563	(121,742)	**(30,179)**	2,801
Profit on disposal of players' registrations		–	34,563	**34,563**	20,714
Profit/(loss) before interest and taxation		91,563	(87,179)	**4,384**	23,515
Interest receivable and similar income	8	2,091	–	**2,091**	1,637
Interest payable and similar charges	9	(1,676)	–	**(1,676)**	(996)
Stadium finance lease charges		(4,695)	–	**(4,695)**	(4,567)
Profit/(loss) on ordinary activities before taxation		87,283	(87,179)	**104**	19,589
Taxation	10	984	–	**984**	894
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		88,267	(87,179)	**1,088**	20,483

The results for both periods are from continuing operations. The Company does not have any other comprehensive income; therefore, a statement of other comprehensive income has not been presented.

The notes on pages 53 to 68 form part of these financial statements.

BALANCE SHEETS

Registered number: 02989498

		Group		Company	
	Note	**30 June 2017 £000**	31 May 2016 £000	**30 June 2017 £000**	31 May 2016 £000
Fixed assets					
Intangible assets	12	**335,468**	268,648	**–**	–
Tangible assets	13	**412,570**	398,549	**–**	–
Investments	14	**–**	–	**678,208**	677,120
		748,038	667,197	**678,208**	677,120
Current assets					
Debtors – amounts falling due within one year	15	**270,691**	202,448	**–**	–
Debtors – amounts falling due after more than one year	15	**23,351**	13,620	**–**	–
Cash at bank and in hand		**18,706**	55,818	**–**	–
		312,748	271,886	**–**	–
Creditors					
Derivative financial instruments		**–**	(353)	**–**	–
Creditors – due within one year	16	**(161,103)**	(122,330)	**–**	–
Deferred income – due within one year	19	**(133,304)**	(37,992)	**–**	–
Net current assets		**18,341**	111,211	**–**	–
Total assets less current liabilities		**766,379**	778,408	**678,208**	677,120
Creditors – due after more than one year	17	**(80,575)**	(93,245)	**–**	–
Deferred tax liabilities	20	**(7,596)**	(8,043)	**–**	–
NET ASSETS		**678,208**	677,120	**678,208**	677,120
Capital and reserves					
Called up share capital	21	**65,115**	65,115	**65,115**	65,115
Share premium account		**1,232,393**	1,232,393	**1,232,393**	1,232,393
Profit and loss account		**(619,300)**	(620,388)	**(619,300)**	(620,388)
SHAREHOLDERS' FUNDS		**678,208**	677,120	**678,208**	677,120

The notes on pages 53 to 68 form part of these financial statements.

The Company profit for the period includes a profit after tax of £1.088m (2016: £20.483m).

These financial statements were approved by the Board of Directors on 12 October 2017 and were signed on its behalf by:

J MacBeath
Director

STATEMENT OF CHANGES IN EQUITY

GROUP

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
As at 1 June 2015	65,115	1,232,393	(640,871)	656,637
Profit for the year	–	–	20,483	20,483
As at 31 May 2016	65,115	1,232,393	(620,388)	677,120
Profit for the period	–	–	1,088	1,088
AS AT 30 JUNE 2017	**65,115**	**1,232,393**	**(619,300)**	**678,208**

COMPANY

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
As at 1 June 2015	65,115	1,232,393	(640,871)	656,637
Reversal of impairment	–	–	20,483	20,483
As at 31 May 2016	65,115	1,232,393	(620,388)	677,120
Reversal of impairment	–	–	1,088	1,088
AS AT 30 JUNE 2017	**65,115**	**1,232,393**	**(619,300)**	**678,208**

The notes on pages 53 to 68 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE 13 MONTH PERIOD ENDED 30 JUNE 2017

	Note	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	**144,624**	70,460
Return on investments and servicing of finance			
Interest paid		**–**	(7)
Interest element of finance lease payments		**(3,541)**	(3,494)
Interest received		**960**	332
Net cash outflow from return on investments and servicing of finance		**(2,581)**	(3,169)
Capital expenditure			
Purchase of player registrations		**(199,343)**	(130,864)
Sale of intangible fixed assets		**52,238**	58,519
Purchase of other intangible assets		**(1,900)**	(24)
Purchase of tangible fixed assets		**(27,583)**	(18,088)
Sale of tangible fixed assets		**9**	3,694
Net cash outflow from capital expenditure		**(176,579)**	(86,763)
Net cash outflow before financing		**(34,536)**	(19,472)
Financing			
Capital element of finance lease rental payments		**(348)**	(330)
Net cash outflow from financing		**(348)**	(330)
Movement in cash in the period	25	**(34,884)**	(19,802)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**55,818**	74,752
Exchange (losses)/gains on cash and cash equivalents		**(2,228)**	868
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**18,706**	55,818

The notes on pages 53 to 68 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Manchester City Limited (the 'Group' and the 'Company') for the 13 month period ended 30 June 2017 were authorised for issue by the Board of Directors and the balance sheet was signed on the Board's behalf by J MacBeath on 12 October 2017. Manchester City Limited is a private company limited by share capital incorporated and domiciled in England and Wales under the Companies Act 2006. The registered office is City Football HQ, 400 Ashton New Road, Manchester, M11 4TQ. The principal activities of the Group are discussed in the Strategic Report.

