

Financial statements

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Consolidated profit and loss account For the year ended 31 July 2004

	Note	2004 £'000	2003 £'000
Turnover: Group and share of joint venture		171,500	174,936
Less: Share of joint venture		(2,420)	(1,935)
Group turnover	2	169,080	173,001
Operating expenses – other	3	(139,170)	(144,033)
Operating expenses – exceptional costs	4	–	(2,197)
Total operating expenses		(139,170)	(146,230)
Group operating profit before depreciation and amortisation of intangible fixed assets		58,340	55,072
Depreciation		(6,591)	(7,283)
Amortisation		(21,839)	(21,018)
Group operating profit		29,910	26,771
Share of operating loss in:			
– joint venture		(147)	(407)
– Associates		(11)	(47)
Total operating profit: Group and share of joint venture and associates		29,752	26,317
Profit on disposal of associate		173	409
(Loss)/profit on disposal of players	11c	(3,084)	12,935
Profit before interest and taxation		26,841	39,661
Net interest receivable/(payable)	5	1,066	(316)
Profit on ordinary activities before taxation		27,907	39,345
Taxation	7	(8,486)	(9,564)
Profit for the year		19,421	29,781
Dividends	9	(6,974)	(10,391)
Retained profit for the year	23	12,447	19,390
Basic and diluted earnings per share (pence)	10	7.4	11.5
Basic and diluted adjusted earnings per share (pence)	10	14.1	14.3

Statement of total recognised gains and losses

	2004 £'000	2003 £'000
Profit for the financial year	19,421	29,781
Share of increase in joint venture reserves (note 23)	100	–
Credit in relation to long-term incentive awards	365	208
Consideration paid for purchase of shares held by ESOP trust	(231)	(623)
Profit for the year and total recognised gains and losses in the year	19,655	29,366
Prior year adjustment (note 1)	(415)	–
Total gains recognised since last annual report	19,240	–

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

The accompanying notes on pages 59 to 78 are an integral part of these financial statements.

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Consolidated balance sheet At 31 July 2004

	Note	2004 £'000	2003 £'000 Restated (note 1)
Fixed assets			
Intangible assets	11	78,233	55,299
Tangible assets	12	125,093	125,526
Loan to joint venture	13	1,000	1,000
Investment in associate	13	178	189
		204,504	182,014
Current assets			
Stocks	14	216	208
Debtors – amounts falling due within one year	15	39,487	30,756
Debtors – amounts falling due after more than one year	15	1,760	13,219
Intangible asset held for resale	31	1,382	11,941
Cash at bank and in hand		36,048	28,576
		78,893	84,700
Creditors – amounts falling due within one year	16	(44,635)	(50,202)
Net current assets		34,258	34,498
Total assets less current liabilities		238,762	216,512
Creditors – amounts falling due after one year	17	(8,795)	(2,391)
Provision for liabilities and charges			
Deferred taxation	19	(5,330)	(5,506)
Other provisions	19	(1,550)	–
Investment in joint venture:	19		
– Share of gross assets		260	375
– Share of gross liabilities		(4,760)	(4,641)
		(4,500)	(4,266)
Accruals and deferred income			
Deferred grant income	20	(856)	(1,011)
Other deferred income	21	(44,377)	(46,920)
Net assets		173,354	156,418
Capital and reserves			
Share capital	22	26,219	25,977
Share premium account	23	4,013	–
Other reserves	23	600	500
Profit and loss account	23	142,522	129,941
Equity Shareholders' funds	24	173,354	156,418

The financial statements on pages 54 to 78 were approved by the Board of Directors on 27 September 2004 and signed on its behalf by:

David Gill Director

Nick Humby Director

The accompanying notes on pages 59 to 78 are an integral part of these financial statements.

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Company balance sheet At 31 July 2004

	Note	2004 £'000	2003 £'000 Restated (note 1)
Fixed assets			
Tangible assets	12	21,999	24,050
Investments	13	2,271	2,271
		24,270	26,321
Current assets			
Stocks	14	216	208
Debtors	15	92,428	92,101
Cash at bank and in hand		31,341	19,929
		123,985	112,238
Creditors – amounts falling due within one year	16	(14,454)	(23,112)
Net current assets		109,531	89,126
Total assets less current liabilities		133,801	115,447
Provision for liabilities and charges	19	(1,550)	–
Accruals and deferred income			
Deferred income	21	(6,968)	(10,022)
Net assets		125,283	105,425
Capital and reserves			
Share capital	22	26,219	25,977
Share premium account	23	4,013	–
Profit and loss account	23	95,051	79,448
Equity Shareholders' funds	24	125,283	105,425

The financial statements on pages 54 to 78 were approved by the Board of Directors on 27 September 2004 and signed on its behalf by:

David Gill Director

Nick Humby Director

The accompanying notes on pages 59 to 78 are an integral part of these financial statements.

