

MANCHESTER UNITED PLC  
REPORT & ACCOUNTS 2005

# Directors Report

For the eleven month period ended 30 June 2005

The Company has recently changed its accounting reference date to 30 June in order to bring its year end in to line with the expiry date for player contracts. Accordingly, the directors present their report and the audited financial statements of Manchester United PLC for the eleven months ended 30 June 2005.

## Principal activity and business review

The principal activity of the Group continues to be the operation of a professional football club together with related and ancillary activities.

Group turnover for the eleven months was £157.2 million (year ended 31 July 2004 – £169.1 million). Operating profit before depreciation and amortisation of intangible fixed assets for the eleven months was £38.8 million (year ended 31 July 2004 – £58.3 million). Profit before tax for the eleven months was £10.8 million (year ended 31 July 2004 – £27.9 million).

On 23 May 2005 Red Football Limited ('Red') announced an unconditional mandatory cash offer of 300 pence per share for the remaining issued share capital of the Company not already held by Red. Red has subsequently acquired these remaining shares and accordingly the Company is now a wholly owned subsidiary of Red.

## Dividends

An interim dividend of 1.325 pence per share was paid on 13 May 2005. The directors do not recommend the payment of a final dividend.

The profit after taxation and dividends of £3.1 million has been retained and transferred to reserves.

## Directors

The directors who held office throughout the year (unless otherwise indicated) and at 30 June 2005 were as follows:

Andy Anson (resigned 12 November 2004, re-appointed 6 June 2005)

David Gill

Avram Glazer (appointed 6 June 2005)

Bryan Glazer (appointed 6 June 2005)

Joel Glazer (appointed 6 June 2005)

Nick Humby

Andy Anson, Maurice Watkins and Philip Yea resigned as directors on 12 November 2004. Andy Anson was subsequently re-appointed as a director on 6 June 2005.

Jim O'Neill was appointed a director on 22 November 2004. Sir Roy Gardner, Ian Much and Jim O'Neill resigned as directors on 6 June 2005.

The following table shows the beneficial interests of the directors who held office at 30 June 2005 in the ordinary shares of the Company.

# Directors' Report

continued

	Interest at 1 August 2004*	Awards during year	Lapsed during year	Exercised/ vested during year	Interest at 30 June 2005
Andy Anson					
Long Term Incentive Plan	–	74,830	–	74,830	–
David Gill					
Shares	133,285				–
Long Term Incentive Plan	395,544	160,346	–	555,890	–
Executive Share Option Plan	481,237	–	–	481,237	–
Savings Related Share Option Scheme	17,150	–	5,615	11,535	–
Nick Humby					
Shares	32,366				–
Long Term Incentive Plan	221,721	80,173	–	301,894	–
Executive Share Option Plan	223,385	–	–	223,385	–
Savings Related Share Option Scheme	4,906	–	2,360	2,546	–

\* or subsequent date of appointment

Avram, Bryan and Joel Glazer have a financial interest in Red Football Limited Partnership.

The Company has granted qualifying third party indemnity provisions to Andy Anson, David Gill and Nick Humby. These provisions allow the Company to provide those directors with funds to cover the costs incurred by a director in defending any legal proceedings brought against them as they are incurred. Individual directors would still be liable to pay any damages awarded against them, and to repay their defence costs to the extent funded by the Company, if their defence is unsuccessful. Copies of these indemnity provisions are available for inspection by shareholders at the registered office of the Company.

## Charitable and political donations

Charitable donations during the eleven months amounted to £62,843 (year ended 31 July 2004 – £68,410). In line with Group policy, no donations were made for political purposes (2004 – £nil).

## Creditor payment policy

It is the Group's policy to:

- agree the terms of payment in advance with the supplier, and
- pay in accordance with the agreed terms and other legal obligations

The number of days' purchases outstanding as at 30 June 2005 was 55 (31 July 2004 – 57). This figure excludes creditors in respect of player acquisitions which are paid on the date payment is contractually due.

## Employment policies

The Group is committed to its 'people philosophy' and, as a result, to promoting policies to ensure that employees and applicants for employment are treated fairly and consistently. The Group has an equal opportunities policy, the aim of which is not to discriminate against employees or applicants for employment on the grounds of age, disability, ethnic origin, nationality or national origin, religion, race, gender, sexual orientation, marital status or family circumstances. Entry into and progression within the Group is determined solely by the job criteria and personal ability/competence.

The Group also seeks to apply best practice in the employment, training, development and promotion of disabled persons. The Group takes seriously its statutory obligations relating to disabled persons and seeks not to discriminate against current or prospective employees because of a reason relating to their disability. If an existing employee becomes disabled, such steps that are practical and reasonable are taken, in respect of adjustments to premises or employment arrangements, to retain him/her in employment. Where appropriate, rehabilitation and suitable training are given.

# Directors' Report

continued

Employees are regularly updated on the performance of the Group. This is achieved through a broad base of communications including staff briefings, announcements and the staff newsletter 'RedLines'. Employees' views are sought through staff surveys and action plans are then developed to target priority for improvement areas.

The Group has established its Vision and Values and these are communicated to all employees. Our Vision and Values are directly linked to our performance and development review procedures and our reward and recognition initiatives, which apply to all our employees.

## **Statement of directors' responsibilities**

The directors are required by company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors confirm that the above requirements have been complied with in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Auditors**

A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration will be proposed at the annual general meeting.

The directors' report has been approved by the Board and signed on its behalf by

David Beswitherick  
*Company Secretary*

Registered office:  
Sir Matt Busby Way  
Old Trafford  
Manchester  
M16 0RA

Company registered in England and Wales No. 2570509  
11 October 2005

# Consolidated Profit and Loss Account

For the eleven months ended 30 June 2005

	Note	11 months ended 30 June 2005 £'000	12 months ended 31 July 2004 £'000
Turnover: Group and share of joint venture		159,374	171,500
Less: Share of joint venture		(2,203)	(2,420)
<b>Group turnover</b>	2	<b>157,171</b>	169,080
Operating expenses – other	3	(141,253)	(139,170)
Operating expenses – exceptional items	4	(7,286)	–
Total operating expenses		(148,539)	(139,170)
<b>Group operating profit before depreciation and amortisation of intangible fixed assets</b>		<b>38,845</b>	58,340
Depreciation		(6,054)	(6,591)
Amortisation		(24,159)	(21,839)
<b>Group operating profit</b>		<b>8,632</b>	29,910
<b>Share of operating profit/(loss) in:</b>			
– Joint venture		(45)	(147)
– Associate		41	(11)
<b>Total operating profit: Group and share of joint venture and associates</b>		<b>8,628</b>	29,752
Profit on disposal of associate	12	215	173
Loss on disposal of players	10c	(556)	(3,084)
<b>Profit before interest and taxation</b>		<b>8,287</b>	26,841
Net interest receivable	5	2,477	1,066
<b>Profit on ordinary activities before taxation</b>		<b>10,764</b>	27,907
Taxation	7	(4,224)	(8,486)
<b>Profit for the period</b>		<b>6,540</b>	19,421
Dividends	9	(3,439)	(6,974)
<b>Retained profit for the period</b>	21	<b>3,101</b>	12,447

## Statement of Total Recognised Gains and Losses

	11 months ended 30 June 2005 £'000	12 months ended 31 July 2004 £'000
Profit for the financial period	6,540	19,421
Share of reserves invested by joint venture partners (note 17c)	67	100
Credit in relation to long-term incentive awards	1,613	365
Consideration paid for purchase of shares held by ESOP trust	(1,332)	(231)
Total recognised gains and losses in the period	<b>6,888</b>	19,655

The results for both the current and prior period derive from continuing activities.