These financial statements were prepared in accordance with Financial Reporting Standard ('FRS') 101 under the historical cost convention and are presented in pounds sterling and all values are rounded to the nearest thousand except when otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the years presented.

BASIS OF PREPARATION

The Group meets the definition of a qualifying entity under FRS 100 issued by the FRC. The Group financial statements have therefore been prepared in accordance with FRS 101 and with those parts of the Companies Act 2006 applicable to Companies reporting under FRS 101.

Management has elected to carry the Etihad Stadium at cost under International Financial Reporting Standards ('IFRS').

The Group has taken advantage of the following disclosure exemptions under FRS 101:

The requirements of paragraph 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 (R) Business combinations.

The requirement of IFRS 7 Financial instruments: disclosures.

The requirements of paragraphs 91 to 99 of IFRS 13 Fair value measurement

The requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors.

The requirements of paragraph 17 of IAS 24 Related party disclosures.

The requirement in paragraph 38 of IAS 1 Presentation of financial statements to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, plant and equipment; (iii) paragraph 118(e) of IAS 38 Intangible assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment property; and (v) paragraph 50 of IAS 41 Agriculture.

The requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of City Football Group Limited, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of assets.

Based on this undertaking the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS MANDATORY FOR THE FIRST TIME FOR THE FINANCIAL YEAR BEGINNING 1 JUNE 2016 AND ADOPTED BY THE GROUP

Annual improvements 2014-2016 and 2015-2017 cycles are a collection of amendments to standards as part of the IASB programme of annual improvements. The standards impacted are listed below:

Amendments to IFRS 1 First-time adoption of international financial reporting standards
Amendments to IFRS 12 Disclose of interests in other entities
Amendments to IAS 28 Investments in associates and joint ventures
Amendments to IAS 12 Income taxes
Amendments to IAS 23 Borrowing Costs

NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED EARLY

No standards have been adopted early by the Group.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Amendments to IFRS 2 Share-based payment
Amendments to IFRS 4 Insurance Contracts
Amendments to IFRS 15 Revenue from contracts with customers
Amendments to IFRS 16 Leases
Amendments to IFRS 9 Financial instruments

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group's profit and loss account, net assets or equity. Adoption may affect the disclosures in the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION
The consolidated financial statements include the financial statements of the Group and its subsidiary undertakings up to 30 June 2017. The acquisition method of accounting has been adopted.

FOREIGN CURRENCY TRANSLATION
The Group's financial statements are presented in sterling, which is also the parent company's functional currency, which is the currency of the primary economic environment in which the entity operates.

TRANSACTIONS AND BALANCES
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the reporting date. All differences are taken to the profit and loss account with the exception of all monetary items that form part of a net investment in a foreign operation. These are recorded in other comprehensive income until the disposal of the net investment, at which time they are reclassified to the profit and loss account. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or the profit and loss account is also recognised in other comprehensive income or the profit and loss account respectively).

TURNOVER
Turnover represents the fair value of considerations received or receivable from the Group's principal activities, excluding Value Added Tax, other sales taxes and transfer fees. The Group's principal revenue streams are matchday income, TV broadcasting income, commercial activities relating to the Group and donations. The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the principal activities described below.

MATCHDAY
Matchday revenue is based on men's football matches played by the clubs within the Group throughout the year. Revenue from each match is recognised only after each match is played throughout the year.

Matchday revenue includes revenue generated from the following competitions:

Manchester City Football Club domestic and European matchday activities played at the Etihad Stadium in Manchester, together with the Group's share of gate receipts from domestic cup matches not played at the Etihad Stadium and revenue generated from pre-season tours. The share of gate receipts payable to the opposition club and competition organiser for domestic cup matches held at the Etihad Stadium is recognised as an operating expense once the match has been played.

Matchday turnover received in advance of the year end, relating to the following year is treated as deferred income until such time that the related match is played when the revenue is recognised. Deferred matchday turnover mainly relates to seasonal facilities at the Etihad Stadium.

TV BROADCASTING
TV broadcasting income represents turnover generated from all UK and overseas media contracts, including contracts negotiated on behalf of participating clubs by the Premier League and UEFA.

Turnover from the Premier League in respect of TV broadcasting for each football season is recognised in the corresponding financial year. The fixed element of turnover received from the Premier League is recognised as home games are played in the season. Facility fees for live coverage, near live coverage and highlights are earned for home and away matches and recognised following the completion of each match.

UEFA distributions from participation in the Champions League include market pool payments recognised over the matches played and fixed amounts for participation in individual matches recognised when matches are played. Distributions relating to team performance are recognised only when the outcome is certain.