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Consolidated cash flow statement For the year ended 31 July 2004

	Note	2004		2003	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities			58,769		57,939
Returns on investments and servicing of finance					
Interest received		1,169		316	
Interest paid		(112)		(167)	
Net cash inflow from returns on investments and servicing of finance			1,057		149
Taxation paid			(11,052)		(10,602)
Capital expenditure and financial investment					
Net proceeds from sale of players' registrations	11c	16,009		11,122	
Purchase of players' registrations	11c	(44,813)		(18,983)	
Proceeds from sale of tangible fixed assets		2,154		2,235	
Purchase of tangible fixed assets		(6,922)		(6,425)	
Net cash outflow from capital expenditure and financial investment			(33,572)		(12,051)
Acquisitions and disposals					
Proceeds from sale of investment in associated company		173		962	
Net cash inflow from acquisitions and disposals			173		962
Equity dividends paid			(11,927)		(8,131)
Cash inflow before management of liquid resources and financing			3,448		28,266
Financing					
Issue of ordinary share capital		4,255		-	
Purchase of shares held through ESOP trust		(231)		(623)	
Net cash inflow/(outflow) from financing			4,024		(623)
Increase in cash in the year	25		7,472		27,643

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Note to consolidated cash flow statement For the year ended 31 July 2004

Reconciliation of operating profit to net cash inflow from operating activities

	2004 £'000	2003 £'000
Net cash generated from operating activities		
Group operating profit	29,910	26,771
Depreciation charges	6,591	7,283
Amortisation of players' registrations	21,839	21,018
Credit in relation to long-term incentive awards	365	208
Profit on disposal of tangible fixed assets	(275)	(691)
Grants released	(155)	(183)
Increase in stocks	(8)	(12)
Increase in debtors	(285)	(5,357)
Increase in creditors and deferred income	787	8,902
Net cash inflow from operating activities	58,769	57,939

The accompanying notes on pages 59 to 78 are an integral part of these financial statements.

1 Accounting policies

Other than as noted below, 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 2003. The Group has adopted the accounting treatment required by UITF abstract 38 'Accounting for ESOP trusts'. As a result, the corresponding balance sheet amounts have been restated to reclassify the Company's own shares as a deduction in arriving at shareholders' funds. Reserves for the prior periods have been reduced by £415,000 to reflect this change (notes 23 and 24). The Company has also adopted the requirements of UITF abstract 17 (revised 2003) in relation to employee share schemes. This has not had any effect on the profit and loss account in the current and prior periods.

Basis of accounting

The financial statements have been prepared 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 31 July 2004.

Joint Venture

The Group profit and loss account includes the Group's share of joint 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 investment in the associate is 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 Matchday, Media and Commercial revenue streams.

Matchday

Matchday turnover comprises income receivable from all matchday 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-matchdays. Any additional income receivable from Nike in accordance with the profit sharing arrangements contained in the sponsorship and licencing 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.

1 Accounting policies continued

Deferred income

Income from matchday activities, media and commercial contracts, which has been received prior to the year 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:

	Reducing balance	Straight line
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.

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, any costs associated with securing the extension are added to the unamortised balance at the date of the amendment and that book value is amortised 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 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 28b.

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.

1 Accounting policies continued

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.

Financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Derivative instruments utilised by the Group include forward currency contracts. Such contracts are accounted for as hedges, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

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.

Long Term Incentive Plan (LTIP)

Investments in the Company's own shares held by the Employee Share Ownership plan are included as a deduction from shareholders' funds. The intrinsic value (market value of shares on date of award) of the award is charged to the profit and loss account over the performance period with any related credit entry also being reflected in shareholders' funds. The charge is adjusted each period end to reflect lapses of awards and re-estimates of the number of awards likely to vest in relation to performance conditions.

2 Turnover

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

	2004 £'000	2003 £'000
Matchday	61,206	70,593
Media	62,544	56,218
Commercial	45,330	46,190
	169,080	173,001

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

	2004 £'000	2003 £'000
United Kingdom	159,650	160,485
Rest of World	9,430	12,516
	169,080	173,001

Media income from European cup competitions is distributed by the Football Association and is therefore classified as being of United Kingdom origin and destination. Rest of World turnover includes an allocation of income receivable from Nike based on the geographical split of sales.