The accompanying notes on pages 8 to 22 are an integral part of these financial statements.

# Consolidated Balance Sheet

At 30 June 2005

	Note	At 30 June 2005 £'000	At 31 July 2004 £'000
<b>Fixed assets</b>			
Intangible assets	10	75,351	78,233
Tangible assets	11	127,253	125,093
Loan to joint venture	12	–	1,000
Investment in associate	12	219	178
		<b>202,823</b>	<b>204,504</b>
<b>Current assets</b>			
Stocks	13	122	216
Debtors – amounts falling due within one year	14	16,120	39,487
Debtors – amounts falling due after more than one year	14	300	1,760
Intangible asset held for resale	29	1,583	1,382
Cash at bank and in hand		65,340	36,048
		<b>83,465</b>	<b>78,893</b>
<b>Creditors – amounts falling due within one year</b>	15	<b>(43,404)</b>	<b>(44,635)</b>
<b>Net current assets</b>		<b>40,061</b>	<b>34,258</b>
<b>Total assets less current liabilities</b>		<b>242,884</b>	<b>238,762</b>
<b>Creditors – amounts falling due after one year</b>	16	<b>(6,900)</b>	<b>(8,795)</b>
<b>Provision for liabilities and charges</b>			
Deferred taxation	17	(5,475)	(5,330)
Other provisions	17	(2,070)	(1,550)
Investment in joint venture:	17		
– Share of gross assets		376	260
– Share of gross liabilities		(4,713)	(4,760)
		<b>(4,337)</b>	<b>(4,500)</b>
<b>Accruals and deferred income</b>			
Deferred grant income	18	(736)	(856)
Other deferred income	19	(42,520)	(44,377)
Net assets		<b>180,846</b>	<b>173,354</b>
<b>Capital and reserves</b>			
Share capital	20	26,519	26,219
Share premium account	21	7,756	4,013
Other reserves	21	667	600
Profit and loss account	21	145,904	142,522
<b>Equity Shareholders' funds</b>	22	<b>180,846</b>	<b>173,354</b>

The financial statements on pages 4 to 22 were approved by the Board of directors on 11 October 2005 and signed on its behalf by:

David Gill                      Nick Humby  
Director                          Director

The accompanying notes on pages 8 to 22 are an integral part of these financial statements.

# Company Balance Sheet

At 30 June 2005

	Note	At 30 June 2005 £'000	At 31 July 2004 £'000
<b>Fixed assets</b>			
Tangible assets	11	<b>21,690</b>	21,999
Investments	12	<b>1,271</b>	2,271
		<b>22,961</b>	24,270
<b>Current assets</b>			
Stocks	13	<b>122</b>	216
Debtors	14	<b>94,556</b>	92,428
Cash at bank and in hand		<b>39,160</b>	31,341
		<b>133,838</b>	123,985
<b>Creditors – amounts falling due within one year</b>	15	<b>(11,303)</b>	(14,454)
<b>Net current assets</b>		<b>122,535</b>	109,531
<b>Total assets less current liabilities</b>		<b>145,496</b>	133,801
<b>Provision for liabilities and charges</b>			
Other provisions	17	<b>(2,070)</b>	(1,550)
<b>Accruals and deferred income</b>			
Deferred income	19	<b>(5,355)</b>	(6,968)
<b>Net assets</b>		<b>138,071</b>	125,283
<b>Capital and reserves</b>			
Share capital	20	<b>26,519</b>	26,219
Share premium account	21	<b>7,756</b>	4,013
Profit and loss account	21	<b>103,796</b>	95,051
<b>Equity Shareholders' funds</b>	22	<b>138,071</b>	125,283

The financial statements on pages 4 to 22 were approved by the Board of directors on 11 October 2005 and signed on its behalf by:

David Gill	Nick Humby
Director	Director

The accompanying notes on pages 8 to 22 are an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the eleven months ended 30 June 2005

	Note	11 months ended 30 June 2005		12 months ended 31 July 2004	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>			<b>43,517</b>		58,769
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>3,149</b>		1,169	
Interest paid		<b>(185)</b>		(112)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			<b>2,964</b>		1,057
<b>Taxation paid</b>			<b>(7,852)</b>		(11,052)
<b>Capital expenditure and financial investment</b>					
Proceeds from sale of players' registrations	10c	<b>23,019</b>		16,009	
Purchase of players' registrations	10c	<b>(20,368)</b>		(44,813)	
Proceeds from sale of tangible fixed assets		<b>449</b>		2,154	
Purchase of tangible fixed assets		<b>(8,227)</b>		(6,922)	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(5,127)</b>		(33,572)
<b>Acquisitions and disposals</b>					
Proceeds from sale of investment in associated company		<b>215</b>		173	
<b>Net cash inflow from acquisitions and disposals</b>			<b>215</b>		173
<b>Equity dividends paid</b>			<b>(7,136)</b>		(11,927)
<b>Cash inflow before management of liquid resources and financing</b>			<b>26,581</b>		3,448
<b>Financing</b>					
Issue of ordinary share capital		<b>4,043</b>		4,255	
Purchase of shares held through ESOP trust		<b>(1,332)</b>		(231)	
<b>Net cash inflow from financing</b>			<b>2,711</b>		4,024
<b>Increase in cash in the period</b>	23		<b>29,292</b>		7,472

## Note to Consolidated Cash Flow Statement

For the eleven months ended 30 June 2005

### Reconciliation of operating profit to net cash inflow from operating activities

	11 months ended 30 June 2005		12 months ended 31 July 2004	
		£'000		£'000
<b>Net cash generated from operating activities</b>				
Group operating profit		<b>8,632</b>		29,910
Depreciation charges		<b>6,054</b>		6,591
Amortisation of players' registrations		<b>24,159</b>		21,839
Provision for irrecoverable loan to joint venture		<b>667</b>		—
Credit in relation to long-term incentive awards		<b>1,613</b>		365
Profit on disposal of tangible fixed assets		<b>(101)</b>		(275)
Grants released		<b>(120)</b>		(155)
Decrease/(increase) in stocks		<b>94</b>		(8)
Decrease/(increase) in debtors		<b>6,429</b>		(285)
(Decrease)/increase in creditors and deferred income		<b>(3,910)</b>		787
<b>Net cash inflow from operating activities</b>		<b>43,517</b>		58,769

The accompanying notes on pages 8 to 22 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1 Accounting policies

The results have been prepared on the same basis and using the same accounting policies as those used in the preparation of the full year's accounts to 31 July 2004.

### Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and have been drawn up to comply with applicable accounting standards.

### Basis of consolidation

The accounts combine the results of Manchester United PLC and its subsidiary undertakings using acquisition accounting. Undertakings, other than subsidiary undertakings in which the Group has an investment of at least 20% of the shares, and over which it exerts significant influence, are treated as associates. Entities in which the Group holds an interest on a long-term basis, and which are jointly controlled by the Group and other parties, are treated as joint ventures. The results for the joint venture and associate are based upon management accounts for the period ended 30 June 2005.

#### Joint Venture

The Group profit and loss account includes the Group's share of turnover, operating loss and interest of the joint venture. The investment in the joint venture is shown in the Group balance sheet using the gross equity method. The gross equity method records the Group's share of the gross assets and gross liabilities in its joint venture.

#### Associates

The Group profit and loss account includes the Group's share of the operating result and interest of the associate. The investments in the associate are shown in the Group balance sheet using the equity method. The equity method records the Group's share of the underlying net assets of the associate.

### Turnover

Turnover represents income receivable from the Group's principal activities excluding transfer fees and value added tax.

Turnover is analysed between Match Day, Media and Commercial revenue streams.

#### Match Day

Match Day turnover comprises income receivable from all match day activities from Manchester United games at Old Trafford, together with our share of gate receipts from cup matches not played at Old Trafford and fees receivable for the team undertaking pre-season tours and for arranging other events at the Old Trafford stadium. The share of gate receipts payable to the other participating club and competition organiser for domestic cup matches played at Old Trafford is treated as an operating expense.

#### Media

Media turnover represents income receivable from all UK and overseas media contracts, including contracts negotiated centrally by the FA Premier League and UEFA. In addition, media turnover includes income received by the exploitation of Manchester United media rights through the internet or wireless applications.

#### Commercial

Commercial turnover comprises income receivable from the exploitation of the Manchester United brand through sponsorship and other commercial agreements, including minimum guarantees from Nike, together with amounts receivable for the use of the conference and catering facilities at the Old Trafford stadium on non-match days. Any additional income receivable from Nike in accordance with the profit sharing arrangements contained in the sponsorship and licensing contract which commenced on 1 August 2002, in excess of cumulative minimum guaranteed amounts is taken to profit when it is probable that it will not be recouped in the future.

### Deferred income

Income from match day activities, media and commercial contracts, which has been received prior to the period end in respect of future football seasons is treated as deferred income.

### Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on tangible fixed assets at annual rates appropriate to the estimated useful lives of the assets, as follows:

	<b>Reducing Balance</b>	<b>Straight Line</b>
Freehold land	Nil	Nil
Freehold buildings	1.33%	75 years
Assets in the course of construction	Nil	Nil
Computer equipment and software	33%	3 years
Plant and machinery	20%–25%	4–5 years
General fixtures and fittings	15%	7 years

Tangible fixed assets acquired prior to 31 July 1999 are depreciated on a reducing balance basis at the rates stated above.

Tangible fixed assets acquired after 1 August 1999 are depreciated on a straight line basis at the rates stated above.

# Notes to the Financial Statements

## continued

**Stocks**

Stocks comprising raw materials, consumables and goods held for resale are valued at the lower of cost and net realisable value.

**Intangible fixed assets**

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised over the period covered by the player's initial contract.

Where a playing contract is extended, the unamortised balance at the date of the amendment is spread over the remaining revised contract life.

Where a part of the consideration payable on acquiring a players registration is contingent on a future event, this amount is recognised once it is probable, rather than possible, that the event will occur and is amortised commencing from the start of the year in which the contingent payment becomes probable. The total amount which is currently considered possible but not probable is disclosed in note 26(b).

**Signing-on fees**

Staff costs include signing-on fees payable to players representing part of their remuneration which are charged to the profit and loss account evenly over the period covered by the player's contract.

**Grants**

Grants receivable from the Football Trust and the former Football Grounds Improvement Trust in respect of capital expenditure are treated as deferred income and released to the profit and loss account so as to match the depreciation charged on the fixed assets purchased with the grant. Deferred grant income in the balance sheet represents total grants received less amounts credited to the profit and loss account.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Foreign currencies**

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year end are translated at year-end exchange rates, or the exchange rate of a related forward exchange contract where appropriate. The resulting exchange gain or loss is dealt with through the profit and loss account.

**Provisions**

Provision is made for the anticipated net costs of onerous leases on non-trading properties. The provision will be represented by the payment of costs, shortfalls on sub-tenanted property and expenses of early termination.

**Investments**

Investments in subsidiary undertakings in the company balance sheet are included at cost less any provision for impairment in value.

**Leases**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**Pension costs**

Contribution to money purchase pension schemes are charged to the profit and loss account as they fall due.

## Notes to the Financial Statements

continued

**2 Turnover**

Turnover, all of which arises from the Group's principal activity, can be analysed into its main components as follows:

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Match day	<b>66,268</b>	61,206
Media	<b>48,416</b>	62,544
Commercial	<b>42,487</b>	45,330
	<b><u>157,171</u></b>	<u>169,080</u>

Turnover, all of which originates in the United Kingdom, can be analysed by destination as follows:

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
United Kingdom	<b>156,788</b>	166,916
Rest of World	<b>383</b>	2,164
	<b><u>157,171</u></b>	<u>169,080</u>

Media income from European cup competitions is distributed by the Football Association and is therefore classified as being of United Kingdom origin and destination.