OTHER COMMERCIAL
Other commercial revenue includes revenue derived from the Manchester City brand through partnership and other commercial contracts. Turnover from related activities such as concerts, conferences and events is recognised following the completion of the event. Turnover receivable in advance of the event is deferred until its completion when it is released to turnover.

Turnover receivable in relation to partnership contracts over and above the minimum guaranteed revenue within the contract is taken to revenue when a reliable estimate of the future performance of the contract can be obtained and it is probable that the amounts will not be refunded to the partner in future years. Turnover is recognised over the term of the contract in line with the partnership benefits enjoyed by each partner.

OTHER OPERATING INCOME
Income from the Elite Player Performance Plan ('EPPP') being a youth development scheme initiated by the Premier League is recognised in the financial year for the season to which it relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

ACCRUED AND DEFERRED INCOME

Turnover relating to matchday activities, TV broadcasting and other commercial received after the financial year end to which it relates is accrued as earned.

Turnover relating to matchday activities, TV broadcasting and other commercial receivable prior to the year end in respect of seasons in future financial years is deferred.

TAXES

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognised in correlation to the underlying transaction either in the profit and loss account, other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are only recognised by the Group when management is certain they can be utilised in the foreseeable future.

VAT AND OTHER SALES TAXES

Turnover, expenses and assets are recognised net of the amount of VAT or other sales tax, except where the VAT or sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT or sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT or sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Fixed assets and intangible assets including player registrations, once classified as held for sale are not depreciated or amortised.

LEASES

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit and loss. A leased asset is depreciated over the estimated useful life of the asset or the term of the lease.

Operating lease payments are recognised as an operating expense in profit and loss on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FIXED ASSETS
Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost comprises purchase price and any directly attributable costs. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment charges are recognised in the profit and loss account when the carrying amount of the asset exceeds its estimated recoverable value, being the higher of the asset's fair value less cost to sell and value in use. These amounts are calculated with reference to future discounted cash flows that the asset is expected to generate when considered as part of a cash generating unit ('CGU').

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Land is not depreciated. Depreciation on other assets is provided on a straight line basis to write down assets to their estimated residual value over their estimated useful economic lives from the date of acquisition by the Group 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

INTANGIBLE ASSETS
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit and loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

PLAYERS' REGISTRATIONS AND FOOTBALL STAFF REMUNERATION

INITIAL RECOGNITION
Players' registration costs including transfer fees, agent fees, Premier League levy fees and other directly attributable costs are initially recognised at the fair value of the consideration payable for the acquisition. When a player registration is acquired, management will make an assessment to estimate the likely outcome of specific performance conditions. Contingent consideration will be recognised in the players' registration costs if management believes the performance conditions will be met in line with the contractual terms. Periodic reassessments of the contingent consideration are completed. Any contingent amounts that management believe will be payable are included in the players' registration from the date management believe the performance conditions will be met. Any additional amounts of contingent consideration not included in the costs of players' registrations are disclosed separately as a commitment. Amortisation of costs is on a straight line basis over the length of the player's contract.

RENEGOTIATION
The costs associated with an extension of a playing contract are added to the residual balance of the players' registration at the date of signing the contract extension. The revised net book value is amortised over the remaining renegotiated contract length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IMPAIRMENT
Management believe the value in use of a player registration cannot be determined on a player by player basis unless a decision has been made to dispose of the player or the cost is recovered through an insurance claim, for example if a player were to suffer a career threatening injury. If such a case were to arise, management would assess the registration's fair value less cost to sell in comparison to its carrying value. Where the estimated fair value less cost to sell of a single player registration was below its carrying value, management would record an impairment charge in profit and loss immediately.

DISPOSAL
Players' registrations available for sale are classified as assets held for sale when their carrying value is expected to be recovered principally through sale rather than continued use and a sale is considered highly probable. For sale to be highly probable, management must have committed to sell the registration, it must be actively marketed by the Group, with offers being received prior to the year end. For a registration to be classified as held for sale, management should expect to sell the asset within 12 months of the date of reclassification. These assets would be reclassified as current assets and stated at the lower of their carrying value and their fair value less cost to sell with any impairment loss being recognised in profit and loss at the date of reclassification.

When a player registration sale is completed, the fair value of consideration receivable less any applicable transaction costs, is assessed against the registration's carrying value. Where the amounts are different, gains and losses arising as a result of the sale are recorded and disclosed separately within profit and loss on players' registrations in the profit and loss account. Contingent consideration receivable from a sale of a player's registration is only recognised in the profit and loss account once the performance conditions within the contract are met.

REMUNERATION
Player remuneration is recorded in profit and loss in line with the conditions of the individual contracts. Performance bonuses are recorded as they become legally or contractually payable on a player by player basis. Loyalty and signing on fees payable are recorded in the profit and loss account in the period to which they relate.