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Notes to the financial statements continued

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3 Operating expenses – other

	2004 £'000	2003 £'000
Operations excluding player amortisation and trading:		
Staff costs (note 6)	76,874	79,517
Depreciation	6,591	7,283
Operating lease costs – land and buildings	1,169	754
Other operating charges	32,897	36,118
Auditors' remuneration: audit services	81	60
Auditors' remuneration: non-audit services	149	157
Grants released (note 20)	(155)	(183)
Profit on disposal of tangible fixed assets	(275)	(691)
	117,331	123,015
Player amortisation and trading:		
Amortisation of players' registrations	21,839	21,018
	139,170	144,033
Auditors' remuneration for non-audit services comprised:		
Taxation advice	149	155
Taxation advice charged to loss on disposal of players	17	–
Other	–	2
	166	157

4 Operating expenses – exceptional costs

	2004 £'000	2003 £'000
OFT enquiry into price fixing of replica football kit	–	1,693
Share of deficit on Football League Pension and Life Assurance Scheme (note 29)	–	504
	–	2,197

The charge of £1,693,000 relating to the OFT enquiry comprises a fine of £1,652,000 and professional fees of £41,000. The appeal against the fine has not yet been heard.

5 Net interest receivable/(payable)

	2004 £'000	2003 £'000
Interest receivable	1,317	314
Interest payable on bank loans and overdrafts	(64)	(192)
Share of interest payable of joint venture	(187)	(438)
	1,066	(316)

6 Staff costs

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

	2004 Number	2003 Number
Players	69	68
Ground staff	90	90
Ticket office and membership	47	44
Catering	108	109
Administration and other	190	182
Average number of employees	504	493

The Group also employs approximately 1,292 temporary staff on matchdays (2003 1,330).

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

	2004 £'000	2003 £'000
Wages and salaries	61,456	64,691
Bonuses	4,966	4,990
Social security costs	8,425	7,867
Other pension costs	2,027	1,969
	76,874	79,517

Details of directors' remuneration together with interest in shares and share options are given in the remuneration report on pages 46 to 52.

7 Taxation

	2004 £'000	2003 £'000
Corporation tax at 30% (2003 30%) on the profit for the year	8,662	12,753
Adjustment in respect of previous years	–	(3,448)
Total current tax	8,662	9,305
Deferred taxation: origination and reversal of timing differences (note 19)	(176)	51
Adjustment in respect of previous years	–	208
Total deferred tax	(176)	259
Tax on profit on ordinary activities	8,486	9,564

The tax rate for the year is higher (2003 lower) than that resulting from applying the standard rate of corporation tax in the UK: 30% (2003 30%).

A reconciliation of current tax is shown below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	27,907	39,345
Profit on ordinary activities multiplied by the standard rate of 30% (2003 30%)	8,372	11,804
Effects of:		
Adjustment to tax in respect of previous years	–	(3,448)
Expenses not deductible for tax purposes	593	1,000
Capital allowances and other timing differences	176	(51)
Gain on exercise of share options	(479)	–
	8,662	9,305

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Notes to the financial statements continued

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8 Profit for the year

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 year was £22,443,000 (2003 £23,157,000).

9 Dividends

	2004 £'000	2003 £'000
Interim paid of 1.25 pence per share (2003 0.67 pence per share)	3,277	1,741
Proposed final of 1.40 pence per share (2003 1.83 pence per share)	3,697	4,754
Proposed special of nil pence per share (2003 1.50 pence per share)	–	3,896
	6,974	10,391

If approved, the final dividend will be paid on 19 November 2004 to shareholders on the register at 8 October 2004.

10 Earnings per ordinary share

The calculation of earnings per share is based on the profit for the year and the weighted average number of ordinary shares in issue for the year of 260,734,479 (2003 259,276,711). Share options outstanding at each year end have no dilutive effect on basic earnings per share.

The calculation of diluted earnings per share is based on the profit for the year divided by the weighted average number of shares in issue, adjusted for the dilutive effect of outstanding share awards, being 262,189,660 (2003 259,992,683) shares.

An adjusted earnings per share figure has also been calculated in order to allow the shareholders to gain a clearer understanding of the trading performance of the Group.