**3 Operating expenses – other**

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Operations excluding player amortisation and trading:		
Staff costs (note 6)	<b>77,010</b>	76,874
Depreciation	<b>6,054</b>	6,591
Operating lease costs – land and buildings	<b>790</b>	1,169
Other operating charges	<b>33,224</b>	32,897
Auditors' remuneration – audit services	<b>72</b>	81
– non-audit services	<b>165</b>	149
Grants released (note 18)	<b>(120)</b>	(155)
Profit on disposal of tangible fixed assets	<b>(101)</b>	(275)
	<b><u>117,094</u></b>	<u>117,331</u>
Player amortisation:		
Amortisation of players' registrations	<b>24,159</b>	21,839
	<b><u>141,253</u></b>	<u>139,170</u>
Auditors' remuneration for non-audit services comprised:		
Taxation advice	<b>165</b>	149
Taxation advice charged to loss on disposal of players	<b>–</b>	17
Professional fees in relation to the takeover bid charged to exceptional items	<b>88</b>	–
	<b><u>253</u></b>	<u>166</u>

**4 Operating expenses – exceptional items**

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Professional fees and other associated costs in relation to the takeover bid	<b>6,619</b>	–
Provision for irrecoverable Joint Venture loan (note 12, 17(c))	<b>667</b>	–
	<b><u>7,286</u></b>	<u>–</u>

**5 Net interest receivable**

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Interest receivable	<b>1,585</b>	1,317
Interest receivable on player transfers	<b>1,482</b>	–
Interest payable on bank loans and overdrafts	<b>(398)</b>	(64)
Share of interest payable of joint venture	<b>(192)</b>	(187)
	<b><u>2,477</u></b>	<u>1,066</u>

## Notes to the Financial Statements

continued

**6 Staff costs**

The average number of employees during the period, including directors, was as follows:

	<b>11 months ended 30 June 2005 Number</b>	12 months ended 31 July 2004 Number
Players	72	69
Ground staff	88	90
Ticket office and membership	44	47
Catering	100	108
Administration and other	201	190
Average number of employees	<u>505</u>	<u>504</u>

The Group also employs approximately 1,250 temporary staff on match days (2004 – 1,292).

Particulars of employee costs, including directors, are as shown below:

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Wages and salaries	62,817	61,456
Bonuses	4,234	4,966
Social security costs	7,992	8,425
Other pension costs	1,967	2,027
	<u>77,010</u>	<u>76,874</u>

Directors emoluments are disclosed below:

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Aggregate emoluments	<u>1,990</u>	<u>1,772</u>

Included within the aggregate emoluments paid to directors' of £1,990,000 is the sum of £29,000 relating to compensation for loss of office for three directors.

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Highest paid director		
Total amount of emoluments and amounts (excluding shares) under long-term incentive schemes	915	909
Defined contribution pension scheme	94	94
	<u>1,009</u>	<u>1,003</u>

Details of directors' interests in the ordinary shares of the Company, including details of share options and long-term incentive awards exercised or vested during the period are shown in the Directors' Report on page 2.

**7 Taxation**

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Corporation tax at 30% (2004 – 30%) on the profit for the period	4,125	8,662
Adjustment in respect of previous years	(46)	–
Total current tax	4,079	8,662
Deferred taxation – origination and reversal of timing differences (note 17(a))	145	(176)
Adjustment in respect of previous years	–	–
Total deferred tax	145	(176)
Tax on profit on ordinary activities	<u>4,224</u>	<u>8,486</u>

The tax rate for the period is higher (2004 – higher) than that resulting from applying the standard rate of corporation tax in the UK: 30% (2004 – 30%)

A reconciliation of current tax is shown below:

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Profit on ordinary activities before tax	10,764	27,907
Profit on ordinary activities multiplied by the standard rate of 30% (2004 – 30%)	3,229	8,372
Effects of:		
Adjustment to tax in respect of previous years	(46)	–
Expenses not deductible for tax purposes	3,154	593
Capital allowances and other timing differences	(144)	176
Gain on exercise of share options	(2,115)	(479)
	<u>4,079</u>	<u>8,662</u>

## Notes to the Financial Statements

continued

**8 Profit for the period**

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The Company's profit for the period was £11,903,000 (2004 – £22,443,000).

**9 Dividends**

	<b>11 months ended 30 June 2005 £'000</b>	12 months ended 31 July 2004 £'000
Interim paid of 1.325 pence per share (2004 – 1.25 pence per share)	<b>3,439</b>	3,277
Proposed final of Nil pence per share (2004 – 1.40 pence per share)	–	3,697
	<b><u>3,439</u></b>	<u>6,974</u>

**10 Intangible fixed assets**

<b>(a) Group</b>	<b>Transfer fee to other clubs £'000</b>	<b>Agents fees £'000</b>	<b>FAPL levy (net of refunds) £'000</b>	<b>Other costs £'000</b>	<b>Total £'000</b>
<b>Cost of players' registrations</b>					
At 1 August 2004	110,717	10,431	3,141	489	124,778
Additions	24,708	2,176	269	94	27,247
Disposals	(7,907)	(566)	(276)	–	(8,749)
Transfer to asset held for resale	(5,000)	(680)	(115)	–	(5,795)
<b>At 30 June 2005</b>	<b><u>122,518</u></b>	<b><u>11,361</u></b>	<b><u>3,019</u></b>	<b><u>583</u></b>	<b><u>137,481</u></b>
<b>Amortisation of players' registrations</b>					
At 1 August 2004					46,545
Charge for the period					24,159
Provision for loss on disposal					1,974
Disposals					(6,336)
Transfer to asset held for resale					(4,212)
<b>At 30 June 2005</b>					<b><u>62,130</u></b>
<b>Net book value of players' registrations At 30 June 2005</b>					<b><u>75,351</u></b>
At 31 July 2004					<u>78,233</u>

## Notes to the Financial Statements

continued

**(b) Individual player contract status and asset values**

<b>Player</b>	<b>Date first contract commenced</b>	<b>Current contract expiry date</b>	<b>Cost 30.06.05 £'000</b>	<b>Charge in 2004/5 £'000</b>	<b>NBV 30.06.05 £'000</b>	<b>In creditors at 30.6.05 £'000</b>	<b>Contingent payables<sup>(1)</sup> £'000</b>
<i>Acquired Players</i>							
Bellion	Jul-03	Jun-07	2,809	662	1,444	100	-
Ferdinand	Jul-02	Jun-09	31,120	5,940	12,959	200	-
Fortune	Aug-99	Jun-06	1,575	28	31	-	-
Heinze	Jul-04	Jun-09	6,645	1,217	5,312	345	-
Howard	Jul-03	Jun-09	2,524	616	1,343	-	-
Keane	Jul-93	Jun-06	3,750	-	-	-	-
Ronaldo	Aug-03	Jun-08	11,959	2,243	7,342	3,529	-
Saha	Jan-04	Jun-09	12,515	2,110	9,207	-	-
Silvestre	Sep-99	Jun-07	4,340	129	281	-	-
Smith	May-04	Jun-09	6,875	1,235	5,390	400	-
Solskjaer	Jul-96	Jun-06	1,500	-	-	-	-
Van Nistelrooy	Jul-01	Jun-08	19,791	2,184	7,149	956	-
Rooney	Sep-04	Jun-10	25,066	3,581	21,485	14,150	4,000
Van de Sar	Jun-05	Jun-07	1,350	49	1,301	-	250
Others (cost <£1m)			5,662	1,262	2,107	646	6,152
			<b>137,481</b>	<b>21,256</b>	<b>75,351</b>	<b>20,326</b>	<b>10,402</b>
<i>Home Grown Players<sup>(2)</sup></i>							
Brown		Jun-08	-	-	-	-	-
Fletcher		Jun-07	-	-	-	-	-
Giggs		Jun-08	-	-	-	-	-
Neville G		Jun-09	-	-	-	-	-
O'Shea		Jun-06	-	-	-	-	-
Scholes		Jun-09	-	-	-	-	-
<i>Disposals in the period</i>							
Carroll			-	963	-	-	-
Djemba Djemba			-	353	-	-	-
Kleberson (note 29)			-	1,087	-	-	-
Lopez			-	500	-	-	-
			<b>137,481</b>	<b>24,159</b>	<b>75,351</b>	<b>20,326</b>	<b>10,402</b>

**Notes**

(1) Contingent assets and liabilities are conditional upon playing appearances, new playing contracts or team performance (of either MUFC in relation to acquisitions or the buying club in relation to disposals). The conditional assets are recognised when all the conditions have been fulfilled, conditional liabilities are recognised once the payment becomes probable rather than possible.