INVESTMENTS
The Group assesses each of its investments to assess whether control or significant influence exists. When the Group assesses that it has control of an investment, the investment is treated as a subsidiary whose financial results are consolidated into the Group's financial statements. If control or joint control does not exist, the Group assesses the investment for significant influence. When significant influence does not exist, the investment is treated as a financial investment by the Group.

Other investments held are stated at cost less any provision for impairment.

FINANCIAL INSTRUMENTS
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, Available for sale ('AFS') financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

SUBSEQUENT MEASUREMENT
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

LOANS AND RECEIVABLES
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit and loss account. The losses arising from impairment are recognised in the profit and loss account in finance costs for loans and in cost of sales or other operating expenses for receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AFS FINANCIAL ASSETS

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and profit or loss – is removed from other comprehensive income ('OCI') and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivatives used to hedge documented risks are initially recognised at fair value on the date of inception and subsequently measured at fair value at the end of each period. Subsequent changes in fair value are recognised depending on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges in order to hedge future cash flows denominated in foreign currencies.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The full fair value of the derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit and loss when the hedge item affects profit or loss. Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit and loss. When a hedging derivative is sold or expires, or when it no longer meets the criteria for hedge accounting, any cumulative gains or losses previously recognised in equity remains in equity and is only recognised when the hedged item is ultimately recognised in profit and loss.

CAPITAL GRANTS

Grants receivable in respect of capital expenditure are treated as deferred income and released to profit and loss over a future period when there is reasonable assurance that the grant conditions will be fully complied with. This period will equal the economic life of the assets to which the grants relate. Deferred grant income in the balance sheet represents total grants received less amounts credited to profit and loss.

TRADE AND OTHER DEBTORS

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the EIR method, less provision for impairment. If collection is expected in greater than one year, the debtors are presented as non-current assets. If the debtors are expected to be collected in one year or less, they are presented as current assets.

An impairment provision for trade or other debtors is recorded when there is evidence that the debtor is impaired. Indicators of impairment include financial difficulties of the customer, the customer potentially entering bankruptcy or financial reorganisation, and default in payments. The amount of impairment loss is measured as the difference between the carrying amount of the debtor and the present value of the estimated future cash flows arising on the trade debtor.

Where previously impaired debtors are subsequently recovered, amounts previously written off are credited to profit and loss.

CASH AT BANK AND IN HAND

Cash at bank and in hand in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

TRADE AND OTHER CREDITORS

Trade and other creditors are obligations to pay for goods and services which have been acquired in the commercial operations of the Group. Amounts payable are presented as non-current liabilities if payment is due in greater than one year. Where amounts payable are due in one year or less, they are presented as current liabilities.

Trade and other creditors are recognised initially at fair value and subsequently measured at amortised cost using the EIR method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

PENSION COSTS

The Group is one of a number of participating employers of The Football League Limited Pension and Life Assurance Scheme which has been closed for new employees. The Group is unable to identify its share of the assets and liabilities of the scheme. As such, the Group's contributions into the scheme are recognised in profit and loss when they fall due.

The Group also operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions into this scheme are recognised in profit and loss when they fall due.

OBLIGATIONS UNDER FINANCE LEASES

After initial recognition, interest bearing obligations under finance leases are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit and loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and assumptions used by management are based on historical experience and other relevant factors.

PLAYER REGISTRATIONS

The costs associated with players' registrations are initially recognised at the fair value of the consideration payable for the acquisition, which includes the Company's estimate of the fair value of any contingent consideration. Subsequent reassessments of the contingent consideration payable are included in the players' registration. The estimate of the amount of contingent consideration payable requires management to assess, on a player by player basis, the likelihood of specific performance terms being met which would result in the payment of contingent consideration.

Management will perform an impairment review of player registrations, if events indicate that the carrying value is not recoverable through an inflow of future economic benefits. Whilst management do not feel it is appropriate to separate an individual player registration from a single CGU, being the operations of the club in possession of the registration, there may be limited circumstances in which a registration is removed from the CGU and recoverability assessed separately. Where such indications exist, management will compare the carrying value of the asset with management's best estimate of fair value less cost to sell.

INTANGIBLE ASSETS

Management will perform an impairment review of other intangible assets, if events indicate that the carrying value is not recoverable through an inflow of future economic benefits. Where such indications exist, management will compare the carrying value of the asset with management's best estimate of fair value less cost to sell.

FINANCIAL INSTRUMENTS

Financial instruments due to be settled or received in greater than one year are discounted when the time value of money is considered by management to be material to the Group. In such instances, management will estimate the timing of future cash flows and select an appropriate discount rate in order to calculate the present value of future cash flows related to the financial instrument.

DEBTOR RECOVERABILITY

Management assesses debtor recoverability on a case-by-case basis and provides for doubtful debt where deemed necessary.