Details of the adjusted earnings per share are set out below:

	2004		2003	
	Earnings after tax £'000	Earnings per share pence	Earnings after tax £'000	Earnings per share pence
Basic and diluted earnings per share	19,421	7.4	29,781	11.5
Exceptional costs	–	–	1,538	0.6
Amortisation of players' registrations	15,287	5.9	14,713	5.7
Loss/(profit) on disposal of players' registrations	2,159	0.8	(9,055)	(3.5)
Adjusted earnings per share	36,867	14.1	36,977	14.3

11 Intangible fixed assets

a)

Group	Transfer fee to other clubs £'000	Agents fees £'000	FAPL levy (net of refunds) £'000	Other costs £'000	Total £'000
Cost of players' registrations					
At 1 August 2003	80,229	6,060	2,528	482	89,299
Additions	44,008	5,501	1,122	17	50,648
Disposals	(7,049)	(400)	(352)	–	(7,801)
Transfer to asset held for resale	(6,471)	(730)	(157)	(10)	(7,368)
At 31 July 2004	110,717	10,431	3,141	489	124,778
Amortisation of players' registrations					
At 1 August 2003					34,000
Charge for the year					21,839
Provision for loss on disposal					1,893
Disposals					(5,201)
Transfer to asset held for resale					(5,986)
At 31 July 2004					46,545
Net book value of players' registrations					
At 31 July 2004					78,233
At 31 July 2003					55,299

11 Intangible fixed assets continued

b) Individual player contract status and asset values

Player	Date first contract commenced	Current contract expiry date	Cost 31.07.04 £'000	Charge in 2003/4 £'000	NBV 31.07.04 £'000	In creditors at 31.07.04 £'000	Contingent payables ⁽¹⁾ £'000
Acquired Players							
Bellion	Jul-03	Jun-07	2,812	703	2,109	100	–
Carroll	Jul-01	Jun-05	3,386	978	978	–	–
Djemba Djemba	Jul-03	Jun-08	3,456	691	2,765	175	665
Ferdinand	Jul-02	Jun-07	31,120	6,300	18,899	300	–
Fortune	Aug-99	Jun-06	1,575	31	60	–	–
Heinze	Jul-04	Jun-09	6,807	116	6,692	2,878	–
Howard	Jul-03	Jun-07	2,258	565	1,694	–	262
Keane	Jul-93	Jun-06	3,750	–	–	–	–
Kleberon	Aug-03	Jun-08	5,795	1,150	4,645	400	–
Lopez	Aug-02	Jun-05	1,498	499	499	–	–
Ronaldo	Aug-03	Jun-08	11,959	2,373	9,586	7,058	–
Saha	Jan-04	Jun-09	12,515	1,198	11,317	–	–
Silvestre	Sep-99	Jun-07	4,340	141	410	–	–
Smith	May-04	Jun-09	7,050	250	6,800	500	–
Solskjaer	Jul-96	Jun-06	1,500	–	–	–	–
Van Nistelrooy	Jul-01	Jun-08	19,791	3,023	9,333	1,339	–
Others (cost <£1m)			5,166	884	2,446	566	8,169
			124,778	18,902	78,233	13,316	9,096
Home grown players⁽²⁾							
Brown		Jun-05	–	–	–	–	–
Fletcher		Jun-07	–	–	–	–	–
Giggs		Jun-06	–	–	–	–	–
Neville G		Jun-09	–	–	–	–	–
Neville P		Jun-09	–	–	–	–	–
O'Shea		Jun-06	–	–	–	–	–
Scholes		Jun-07	–	–	–	–	–
Disposals in the year							
Barthez			–	1,300	–	–	–
Forlan			–	1,637	–	186	–
			124,778	21,839	78,233	13,502	9,096

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 31.07.04.

11 Intangible fixed assets continued

c) Player registration trading summary

Player registration disposals during the year

Player	Sale to Club	Unconditional proceeds receivable £'000	Conditional proceeds receivable £'000	NBV £'000	Other £'000	Profit and loss for year £'000	Cash flow in year £'000	Outstanding unconditional debtor £'000	Unrecognised conditional assets ⁽¹⁾ £'000
Transfers out – prior years									
Beckham	Real Madrid	–	855	–	29	884	11,930	–	5,833
Cole	Blackburn Rovers	–	200	–	–	200	200	–	–
Stam	S.S.Lazio	–	–	–	–	–	–	12,000	–
Yorke	Blackburn Rovers	–	600	–	–	600	600	–	–
Others		–	–	–	368	368	181	150	–
Transfers out – current year									
Butt	Newcastle United	2,000	–	–	(500)	1,500	(250)	2,000	–
Veron	Chelsea	–	750	–	–	750	5,872	6,250	1,250
Contract terminations									
Barthez	Termination	–	–	(2,600)	(2,563)	(5,163)	(2,474)	–	–
Chadwick	Termination	–	–	–	(330)	(330)	(50)	–	–
Forlan	Provision for loss on disposal	–	–	(1,893)	–	(1,893)	–	–	–
		2,000	2,405	(4,493)	(2,996)	(3,084)	16,009	20,400	7,083