(2) Players in 'first team squad' at 30.6.05.

# Notes to the Financial Statements

continued

## (c) Player registration trading summary

Player registration disposals during the period

Player	Sale to club	Unconditional proceeds receivable £'000	Conditional proceeds receivable £'000	NBV £'000	Other £'000	Profit and loss for period £'000	Cash flow in period £'000	Outstanding unconditional debtor £'000	Unrecognised conditional assets <sup>(2)</sup> £'000
<b>Transfers Out – Prior years</b>									
Beckham	Real Madrid	–	1,697	–	–	1,697	1,697	–	3,342
Stam	S.S. Lazio	–	–	–	(26)	(26)	11,975	–	–
Butt	Newcastle	–	–	–	–	–	750	1,000	–
Veron	Chelsea	–	1,000	–	–	1,000	6,250	1,000	250
Forlan	Villarreal	–	–	–	–	–	1,282	–	–
Others		–	–	–	–	–	(280)	150	1,775
<b>Transfers out – Current year</b>									
Djemba Djemba	Aston Villa	1,350	–	(2,413)	(50)	(1,113)	1,350	–	500
Others		–	35	–	(175)	(140)	(5)	–	–
<b>Provision for loss on disposal</b>									
Kleberson	Besiktas	–	–	(1,974)	–	(1,974)	–	–	–
		<b>1,350</b>	<b>2,732</b>	<b>(4,387)</b>	<b>(251)</b>	<b>(556)</b>	<b>23,019</b>	<b>2,150</b>	<b>5,867</b>

Player registration acquisitions during the period

Player	From Club	Unconditional transfer fee £'000	Conditional transfer fees paid/payable £'000	Agents fees £'000	FAPL Levy £'000	Other costs £'000	Total capitalised £'000	Cash flow in period £'000	Outstanding unconditional creditor <sup>(1)</sup> £'000	Unrecognised conditional liability <sup>(2)</sup> £'000
<b>Transfers in – prior years</b>										
Van Nistelrooy	PSV Eindhoven	–	–	–	–	–	–	383	956	–
Heinze	Paris Saint Germain	–	–	13	–	–	13	2,546	345	–
Ronaldo	Sporting Lisbon	–	–	–	–	–	–	3,528	3,529	–
Others	(cost <£1m)	–	708	363	29	94	1,194	2,021	1,346	6,152
<b>Transfer in – current year</b>										
Rooney	Everton	23,000	–	1,500	1,150	–	25,650	11,500	14,150	4,000
Van de Sar	Fulham	1,000	–	300	50	–	1,350	1,350	–	250
Others	(cost <£1m)	–	–	–	(960)	–	(960)	(960)	–	–
		<b>24,000</b>	<b>708</b>	<b>2,176</b>	<b>269</b>	<b>94</b>	<b>27,247</b>	<b>20,368</b>	<b>20,326</b>	<b>10,402</b>

(1) Of the outstanding unconditional creditor, £14,880,000 is due within one year (note 15) and £5,446,000 is due after more than one year (note 16).

(2) Contingent assets and liabilities are conditional upon playing appearances, new playing contracts or team performance (of either MUFC in relation to acquisitions or the buying club in relation to disposals). The conditional assets are recognised when all the conditions have been fulfilled, conditional liabilities are recognised once the payment becomes probable rather than possible.

## Notes to the Financial Statements

continued

**(d) Payments to agents during the period**

<b>Player</b>	<b>Agents payments creditor at 31.07.04</b>	<b>Agents payments capitalised to intangibles in the period</b>	<b>Agents payments on disposals in the period</b>	<b>Agents payments charged/ (credited) to P &amp; L in the period</b>	<b>Agents fees</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>paid in period to 30.06.05</b>	<b>In creditors at 30.06.05</b>
					<b>£000</b>	<b>£000</b>
Djemba Djemba	175	–	–	–	175	–
Ferdinand	300	–	–	–	100	200
Forlan	186	–	–	(100)	86	–
Heinze	425	13	–	–	93	345
Kleberson	400	–	–	(200)	200	–
Lopez	–	–	–	60	60	–
Pique	149	–	–	–	149	–
Rossi	33	–	–	–	8	25
Silvestre	–	–	–	84	84	–
Smith	500	–	–	–	100	400
Van Nistelrooy	1,339	–	–	–	383	956
Rooney	–	1,500	–	–	500	1,000
Van de Sar	–	300	–	–	300	–
Others	12	363	–	100	375	100
	<b>3,519</b>	<b>2,176</b>	<b>–</b>	<b>(56)</b>	<b>2,613</b>	<b>3,026</b>

## Notes to the Financial Statements

continued

**11 Tangible fixed assets**

<b>Group</b>	<b>Freehold Property £'000</b>	<b>Assets under construction £'000</b>	<b>Plant and Machinery £'000</b>	<b>Fixtures and Fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 August 2004	116,344	2,819	32,202	12,812	164,177
Additions	464	6,199	2,290	77	9,030
Disposals	(1,107)	—	(2,294)	(79)	(3,480)
<b>At 30 June 2005</b>	<b>115,701</b>	<b>9,018</b>	<b>32,198</b>	<b>12,810</b>	<b>169,727</b>
<b>Depreciation</b>					
At 1 August 2004	7,868	—	22,551	8,665	39,084
Charge for the period	1,200	—	4,059	795	6,054
Disposals	(639)	—	(1,946)	(79)	(2,664)
Transfers	30	—	(45)	15	—
<b>At 30 June 2005</b>	<b>8,459</b>	<b>—</b>	<b>24,619</b>	<b>9,396</b>	<b>42,474</b>
<b>Net book value</b>					
<b>At 30 June 2005</b>	<b>107,242</b>	<b>9,018</b>	<b>7,579</b>	<b>3,414</b>	<b>127,253</b>
At 31 July 2004	108,476	2,819	9,651	4,147	125,093

The directors consider that the market value of interests in freehold property is at least that shown as the net book value of the assets. A valuation on a depreciated replacement cost basis, as reported on by Dunlop Heywood Lorenz Ltd, Property Consultants, as at 31 July 2003, showed a valuation surplus, not incorporated in these financial statements, in the order of £69 million.