4. TURNOVER

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Matchday	**51,868**	52,523
Broadcasting – UEFA	**47,928**	61,242
Broadcasting – All Other	**155,566**	100,139
Other commercial activities	**218,013**	177,870
	473,375	391,774

All turnover originates in the United Kingdom. The Company has one activity which is the operation of a professional football club and therefore a segmental analysis has not been provided. All of the results for this activity are included within the primary statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

5. OPERATING (LOSS)/PROFIT

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Other operating income		
Other operating income	**2,450**	800
	2,450	800
Operating expenses		
Direct cost of sales and consumables	**11,876**	8,801
Remuneration of Auditors and its associates:		
Audit fees	**41**	47
Tax services	**18**	18
Other services	**50**	50
Hire of other assets – operating leases	**137**	63
Capital grants released and amortised	**(296)**	(132)
Other external charges	**94,176**	76,929
Staff costs (Note 7)	**264,133**	197,584
Amortisation of player registrations	**121,742**	93,952
Amortisation of other intangibles	**574**	8
Profit on disposal of fixed assets	**(3)**	(189)
Depreciation of tangible fixed assets:		
Owned	**10,426**	9,659
Leased	**3,130**	2,983
	506,004	389,773
Operating (loss)/profit		
Operating profit before player trading	**91,563**	96,753
Amortisation of player registrations	**(121,742)**	(93,952)
	(30,179)	2,801

6. DIRECTORS REMUNERATION

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Directors' emoluments	**–**	–
Company contributions to money purchase pension schemes	**–**	–
Amounts paid to third parties in respect of Directors' services	**–**	–

No Directors were paid in the period (2016: £nil) and no Company pension contributions were made (2016: £nil).

7. EMPLOYEES

The average number of employees and Directors during the period is set out and analysed by category in the table below:

Average number of employees	2017	2016
Football staff – including players	**153**	150
Commercial/administration staff	**172**	170
	325	320

The aggregate payroll costs of these persons were as follows:	£000	£000
Wages and salaries	**232,840**	174,360
Social security costs	**30,722**	22,606
Other pension costs	**571**	618
	264,133	197,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Bank interest	**293**	544
Other	**1,798**	1,093
	2,091	1,637

9. INTEREST PAYABLE AND SIMILAR CHARGES

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Bank loans and overdrafts	**1,673**	996
Other loans	**3**	–
	1,676	996

10. TAXATION

(A) ANALYSIS OF THE TAX CREDIT IN THE PERIOD:

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Current tax		
UK corporation tax at 19.8% (2016: 20%) on profits for the period	**–**	–
Adjustments in respect of prior years	**(537)**	–
Total current tax credit	**(537)**	–
Deferred tax		
Impact of change in UK corporation tax rate	**(447)**	(894)
Total deferred tax credit	**(447)**	(894)
TOTAL TAX CREDIT	**(984)**	(894)

(B) FACTORS AFFECTING TAX CREDIT FOR THE PERIOD:

The tax credit for the period varies from the standard rate of corporation tax in the UK of 19.8% (2016: 20%). The differences are explained below:

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Profit on ordinary activities before taxation	**104**	19,589
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.8% (2016: 20%)	**21**	3,918
Effects of:		
Expenses not deductible for tax purposes	**189**	254
Fixed asset timing differences	**1,648**	2,187
Other permanent differences	**836**	429
Additional deduction for land remediation expenditure	**–**	–
Tax losses utilised in the period	**–**	–
Adjustments in respect of prior periods	**–**	–
Differences between capital allowances and depreciation	**–**	–
Adjustments to deferred tax balances	**5,495**	11,472
Deferred tax not recognised	**(8,104)**	(18,138)
Tax rate difference arising on revaluation of stadium	**(447)**	(894)
Income not taxable for tax purposes	**(85)**	(122)
Adjustments in respect of prior years	**(537)**	–
TOTAL TAX CREDIT FOR THE PERIOD	**(984)**	(894)

The Company has corporation tax losses available for carry forward of approximately £502.9 million (2016: £503 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

11. COMPANY RESULTS
The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company profit for the period includes a profit after tax of £1.088m (2016: £20.483m).

12. INTANGIBLE FIXED ASSETS

Group	Other intangibles £000	Player registrations £000	Total £000
Cost			
As at 1 June 2016	1,494	523,413	524,907
Additions	1,900	203,535	205,435
Disposals	–	(39,020)	(39,020)
AS AT 30 JUNE 2017	**3,394**	**687,928**	**691,322**
Amortisation			
As at 1 June 2016	1,260	254,999	256,259
Charge for the period	574	121,742	122,316
Disposals	–	(22,721)	(22,721)
AS AT 30 JUNE 2017	**1,834**	**354,020**	**355,854**
Net book value			
AS AT 30 JUNE 2017	**1,560**	**333,908**	**335,468**
As at 1 June 2016	234	268,414	268,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