Player registration acquisition during the year

Player	From Club	Unconditional transfer fee £'000	Conditional transfer fees paid/payable £'000	Agents fees £'000	FAPL Levy £'000	Other £'000	Total capitalised £'000	Cash flow in year £'000	Outstanding unconditional creditor £'000	Unrecognised conditional liability ⁽¹⁾ £'000
Transfers in – prior years										
Bellion	Sunderland	500	200	–	(22)	–	678	2,303	100	–
Carroll	Wigan Athletic	–	500	–	25	–	525	525	–	–
Djemba	FC Nantes	–	–	–	(84)	–	(84)	3,125	175	665
Djemba	Atlantique	–	–	–	14	–	1,514	2,339	300	–
Ferdinand	Leeds United	–	1,500	–	(40)	–	(40)	702	–	262
Howard	Major League Soccer	–	–	–	–	–	–	–	–	–
Steele	Peterborough	–	400	–	9	–	409	409	–	–
Van Nistelrooy	PSV Eindhoven	–	–	1,202	–	–	1,202	331	1,339	–
Others (cost < £1m)		–	–	–	–	–	–	107	186	5,973
Transfer in – current year										
Heinze	Paris Saint Germain	5,983	–	525	299	–	6,807	3,929	2,878	–
Kleberson	Club Atletico Paranaense	5,000	–	680	115	–	5,795	5,395	400	–
Ronaldo	Sporting Lisbon	10,587	–	1,129	243	–	11,959	4,901	7,058	–
Saha	Fulham	11,500	–	750	265	–	12,515	12,515	–	–
Smith	Leeds United	6,000	–	750	300	–	7,050	6,550	500	–
Others (cost < £1m)		1,838	–	465	(2)	17	2,318	1,682	566	2,196
		41,408	2,600	5,501	1,122	17	50,648	44,813	13,502	9,096

(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.

11 Intangible fixed assets continued

d) Payments to agents during the year

Player	Agents payments creditor at 31.07.03 £'000	Agents payments capitalised to intangibles in the year £'000	Agents payments on disposals in the year £'000	Agents payments charged to P&L in the year £'000	Agents fees	
					Paid in year to 31.07.04 £'000	In creditors at 31.07.04 £'000
Djemba Djemba	350	–	–	–	175	175
Ferdinand	1,125	–	–	–	825	300
Fletcher ⁽¹⁾	–	–	–	100	100	–
Forlan	293	–	–	–	107	186
Heinze	–	525	–	–	100	425
Kleberon	–	680	–	–	280	400
Lopez	–	–	–	55	55	–
Miller	–	100	–	–	100	–
Pique	–	149	–	–	–	149
Ronaldo	–	1,129	–	–	1,129	–
Rossi	–	33	–	–	–	33
Saha	–	750	–	–	750	–
Silvestre	–	–	–	84	84	–
Smith	–	750	–	–	250	500
Van Nistelrooy	468	1,202	–	–	331	1,339
Veron	–	–	500	–	500	–
Others	74	183	–	–	245	12
	2,310	5,501	500	239	5,031	3,519

(1) Darren Fletcher was represented by Francis Martin who was a Director of Elite Sports Group Limited.

12 Tangible fixed assets

Group	Freehold property £'000	Assets under construction £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 August 2003	116,202	–	29,494	12,741	158,437
Additions	1,989	2,819	3,158	71	8,037
Disposals	(1,847)	–	(450)	–	(2,297)
At 31 July 2004	116,344	2,819	32,202	12,812	164,177
Depreciation					
At 1 August 2003	6,660	–	18,460	7,791	32,911
Charge for the year	1,317	–	4,400	874	6,591
Disposals	(109)	–	(309)	–	(418)
At 31 July 2004	7,868	–	22,551	8,665	39,084
Net book value					
At 31 July 2004	108,476	2,819	9,651	4,147	125,093
At 31 July 2003	109,542	–	11,034	4,950	125,526

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	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 August 2003	24,590	4,235	515	29,340
Additions	–	612	18	630
Disposals	(1,847)	(198)	–	(2,045)
At 31 July 2004	22,743	4,649	533	27,925
Depreciation				
At 1 August 2003	2,196	2,751	343	5,290
Charge for the year	146	715	31	892
Disposals	(109)	(147)	–	(256)
At 31 July 2004	2,233	3,319	374	5,926
Net book value				
At 31 July 2004	20,510	1,330	159	21,999
At 31 July 2003	22,394	1,484	172	24,050