**Company**

	<b>Freehold Property £'000</b>	<b>Plant and Machinery £'000</b>	<b>Fixtures and Fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 August 2004	22,743	4,649	533	27,925
Additions	4	1,243	34	1,281
Disposals	(1,107)	(1,692)	(36)	(2,835)
<b>At 30 June 2005</b>	<b>21,641</b>	<b>4,200</b>	<b>531</b>	<b>26,371</b>
<b>Depreciation</b>				
At 1 August 2004	2,233	3,319	374	5,926
Charge for the period	133	712	65	910
Disposals	(639)	(1,480)	(36)	(2,155)
<b>At 30 June 2005</b>	<b>1,727</b>	<b>2,552</b>	<b>403</b>	<b>4,681</b>
<b>Net book value</b>				
<b>At 30 June 2005</b>	<b>19,913</b>	<b>1,648</b>	<b>128</b>	<b>21,690</b>
At 31 July 2004	20,510	1,330	159	21,999

## Notes to the Financial Statements

continued

**12 Fixed asset investments**

<b>Group</b>	<b>Subsidiary Undertakings £'000</b>	<b>Associated<sup>(2)</sup> Undertakings £'000</b>	<b>Joint Venture £'000</b>	<b>Loan to Joint Venture £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 August 2004	–	178	–	1,000	1,178
Provision for irrecoverable joint venture loan	–	–	–	(1,000)	(1,000)
Share of profit/(loss)	–	41	(237) <sup>(1)</sup>	–	(196)
Transfer to provision for liabilities and charges	–	–	237	–	237
<b>At 30 June 2005</b>	<b>–</b>	<b>219</b>	<b>–</b>	<b>–</b>	<b>219</b>
<b>Net book value</b>					
<b>At 30 June 2005</b>	<b>–</b>	<b>219</b>	<b>–</b>	<b>–</b>	<b>219</b>
At 31 July 2004	–	178	–	1,000	1,178

<b>Company</b>	<b>Subsidiary Undertakings £'000</b>	<b>Associated Undertakings £'000</b>	<b>Joint Venture £'000</b>	<b>Loan to Joint Venture £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 August 2004	1,019	252	–	1,000	2,271
Provision for irrecoverable joint venture loan	–	–	–	(1,000)	(1,000)
<b>At 30 June 2005</b>	<b>1,019</b>	<b>252</b>	<b>–</b>	<b>–</b>	<b>1,271</b>
<b>Net book value</b>					
<b>At 30 June 2005</b>	<b>1,019</b>	<b>252</b>	<b>–</b>	<b>–</b>	<b>1,271</b>
At 31 July 2004	1,019	252	–	1,000	2,271

(1) In accordance with FRS 9, 'Joint Ventures and Associates' the Group's share of losses from its investment in the joint venture of £237,000 has been calculated by reference to the proportion of ordinary shares it owns. The Group's cash investment, including its loan to the joint venture company, is limited to £1 million, of which £1 million had been paid at 30 June 2005.

(2) Additional receipts of £215,000 (2004 – £173,000) were received in the period, this related to the prior period disposal of the associate undertaking, Extramini Limited.

The following companies are the principal subsidiary undertakings, joint venture and associated undertaking of the Group at 30 June 2005:

	<b>Country of incorporation and operation</b>	<b>Principal activity</b>	<b>Description of share classes owned</b>
<b>Subsidiaries</b>			
Manchester United Football Club Limited	England and Wales	Professional football club	100% Ordinary
Manchester United Interactive Limited	England and Wales	Media company	95% Ordinary
Manchester United Commercial Enterprises (Ireland) Ltd	Ireland	Property investment	100% Ordinary
Alderley Urban Investments Limited	England and Wales	Property investment	100% Ordinary
<b>Joint venture</b>			
MUTV Limited	England and Wales	Subscription TV channel	33.3% Ordinary
<b>Associate</b>			
Timecreate Limited	England and Wales	Hotel	31.4% Ordinary

## Notes to the Financial Statements

continued

13 Stocks	Group		Company	
	30 June 2005 £'000	31 July 2004 £'000	30 June 2005 £'000	31 July 2004 £'000
Raw materials and consumables	29	55	29	55
Goods held for resale	93	161	93	161
	<u>122</u>	<u>216</u>	<u>122</u>	<u>216</u>

14 Debtors	Group		Company	
	30 June 2005 £'000	31 July 2004 £'000	30 June 2005 £'000	31 July 2004 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	5,726	24,944	1,604	2,853
Amounts due from subsidiary undertakings	–	–	89,150	84,968
Other debtors	867	386	469	1
Prepayments and accrued income	9,527	14,157	2,936	4,252
Deferred tax	–	–	397	354
	<u>16,120</u>	<u>39,487</u>	<u>94,556</u>	<u>92,428</u>
<b>Amounts falling due after more than one year</b>				
Trade debtors	–	1,125	–	–
Other debtors	300	635	–	–
	<u>300</u>	<u>1,760</u>	<u>–</u>	<u>–</u>
	<u>16,420</u>	<u>41,247</u>	<u>94,556</u>	<u>92,428</u>

Trade debtors include transfer fees receivable from other football clubs of £2,150,000 (2004 – £20,400,000), excluding VAT, of which Nil (2004 – £1,125,000) is receivable after more than one year.

15 Creditors – amounts falling due within one year	Group		Company	
	30 June 2005 £'000	31 July 2004 £'000	30 June 2005 £'000	31 July 2004 £'000
Trade creditors	23,122	12,661	1,843	1,446
Corporation tax	2,353	6,126	2,926	4,203
Social security and other taxes	5,696	8,162	782	335
Other creditors – pensions	202	256	–	–
Accruals	12,031	13,733	5,752	4,773
Dividends proposed	–	3,697	–	3,697
	<u>43,404</u>	<u>44,635</u>	<u>11,303</u>	<u>14,454</u>

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players registrations of £14,880,000 (2004 – £7,342,000).

16 Creditors – amounts falling due after one year	Group		Company	
	30 June 2005 £'000	31 July 2004 £'000	30 June 2005 £'000	31 July 2004 £'000
Trade creditors	6,446	8,160	–	–
Other creditors – pensions	454	635	–	–
	<u>6,900</u>	<u>8,795</u>	<u>–</u>	<u>–</u>

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players registrations of £5,446,000 (2004 – £6,160,000).