13. 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						
As at 1 June 2016	176,972	1,594	196,185	2,392	54,596	431,739
Additions	–	–	92	24,083	3,408	27,583
Disposals	–	–	–	–	(15)	(15)
Reclassification	15,444	–	1,000	(16,507)	63	–
AS AT 30 JUNE 2017	**192,416**	**1,594**	**197,277**	**9,968**	**58,052**	**459,307**
Depreciation						
As at 1 June 2016	3,728	145	8,593	–	20,724	33,190
Charge for the period	2,671	22	3,108	–	7,755	13,556
Disposals	–	–	–	–	(9)	(9)
Reclassification	–	–	–	–	–	–
AS AT 30 JUNE 2017	**6,399**	**167**	**11,701**	**–**	**28,470**	**46,737**
Net book value						
AS AT 30 JUNE 2017	**186,017**	**1,427**	**185,576**	**9,968**	**29,582**	**412,570**
As at 1 June 2016	173,244	1,449	187,592	2,392	33,872	398,549

FINANCE LEASE ON ETIHAD STADIUM

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

A finance lease creditor equal to the future obligations under the lease has been established. In calculating the future obligations an interest rate of 7.57% and an estimated long term inflation rate of 2.5% have been applied.

Property, plant and equipment is recognised at its original cost to the Company with the exception of the Etihad Stadium. Management has elected to carry the Etihad Stadium at cost under IFRS, as such; the transitional 'deemed cost' as at 1 June 2014 is the previously revalued Etihad Stadium value from 31 May 2012 plus additions thereafter at cost to 31 May 2014. The revaluation completed at 31 May 2015 was reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

14. FIXED ASSET INVESTMENTS

Company	Shares in Subsidiary Undertakings £000
Cost	
As at 1 June 2016	1,303,490
Additions	–
AS AT 30 JUNE 2017	**1,303,490**
Provision	
As at 1 June 2016	626,370
Additions	–
Reversal of impairment	(1,088)
AS AT 30 JUNE 2017	**625,282**
Net book value	
AS AT 30 JUNE 2017	**678,208**
As at 1 June 2016	677,120

Subsidiary undertakings	Principle activities	Proportion of voting rights and share capital held	Registered address
Manchester City Football Club Limited	Professional football club	100%	City Football HQ, 400 Ashton New Road, Manchester, M11 4TQ
Manchester City Investments Limited*	Dormant company	100%	Etihad Stadium, Etihad Campus, Manchester, M11 3FF

* denotes indirect investments.

All companies are incorporated in England and Wales.

The circumstances that led to the reversal of the impairment in the Subsidiary undertaking is that the Subsidiary has made a continued profit over the previous three years showing sustained profitability.

15. DEBTORS

	Group		Company	
	30 June 2017 £000	31 May 2016 £000	**30 June 2017 £000**	31 May 2016 £000
Amounts falling due within one year				
Trade debtors	**129,659**	65,498	**–**	–
Debtors arising from player transfers	**29,955**	26,129	**–**	–
Amounts owed by group undertakings (Note 27)	**74,149**	46,146	**–**	–
Amounts owed by related party undertakings (Note 27)	**367**	206	**–**	–
Other debtors	**40**	23	**–**	–
Prepayments and accrued income	**36,521**	64,446	**–**	–
	270,691	202,448	**–**	–
Amounts falling due after more than one year				
Debtors arising from player transfers	**23,194**	13,299	**–**	–
Other debtors	**157**	321	**–**	–
	23,351	13,620	**–**	–
TOTAL DEBTORS	**294,042**	216,068	**–**	–

The fair values of the above trade and other debtors are equal to their carrying values.

Trade and other debtors are non-interest bearing and credit terms vary depending on the type of sale. Credit terms relating to player transfers are determined on a player by player basis. Seasonal facilities are paid in advance of the season or are collected via direct debit on a monthly basis throughout the season. Credit terms in relation to sponsorship agreements are agreed on a contract by contract basis, usually over the life of the contract. Other sales have credit terms ranging between 21 and 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

16. CREDITORS: DUE WITHIN ONE YEAR

	Group		Company	
	30 June 2017 £000	31 May 2016 £000	**30 June 2017 £000**	31 May 2016 £000
Obligations under finance leases (Note 18)	**396**	347	**–**	–
Trade creditors	**4,848**	5,142	**–**	–
Creditors arising from player transfers	**71,503**	49,409	**–**	–
Amounts owed to group undertakings (Note 27)	**815**	289	**–**	–
Amounts owed to related party undertakings (Note 27)	**50**	611	**–**	–
Other creditors including tax and social security	**43,352**	17,212	**–**	–
Accruals	**40,139**	49,320	**–**	–
	161,103	122,330	**–**	–

17. CREDITORS: DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	30 June 2017 £000	31 May 2016 £000	**30 June 2017 £000**	31 May 2016 £000
Obligations under finance leases (Note 18)	**65,926**	66,323	**–**	–
Creditors arising from player transfers	**14,649**	26,922	**–**	–
	80,575	93,245	**–**	–

18. BORROWINGS

	Group	
Maturity of debt:	**30 June 2017 Total £000**	31 May 2016 Total £000
Within one year	**396**	347
Between one and two years	**384**	365
Between two and five years	**1,271**	1,210
After more than five years	**64,271**	64,748
	66,322	66,670

FINANCE LEASES

Obligations under finance leases include future obligations under the lease of the Etihad Stadium. Details are provided within note 13.