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13 Fixed asset investments

Group	Subsidiary undertakings £'000	Associated undertakings £'000	Joint venture £'000	Loan to joint venture £'000	Total £'000
Cost					
At 1 August 2003	–	252	–	1,000	1,252
Share of prior year losses	–	(63)	–	–	(63)
Disposals ⁽²⁾	–	–	–	–	–
Share of loss	–	(11)	(334) ⁽¹⁾	–	(345)
Transfer to provision for liabilities and charges	–	–	334	–	334
At 31 July 2004	–	178	–	1,000	1,178
Net book value					
At 31 July 2004	–	178	–	1,000	1,178
At 31 July 2003	–	189	–	1,000	1,189
Company					
Cost					
At 1 August 2003 and 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 £334,000 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 31 July 2004.

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

The following companies are the principal subsidiary undertakings, joint venture and associated undertaking of the Group at 31 July 2004:

	Country of incorporation and operation	Principal activity	Description of share classes owned
Subsidiaries			
Manchester United Football Club Limited	England and Wales	Professional football club	100% Ordinary
Manchester United Catering Limited	England and Wales	Agency company	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
Joint venture			
MUTV Limited	England and Wales	Magazine TV channel	33.3% Ordinary
Associates			
Timecreate Limited	England and Wales	Hotel	31.4% Ordinary

14 Stocks

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Raw materials and consumables	55	55	55	55
Goods held for resale	161	153	161	153
	216	208	216	208

15 Debtors

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts falling due within one year				
Trade debtors	24,944	14,255	2,853	1,658
Amounts due from subsidiary undertakings	–	–	84,968	85,835
Other debtors	386	306	1	–
Prepayments and accrued income	14,157	16,195	4,252	4,218
Deferred tax	–	–	354	390
	39,487	30,756	92,428	92,101
Amounts falling due after more than one year				
Trade debtors	1,125	12,284	–	–
Other debtors	635	935	–	–
	1,760	13,219	–	–
	41,247	43,975	92,428	92,101

Trade debtors include transfer fees receivable from other football clubs of £20,400,000 excluding VAT (2003 £23,398,000), of which £1,125,000 (2003 £11,985,000) is receivable after more than one year.

16 Creditors – amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Trade creditors	12,661	12,579	1,446	2,076
Corporation tax	6,126	8,516	4,203	6,444
Social security and other taxes	8,162	8,690	335	869
Other creditors – pensions	256	277	–	–
Accruals	13,733	11,490	4,773	5,073
Dividends proposed	3,697	8,650	3,697	8,650
	44,635	50,202	14,454	23,112

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players registrations of £7,342,000 (2003 £6,069,000).

17 Creditors – amounts falling due after one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Trade creditors	8,160	1,500	–	–
Other creditors – pensions	635	891	–	–
	8,795	2,391	–	–

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players registrations of £6,160,000 (2003 Nil).

18 Financial Instruments

The Group's financial instruments comprise cash and various items such as trade debtors, trade creditors and other provisions that arise directly from the Group's operations. The main purpose of the financial instruments is to finance the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks.

In order to protect against currency fluctuations in income receivable, mainly in respect of UEFA Champions League media revenues, the Group enters into forward foreign exchange contracts.

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency disclosures.

Financial liabilities

At 31 July 2004 the Group had financial liabilities of £10,345,000 (2003 £2,391,000), excluding short term trading items. Included in trade creditors is an amount of £1,000,000 which attracts interest at a rate based on the retail price index, other trade creditors do not attract interest. The other creditors attract interest at a rate of 8.4 per cent per annum. Included in financial liabilities is an amount of £1,550,000 for an onerous lease provision on a property. The provision represents the value of future liabilities discounted to current value and attracts interest at a floating rate.

The age profile of financial liabilities is shown below:

	Provision £'000	Other liabilities £'000
Within 1 year	302	–
Within 1 to 2 years	278	8,431
Within 2 to 5 Years	432	213
Over 5 years	538	151
	1,550	8,795

The Group had undrawn committed borrowing facilities available at 31 July 2004 of £29.5 million (2003 £29.5 million). These facilities are due for renewal in October 2004.

18 Financial Instruments continued

Financial assets

At 31 July 2004, as disclosed in note 15, the Group had trade and other debtors of £1,760,000 (2003 £13,219,000) receivable between one and two years from the balance sheet date. No interest is accruing on these amounts.