## Notes to the Financial Statements

continued

**17 Provision for liabilities and charges****(a) Deferred taxation**

The provision for deferred taxation/(deferred tax asset) comprises:

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2005</b>	31 July 2004	<b>30 June 2005</b>	31 July 2004
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Accelerated capital allowances	<b>6,072</b>	5,936	<b>(202)</b>	(234)
Short term timing differences	<b>(597)</b>	(606)	<b>(195)</b>	(120)
	<b><u>5,475</u></b>	<u>5,330</u>	<b><u>(397)</u></b>	<u>(354)</u>

The movements in deferred tax balances during the period were as follows:

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August 2004	5,330	(354)
Amount charged/(credited) to profit and loss account (note 7)	145	(43)
<b>At 30 June 2005</b>	<b><u>5,475</u></b>	<b><u>(397)</u></b>

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

**(b) Other provisions**

The movements in other provisions for the onerous lease were as follows:

	<b>Group and Company</b>
	<b>£'000</b>
At 1 August 2004	1,550
Utilised	(270)
Charge to profit and loss account	790
<b>At 30 June 2005</b>	<b><u>2,070</u></b>

The provision relates to a lease that may be terminated in 2015.

**(c) Investment in joint venture**

The movements in the share of gross assets less the share of gross liabilities in the joint venture were as follows:

	<b>Group</b>
	<b>£'000</b>
At 1 August 2004	4,500
Share of reserves invested by joint venture partners (note 17(c))	(67)
Loss for the period transferred from fixed asset investments (note 12)	237
Impact on share of joint venture due to provision for irrecoverable loan	(333)
<b>At 30 June 2005</b>	<b><u>4,337</u></b>

**18 Deferred grant income**

The movement in deferred grant income during the period was as follows:

	<b>Group</b>
	<b>£'000</b>
At 1 August 2004	856
Grants released in the period	(120)
<b>At 30 June 2005</b>	<b><u>736</u></b>

**19 Other deferred income**

Other deferred income comprises the following amounts received in respect of future football seasons:

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2005</b>	31 July 2004	<b>30 June 2005</b>	31 July 2004
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Match day activities	<b>36,965</b>	37,350	–	–
Commercial contracts	<b>5,555</b>	7,027	<b>5,355</b>	6,968
	<b><u>42,520</u></b>	<u>44,377</u>	<b><u>5,355</u></b>	<u>6,968</u>

## Notes to the Financial Statements

continued

**20 Share capital**

	<b>Group and Company</b>	
	<b>30 June 2005</b>	31 July 2004
	<b>£'000</b>	£'000
<b>Authorised:</b>		
350,000,000 ordinary shares of 10p each	<b>35,000</b>	35,000
<b>Allotted, called up and fully paid:</b>	<b>Number</b>	<b>£'000</b>
At 1 August 2004	262,187,628	26,219
Shares issued during the period	3,004,855	300
<b>At 30 June 2005</b>	<b>265,192,483</b>	<b>26,519</b>
<b>Share option schemes:</b>	<b>Savings-related</b>	
	<b>Executive Plan</b>	<b>Total</b>
	<b>Number</b>	<b>Number</b>
At 1 August 2004	2,523,638	789,296
Exercised	(2,445,515)	(559,340)
Lapsed	(78,123)	(229,956)
<b>At 30 June 2005</b>	<b>–</b>	<b>–</b>

**21 Reserves**

<b>Group</b>	<b>Share Premium</b>	<b>Other</b>	<b>Profit</b>
	<b>£'000</b>	<b>£'000</b>	<b>account</b>
			<b>£'000</b>
At 1 August 2004	4,013	600	142,522
Retained profit for the period	–	–	3,101
Share of reserves invested by joint venture partners	–	67	–
Shares issued during the period under share option schemes	3,743	–	–
Credit in relation to long-term incentive awards	–	–	1,613
Consideration paid for purchase of shares held by ESOP trust	–	–	(1,332)
<b>At 30 June 2005</b>	<b>7,756</b>	<b>667</b>	<b>145,904</b>
<b>Company</b>		<b>Share</b>	<b>Profit</b>
		<b>Premium</b>	<b>and loss</b>
		<b>account</b>	<b>account</b>
		<b>£'000</b>	<b>£'000</b>
At 1 August 2004		4,013	95,051
Retained profit for the period		–	8,464
Shares issued during the period under share option schemes		3,743	–
Credit in relation to long-term incentive awards		–	1,613
Consideration paid for purchase of shares held by ESOP trust		–	(1,332)
<b>At 30 June 2005</b>		<b>7,756</b>	<b>103,796</b>

Under the terms of certain lotteries, past donations of £371,132 (2004 – £90,432) received by one of the Company's subsidiaries, and included within the profit and loss account balance, are not available for distribution (and bank balances are restricted accordingly) until such monies have been expended within the terms of those lotteries on capital programmes relating to the provision of facilities for youth development or spectators at the Old Trafford football stadium. All past donations, including £79,967 expended during the period having been so applied are distributable. It is intended that the balance will be applied to such programmes and will thereby become distributable.

**22 Reconciliation of movements in equity shareholders' funds**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2005</b>	31 July 2004	<b>30 June 2005</b>	31 July 2004
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Profit for the period	<b>6,540</b>	19,421	<b>11,903</b>	22,443
Consideration paid for purchase of shares held by ESOP trust	<b>(1,332)</b>	(231)	<b>(1,332)</b>	(231)
Fair value of long-term incentive awards	<b>1,613</b>	365	<b>1,613</b>	365
Dividends	<b>(3,439)</b>	(6,974)	<b>(3,439)</b>	(6,974)
	<b>3,382</b>	12,581	<b>8,745</b>	15,603
Issue of ordinary shares	<b>4,043</b>	4,255	<b>4,043</b>	4,255
Share of reserves invested by joint venture partners	<b>67</b>	100	–	–
Net addition to equity shareholders' funds	<b>7,492</b>	16,936	<b>12,788</b>	19,858
Opening equity shareholders' funds	<b>173,354</b>	156,418	<b>125,283</b>	105,425
Closing equity shareholders' funds	<b>180,846</b>	173,354	<b>138,071</b>	125,283

## Notes to the Financial Statements

continued

**23 Reconciliation of net cash inflow to movement in net funds**

	<b>30 June 2005</b>	<b>Group</b>	31 July 2004
	<b>£'000</b>		£'000
Increase in cash in the period	<b>29,292</b>		7,472
Opening net funds	<b>36,048</b>		28,576
Closing net funds	<b>65,340</b>		36,048

**24 Analysis of changes in net funds**

<b>Group</b>	At 1 August 2004 £'000	Cash flows £'000	<b>At</b> <b>30 June 2005</b> <b>£'000</b>
Cash at bank and in hand	36,048	29,292	<b>65,340</b>

**25 Lease commitments**

At 30 June 2005 the Group's operating lease commitments for the financial year to 30 June 2006 were as follows:

	<b>30 June 2005</b>	31 July 2004
	<b>Land and buildings £'000</b>	Land and buildings £'000
Leases expiring: after five years	<b>340</b>	338

**26 Commitments and contingent liabilities****(a) Capital commitments**

At 30 June 2005, capital commitments were:

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2005</b>	31 July 2004	<b>30 June 2005</b>	31 July 2004
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Contracted but not provided for	<b>34,359</b>	91	—	—

**(b) Transfer fees payable**

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Group if certain conditions are met. The maximum that could be payable is £10,402,000 (2004 – £9,096,000) (note 10(b)).