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

	30 June 2017 £000	31 May 2016 £000
Within one year	**3,550**	3,550
In the second to fifth year	**14,200**	14,200
Over five years	**150,275**	153,825
Less future finance charges	**(101,703)**	(104,905)
	66,322	66,670

19. DEFERRED INCOME

	Group		Company	
	30 June 2017 £000	31 May 2016 £000	**30 June 2017 £000**	31 May 2016 £000
Within one year:				
Deferred income	**133,304**	37,992	**–**	–
Deferred credit for capital grants	**–**	–	**–**	–
	133,304	37,992	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. DEFERRED TAX
The following are the deferred tax assets and liabilities recognised alongside details of the movements on each.

Group	Property revaluation £000	Total £000
At 31 May 2016	8,043	8,043
Credited to profit and loss account	(447)	(447)
AS AT 30 JUNE 2017	**7,596**	**7,596**

Deferred tax assets and liabilities are only offset where a legally enforceable right exists to do so. The table below analyses the deferred tax balances:

Group	**2017 £000**	2016 £000
Deferred tax liabilities	**7,596**	8,043

The Group has not recognised a deferred tax asset of £97.4m (2016: £116.1m) in relation to accumulated losses, accelerated capital allowances and short term timing differences due to the uncertainty as to whether it can be utilised in the foreseeable future. The losses do not have an expiry date.

No deferred tax has been recognised in the Company.

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

	30 June 2017 £000	31 May 2016 £000
Issued and called up		
651,028,873 (2016: 651,028,873) Ordinary shares of 10p each – fully paid	**65,103**	65,103
20 (2016: 20) Ordinary shares of 10p each – 2.5p paid	**–**	–
49,998 (2016: 49,998) Redeemable deferred shares of £1 each – 25p paid	**12**	12
	65,115	65,115

No shares were issued during the period.

The redeemable deferred shares are redeemable at the option of the Company and there is no premium to be paid on the shares.

22. PENSIONS
DEFINED CONTRIBUTION SCHEME
Contributions to the defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable. The total contributions in the period amounted to £571,000 (2016: £554,344). As at 30 June 2017, contributions of £101,000 (2016: £75,000) due to the pension scheme were unpaid and recorded in current liabilities

DEFINED BENEFIT SCHEME
Manchester City Football Club ('the Club'), a subsidiary of the Group participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, with 92 participating employers, and where members may have periods of service attributable to several participating employers. The Club is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme.

The last actuarial valuation was carried out at 31 August 2014 where the total deficit on the on-going valuation basis was £21.8 million.

The accrual of benefits ceased within the Scheme on 31 August 1999. The Club pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

The Club currently pays total contributions of £63,852 per annum which increases at 5.0% per annum and based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 31 August 2022.

As at 30 June 2017, the present value of the Club's outstanding contributions (i.e. their future liability) is £397,100. This amounts to £66,059 (2016: £65,272) due within one year and £331,041 (2016: £331,041) due after more than one year.

The funding objective of the Trustees of the Scheme is to have sufficient assets to meet the Technical Provisions of the Scheme. In order to remove the deficit revealed at the previous actuarial valuation (dated 31 August 2014), deficit contributions are payable by all participating clubs. Payments are made in accordance with a pension contribution schedule. As the Scheme is closed to accrual, there are no additional costs associated with the accruing of members' future benefits. In the case of a club being relegated from the Football League and being unable to settle its debt then the remaining clubs may, in exceptional circumstances, have to share the deficit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. PENSIONS CONTINUED

Upon the wind-up of the Scheme with a surplus, any surplus will be used to augment benefits. Under the more likely scenario of there being a deficit, this will be split amongst the clubs in line with their contribution schedule. Should an individual club leave the Scheme, they may be required to pay their share of the deficit based on a proxy buyout basis (i.e. valuing the benefits on a basis consistent with buying out the benefits with an insurance company). The Club is a member of the Scheme, a pension scheme providing benefits based on final pensionable pay. As this subsidiary is one of a number of participants in the scheme, it is unable to identify its share of assets and liabilities and therefore accounts for the contributions payable as if they were made to a defined contribution scheme. The Club is advised by the scheme administrators of the additional contributions required to fund the deficit. The administrators have confirmed that the assets and liabilities cannot be split between the participating entities.

23. COMMITMENTS

OPERATING LEASES

The future aggregate minimum lease payments under non-cancellable operating leases are set out below.