The currency profile of the Group's financial assets at 31 July 2004 and 31 July 2003 are set out below:

	Floating rate 2004 £'000	Floating rate 2003 £'000
Currency		
Sterling	35,866	23,009
US Dollar	147	29
Euro	34	5,200
Swiss Francs	1	338
	36,048	28,576

The floating rate financial assets at 31 July 2004 and 31 July 2003 comprised cash at bank and in hand and accrued interest based on LIBOR.

Currency exposures

The Group had monetary assets/(liabilities) denominated in currencies other than sterling, these are set out below:

	2004 £'000	2003 £'000
Net foreign currency monetary assets/(liabilities)		
US Dollar	676	(116)
Euro	(5,812)	13,376
Swiss Francs	1	2,475
	(5,135)	15,735

Hedges

The Group's policy is to enter into forward foreign currency contracts on future sales and purchases where there is a high degree of likelihood of an exposure occurring. Gains and losses on these contracts are not recognised until the exposure being hedged is itself recognised.

At 31 July 2004 the Group had the following outstanding forward exchange contracts which have been translated at the contract rate:

	2004 £'000	2003 £'000
US Dollar	–	460
Euro	16,724	13,301
Swiss Francs	–	6,886
	16,724	20,647

Gains of £127,000 and losses of £280,000 arose in 2003/4 that were not recognised and have a year end book value of nil. Gains of £127,000 and losses of £250,000 are expected to be recognised within 2004/5, whilst the remaining loss of £30,000 is expected to be recognised after 2004/5.

During the year gains of £6,000 and losses of £406,000 have been recognised, which arose in 2002/3.

Fair values

The fair value of all financial instruments at 31 July 2004 and 31 July 2003, other than the forward contracts shown above, were not materially different from their book value.

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19 Provision for liabilities and charges

a) Deferred taxation

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

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Accelerated capital allowances	5,936	6,112	(234)	(270)
Short-term timing differences	(606)	(606)	(120)	(120)
	5,330	5,506	(354)	(390)

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

	Group £'000	Company £'000
At 1 August 2003	5,506	(390)
Amount (credited)/charged to profit and loss account (note 7)	(176)	36
At 31 July 2004	5,330	(354)

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:

	Group £'000	Company £'000
At 1 August 2003	–	–
Amount transferred from creditors due within 1 year	750	750
Charge to profit and loss account	800	800
At 31 July 2004	1,550	1,550

The provision relates to a lease that expires 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:

	Group £'000
At 1 August 2003	4,266
Share of joint venture reserves	(100)
Loss for the year transferred from fixed asset investments (note 13)	334
At 31 July 2004	4,500

20 Deferred grant income

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

	Group £'000
At 1 August 2003	1,011
Grants released in the year	(155)
At 31 July 2004	856

21 Other deferred income

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

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Matchday activities	37,350	34,505	–	–
Media contracts	–	2,335	–	–
Commercial contracts	7,027	10,080	6,968	10,022
	44,377	46,920	6,968	10,022

22 Share capital

	Group and Company	
	2004 £'000	2003 £'000
Authorised: 350,000,000 ordinary shares of 10 pence each	35,000	35,000
Allotted, called up and fully paid:		
	Number	£'000
At 1 August 2003	259,768,040	25,977
Shares issued during the period	2,419,588	242
At 31 July 2004	262,187,628	26,219

Share option schemes:

	Executive Plan number	Savings-related scheme number	Total number
At 1 August 2003	5,845,546	869,854	6,715,400
Granted	–	111,132	111,132
Exercised	(2,400,000)	(19,588)	(2,419,588)
Lapsed	(921,908)	(172,102)	(1,094,010)
At 31 July 2004	2,523,638	789,296	3,312,934

	Executive Plan	Savings-related scheme
Options granted during the year:		
Exercise price range	–	£1.88
Average exercise price	–	£1.88
Latest exercise date	–	01.06.2009
Options outstanding at 31 July 2004:		
Exercise price range	£1.03 – £2.36	£0.80 – £1.97
Average exercise price	£1.39	£1.11
Latest exercise date	07.04.2013	01.06.2009

Options granted to directors are disclosed in the remuneration report on page 51.