At 30 June 2005 the potential amount payable by type of condition and category of player was:

<b>Type of condition</b>	<b>First team squad £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
MUFC appearances/new contract	3,250	4,562	7,812
International appearances	1,000	1,590	2,590
	<b>4,250</b>	<b>6,152</b>	<b>10,402</b>

**(c) Guarantee on behalf of associate**

Manchester United PLC has undertaken to guarantee the property lease of its associate, Timecreate Limited. The lease term is 35 years with annual rentals of £400,000.

**27 Pensions****(a) Defined benefit scheme**

Certain employees of the Group are members of The Football League Limited Pension and Life Assurance Scheme ('the Scheme'). Accrual of benefits under a final salary basis was suspended with effect from 31 August 1999 following an actuarial review which revealed a substantial deficit.

As one of a number of participating employers, the Group has been advised only of its share of the deficit in the Scheme and of the contributions required to make good the deficit and £2,024,000 has been charged to the profit and loss account in previous years in this respect. Such amounts have been charged to the profit and loss account in full in prior periods as they are principally attributable to employees who have left the Group or retired.

The deficit is being paid off over a period of ten years commencing from April 2003 based on the latest actuarial valuation carried out at 31 August 2002. The next actuarial valuation is due to be carried out as at 31 August 2005.

**(b) Defined contribution schemes**

Contributions made to defined contribution pension arrangements are charged to the profit and loss account in the year in which they become payable and amounted to £1,967,000 (2004 – £2,021,000).

The assets of all pension schemes to which the Group contributes are held separately from the Group in independently administered funds.

# Notes to the Financial Statements

continued

## **28 Related party transactions**

E M Watkins was a director of the Company up to 12 November 2004. Legal fees of £432,925 were paid in the 11 month period to 30 June 2005 (year ended 31 July 2004 – £568,087), in the ordinary course of business, to James Chapman & Co., a firm in which E M Watkins is the senior partner.

There were no other material transactions or balances with related parties as defined by FRS8 'Related party transactions'.

## **29 Post balance sheet events**

The playing registration of Kleberson has been disposed of for a total consideration, net of associated costs, of £1,583,000. The associated net book value of the playing registration at 30 June 2005 was £3,557,000. As the transaction was in progress at the balance sheet date, a provision for the loss on disposal of £1,974,000 has been included in these accounts. The revised carrying value of the registration of £1,583,000 has been transferred from intangible fixed assets (see note 10) and re-classified as an intangible asset held for resale.

The playing registrations of other footballers have been disposed of, subsequent to the balance sheet date, for a total consideration, net of associated costs, of £1,806,000. There was no associated net book value.

Subsequent to the balance sheet date, the playing registration of certain footballers have been acquired for a total consideration, including associated costs of £7,424,000.

## **30 Ultimate parent undertaking**

The immediate parent undertaking is Red Football Limited.

The largest parent undertaking for which group accounts will be drawn up is Red Football Shareholder Limited. Red Football Shareholder Limited will be required to prepare group accounts for its first accounting period ending on 30 June 2005. Red Football Shareholder Limited is, indirectly, wholly-owned by Red Football Limited Partnership, a limited partnership formed in the State of Nevada, United States of America.

The ultimate controlling party is the Malcolm Glazer Revocable Trust, a trust established under the laws of the State of Florida, United States of America.

# Auditors' Report

## **Independent auditors' report to the members of Manchester United PLC**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared using the accounting policies set out in note 1 to the financial statements.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2005 and of the profit and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Manchester

11 October 2005

## Five Year Summary

## FINANCIAL RECORD

	<b>11 months ended 30 June 2005</b>	2004	12 months ended 31 July 2003	2002	2001
	<b>£,000</b>	£,000	Restated <sup>(3)</sup> £,000	Restated <sup>(2)</sup> £,000	Restated <sup>(1)</sup> £,000
<b>Turnover</b>	<b>157,171</b>	169,080	173,001	146,062	129,569
<b>Group operating profit before depreciation and amortisation of intangible fixed assets and exceptional items</b>	<b>46,131</b>	58,340	57,269	41,402	38,194
Depreciation	<b>(6,054)</b>	(6,591)	(7,283)	(6,923)	(6,514)
Amortisation of players	<b>(24,159)</b>	(21,839)	(21,018)	(17,647)	(10,173)
Exceptional items	<b>(7,286)</b>	–	(2,197)	(1,414)	(2,073)
<b>Group operating profit</b>	<b>8,632</b>	29,910	26,771	15,418	19,434
Share of results of joint venture and associate undertakings	<b>(4)</b>	(158)	(454)	(504)	(602)
<b>Total operating profit (Group and share of joint venture and associate)</b>	<b>8,628</b>	29,752	26,317	14,914	18,832
Profit on disposal of associate	<b>215</b>	173	409	–	–
(Loss)/profit on disposal of players	<b>(556)</b>	(3,084)	12,935	17,406	2,219
Net interest receivable/(payable)	<b>2,477</b>	1,066	(316)	27	727
<b>Profit on ordinary activities before taxation</b>	<b>10,764</b>	27,907	39,345	32,347	21,778
Taxation	<b>(4,224)</b>	(8,486)	(9,564)	(7,308)	(7,399)
<b>Profit for the period</b>	<b>6,540</b>	19,421	29,781	25,039	14,379
Dividends	<b>(3,439)</b>	(6,974)	(10,391)	(8,053)	(5,195)
<b>Retained profit for the period</b>	<b>3,101</b>	12,447	19,390	16,986	9,184
<b>Equity shareholders' funds</b>	<b>180,846</b>	173,354	156,833	137,443	120,457

## Notes

- (1) The results for 2001 have been restated following the adoption of FRS 19, 'Deferred Tax' in 2002.
- (2) The results for 2002 have been restated following the reclassification of an amount of £550,000 from other operating charges to exceptional items.
- (3) Equity shareholders' funds in 2003 have been reduced by £415,000 following the adoption of UITF abstract 38 'Accounting for ESOP trusts' in 2004.

## PLAYING RECORD

	<b>2005</b>	2004	2003	2002	2001
FA Premier League	<b>3rd</b>	3rd	Champions	3rd	Champions
FA Challenge Cup	<b>Runners up</b>	Winners	5th Round	4th Round	4th Round
European Champions Cup	<b>Last 16</b>	Last 16	Quarter-Final	Semi-Final	Quarter-Final

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