Expiring:	30 June 2017 £000	31 May 2016 £000
Within one year	**1**	1
Within two and five years	**–**	–
After five years	**–**	–
	1	1

CAPITAL COMMITMENTS

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

	30 June 2017 £000	31 May 2016 £000
Contracted but not provided for	**3,289**	2,112

TRANSFER FEES PAYABLE

Additional transfer fees, signing on fees and loyalty bonuses of £111,033,000 (2016: £123,390,000) that will become payable upon the achievement of certain conditions contained within player and transfer contracts if they are still in the service of the Club on specific future dates are accounted for in the year in which they fall due for payment.

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Operating (loss)/profit	**(30,179)**	2,801
Amortisation and impairment of players' registrations	**121,742**	93,952
Depreciation	**13,556**	12,642
Amortisation of other intangible assets	**574**	8
Profit on sale of fixed assets	**(3)**	(189)
Fair value (gains)/losses on derivative financial instruments	**(353)**	843
Increase in debtors	**(76,696)**	(51,405)
Increase in creditors	**115,983**	12,881
Release and amortisation of grants	**–**	(1,073)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**144,624**	70,460

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH/(DEBT)

	13 month period ended 30 June 2017 £000	Year ended 31 May 2016 £000
Decrease in cash in the period	**(34,884)**	(19,802)
Net cash inflow from movement in debt	**348**	330
Movement in net debt resulting from cash flows	**(34,536)**	(19,472)
Exchange (losses)/gains on cash	**(2,228)**	868
Opening net (debt)/cash position	**(10,852)**	7,752
CLOSING NET DEBT POSITION	**(47,616)**	(10,852)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

26. ANALYSIS OF CHANGES IN NET CASH/(DEBT)

	As at 1 June 2016 £000	Cash flow £000	Exchange gains on cash £000	**As at 30 June 2017 £000**
Cash at bank and in hand	55,818	(34,884)	(2,228)	**18,706**
Movement in net cash position in the period	55,818	(34,884)	(2,228)	**18,706**
Debt due within one year	–	–	–	**–**
Debt due after one year	–	–	–	**–**
Net cash (excluding finance leases)	55,818	(34,884)	(2,228)	**18,706**
Finance leases	(66,670)	348	–	**(66,322)**
	(10,852)	(34,536)	(2,228)	**(47,616)**

27. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH SUBSIDIARIES OF CITY FOOTBALL GROUP LIMITED
Transactions during the 13 month period ended 30 June 2017 with New York City Football Club LLC, a fellow subsidiary of City Football Group Limited, consisted of trading balances totalling £63,000 (2016: £13,000), which are included in debtors due within one year, the provision of services of £1,000 (2016: £4,000) and the purchase of services totalling £87,000 (2016: £nil).

TRANSACTIONS WITH BROOKSHAW DEVELOPMENTS LIMITED
A balance from Brookshaw Developments Limited, a company also owned by Abu Dhabi United Group Investment and Development Ltd, of £50,000 (2016: £611,000) is included in creditors due within one year.

TRANSACTIONS WITH ABU DHABI UNITED GROUP INVESTMENT AND DEVELOPMENT LTD
During the period, costs of £161,000 (2016: £206,000) were recovered from the ultimate parent company. A balance of £367,000 (2016: £206,000) was included in debtors due within one year.

KEY MANAGEMENT COMPENSATION
Details of key management compensation are listed in the notes of City Football Group Limited financial statements in Note 6.

28. EVENTS AFTER THE REPORTING DATE
Since the year end the Club has entered into agreements to acquire the football registrations of Ederson Santana de Moraes (from Benfica), Kyle Walker (from Tottenham Hotspur FC), Benjamin Mendy (from AS Monaco FC), Danilo Luiz da Silva (from Real Madrid C.F.), Bernardo Silva (from AS Monaco FC), Douglas Luiz Soares de Paulo (from CR Vasco da Gama), Olarenwaju Kayode (from FK Austria Wien), Ivan Ilic (from Red Star Belgrade), Luka Ilic (from Red Star Belgrade) and Uriel Antuna (from Santos Laguna). The football registrations of Wilfried Bony (to Swansea City AFC), Kelechi Iheanacho (to Leicester City FC), Manuel Agudo Durán (to Sevilla FC), Fernando Francisco Reges Mouta (to Galatasaray SK), Samir Nasri (to Antalyaspor), Aleksandar Kolarov (to AS Roma), Jadon Sancho (to Borussia Dortmund), Olivier Ntcham (to Celtic FC), Rubén Sobrino (to Deportivo Alavés) and Bruno Zuculini (to Hellas Verona FC) have been sold. The net expenditure on these transactions was approximately £161m.

29. ULTIMATE PARENT COMPANY
As at the 30 June 2017 the Company's ultimate parent undertaking was Abu Dhabi United Group Investment and Development Ltd, a company registered in Abu Dhabi and wholly owned by His Highness Sheikh Mansour bin Zayed Al Nahyan.

City Football Group Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of City Football Group Limited consolidated financial statements can be obtained from Companies House.