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23 Reserves

Group	Share premium account £'000	Other reserve £'000	Profit and loss account £'000
At 1 August 2003	–	500	130,356
Prior year adjustment (note 1)	–	–	(415)
At 1 August 2003 as restated	–	500	129,941
Retained profit for the year	–	–	12,447
Share of joint venture reserves	–	100	–
Premium on share issues	4,013	–	–
Credit in relation to long-term incentive awards	–	–	365
Consideration paid for purchase of shares held by ESOP trust	–	–	(231)
As at 31 July 2004	4,013	600	142,522

Company	Share premium account £'000	Other reserve £'000	Profit and loss account £'000
At 1 August 2003	–	–	79,863
Prior year adjustment (note 1)	–	–	(415)
At 1 August 2003 as restated	–	–	79,448
Retained profit for the year	–	–	15,469
Premium on share issues	–	4,013	–
Credit in relation to long-term incentive awards	–	–	365
Consideration paid for purchase of shares held by ESOP trust	–	–	(231)
As at 31 July 2004	–	4,013	95,051

Under the terms of certain lotteries, past donations of £90,432 (2003 £459,044) 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 £750,000 expended during the year, having been so applied, are distributable. It is intended that the balance will be applied to such programmes and will thereby become distributable.

24 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Profit for the year	19,421	29,781	22,443	23,157
Consideration paid for purchase of shares held by ESOP trust	(231)	(623)	(231)	(623)
Fair value of long-term incentive awards	365	208	365	208
Dividends	(6,974)	(10,391)	(6,974)	(10,391)
	12,581	18,975	15,603	12,351
Issue of ordinary shares	4,255	–	4,255	–
Share of joint venture reserve	100	–	–	–
Net addition to equity shareholders' funds	16,936	18,975	19,858	12,351
Opening equity shareholders' funds (as restated)	156,418	137,443	105,425	93,074
Closing equity shareholders' funds	173,354	156,418	125,283	105,425

Group shareholders funds at 31 July 2003 were originally £156,833,000 before deducting a prior year adjustment of £415,000 (note 1).

25 Reconciliation of net cash inflow to movement in net funds

	Group	
	2004 £'000	2003 £'000
Increase in cash in the year	7,472	27,643
Opening net funds	28,576	933
Closing net funds	36,048	28,576

26 Analysis of changes in net funds

Group	At 1 August 2003 £'000	Cash flows £'000	At 31 July 2004 £'000
Cash at bank and in hand	28,576	7,472	36,048

27 Lease commitments

At 31 July 2004 the Group's operating lease commitments for the financial year to 31 July 2005 were as follows:

	2004 Land and buildings £'000	2003 Land and buildings £'000
Leases expiring: after five years	338	356

28 Commitments and contingent liabilities

a) Capital commitments

At 31 July 2004, capital commitments were:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Contracted but not provided for	91	578	–	–

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 £9,096,000 (2003 £12,005,000) (note 11b).

At 31 July 2004 the potential amount payable by type of condition and category of player was:

Type of condition	First team squad £'000	Other £'000	Total £'000
MUFC appearances/new contract	927	6,299	7,226
International appearances	–	1,870	1,870
	927	8,169	9,096

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.

29 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 is advised only of its share of the deficit in the Scheme and was advised that its contributions to make good the deficit amounted to £1,520,000 and this has been charged to the profit and loss account in previous years. The latest actuarial valuation was at 31 August 2002 and the Group was advised that the deficit has increased and further contributions amounting to £504,000 were required. This amount was charged to the profit and loss account in full in the prior period (see note 4) as it is principally attributable to employees who have left the Group or retired. The revised deficit is being paid off over a period of 10 years commencing in April 2003.

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 £2,027,000 (2003 £1,969,000).

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

30 Related party transactions

Transactions with related parties are described on page 49 of the remuneration report. There were no other material transactions or balances with related parties as defined by FRS 8 'Related party transactions'.

31 Post balance sheet events

Subsequent to the balance sheet date, the playing registration of Wayne Rooney has been acquired from Everton Football Club. The unconditional acquisition cost is £22,000,000, of which £10,500,000 is due after more than one year. Further conditional costs of £7,850,000 are payable dependent on Manchester United team success, the player signing a new contract and international appearances by the player. Of this conditional amount £3 million is guaranteed to Everton if the player stays with Manchester United until June 2007.

Further analysis is shown below:

	Transfer fee £'000's	Agents fee £'000's	FAPL Levy £'000's	Total £'000's
Unconditional cost	20,000	1,000	1,000	22,000
Conditional cost	7,000	500	350	7,850
Total	27,000	1,500	1,350	29,850

The playing registration of Diego Forlan has been disposed of for a total consideration, net of associated costs, of £1,382,000. The associated net book value of the playing registration at 31 July 2004 was £3,275,000. As the transaction was in progress at the balance sheet date, a provision for the loss on disposal of £1,893,000 has been included in these accounts. The revised carrying value of the registration of £1,382,000 has been transferred from intangible fixed assets (note 11) and re-classified as an intangible asset held for resale.