

Red Football Limited
Annual Report and financial statements
for the year ended 30 June 2010

Red Football Limited

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Red Football Limited

Directors' report for the financial year ended 30 June 2010

The directors present their report of the audited Group and Company financial statements for the year ended 30 June 2010.

Principal activities

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

The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 13 to the financial statements.

Business review

On 29 January 2010, MU Finance plc, a direct subsidiary undertaking of Manchester United Limited issued sterling and dollar denominated senior secured notes (bond issue), which amounted to £502.5 million in aggregate (net of original issue discount). The funds raised from the bond issue together with cash reserves were on-loaned to the company to repay in full, the existing secured bank loans (senior facilities).

Group turnover for the year was £286.4 million (2009: £278.5 million). Operating profit before depreciation and amortisation of intangible fixed assets for the year was £98.6 million (2009: £91.3 million). Loss on ordinary activities before taxation for the year was £79.6 million (2009: Profit of £48.2 million). Loss on ordinary activities before taxation includes profit on disposal of players of £12.7m (2009: £80.7m) and exceptional finance charges of £64.7m (2009: £nil).

Included within the £64.7m exceptional finance charges is an unrealised exchange loss of £19.3m arising on the revaluation of the dollar denominated senior secured notes. Repayment of the bank loans (senior facilities) also gave rise to an exceptional loss on interest rate swaps of £40.7m related to the previous senior facilities, also included within the £64.7m.

For further details of the exceptional finance charges incurred in the year, please refer to note 6.

The Manchester United team maintained a high level of performance on the pitch, finishing FA Premier League runners up, winning the Carling Cup for the second consecutive year, and reaching the quarter final stage of the UEFA Champions League.

During the year Old Trafford staged 30 match day events comprising 29 Manchester United home games (comprising 19 FA Premier League, 5 UEFA Champions League, 4 domestic cup, and 1 friendly) and 1 rugby match.

Manchester United welcomes AON as our new principal shirt sponsor who succeeded AIG from the commencement of the 2010/11 season. The Group also welcomes a number of significant new commercial partners, including Globacom, Betfair, Thomas Cook, Mobile Telephone Networks (PTY), Telekom Malaysia, Viva Bahrain, Turkish Airlines, Singha and Vina Concha y Toro.

At 30 June 2010 the Group had net debt of £357.8 million (2009: £364.0 million) and had net cash inflows from operating activities in the year of £103.5 million (2009: £111.2 million).

Red Football Limited

Directors' report for the financial year ended 30 June 2010 (continued)

Strategy

The four key elements to the Group's strategy for growth are:

- Maintaining playing success
- Treating fans as customers
- Leveraging the global brand
- Developing club media rights

Summary of key performance indicators for 2009/10

Description	Target	Achieved	Detail
Team performance	Minimum third place finish in the FA Premier League	Yes	FAPL runners up
	Last 16 of the UEFA Champions League	Yes	UEFA Champions league quarter finalists
	Last 8 of domestic cup competitions		
	- FA Cup	No	Eliminated third round
- Carling Cup	Yes	Winners	
EBITDA (margin, excluding profit on disposal of players)	≥30 percent	Yes	34%
Wages/turnover	≤50 percent	Yes	46%
Matchday income	Maximum achievable attendance at home FA Premier League and UEFA Champions League matches	Yes	FA Premier League and UEFA Champions league home games largely sold out
Media income	Club owned media rights growth	Yes	8% increase
Commercial income	Sponsorship income growth	Yes	49% sponsorship growth (excl. kit and shirt sponsorship income)
Customer relationship management fan records	Customer base growth	Yes	1% increase

Future developments and outlook for 2010/11

- Almost 59,000 season tickets comprising both general admission and executive facility seats were sold before the start of the 2010/11 season.
- The team qualified for the UEFA Champions League for the 15th consecutive season by finishing 2nd in the Premier League in 2009/10.
- The Company continues to explore new commercial opportunities within the United Kingdom and overseas to further leverage the Manchester United brand.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Group are considered to relate to maintaining playing success, recruitment and retention of key employees (including playing and coaching staff) and the safety and security of supporters at the Old Trafford stadium.

Red Football Limited

Directors' report for the financial year ended 30 June 2010 (continued)

Principal risks and uncertainties (continued)

The business seeks to maintain playing success by continually investing in the squad either via the youth academy or by acquiring new talent via our extensive team of scouts who operate both domestically and internationally.

We aim to recruit and retain the best people by offering attractive remuneration packages including a range of financial and non-financial benefits, by ensuring regular communication with our employees and offering regular reviews of performance and training.

We place the security of our supporters at Old Trafford at the top of the agenda and the board continually reviews the safety and security arrangements both with our own security staff, the local authorities and external consultants to ensure that best practice is followed at all times.

Financial risk management

The Group's operations are exposed to a variety of financial risks that include credit risk, currency risk, liquidity risk and interest rate cash flow risk. The Board reviews and agrees policies for managing these risks which are then implemented by the finance department. The policies have remained unchanged throughout the year and are summarised below:

- **Credit risk**
Where considered appropriate, the Group performs credit checks using an external credit rating agency to evaluate the credit risk of potential customers. In relation to significant one-off transactions such as transfer agreements or sponsorship contracts, the Group reviews the credit risk based on information available and obtains bank guarantees where necessary. The Group also assesses the stability of financial institutions in which cash deposits are held to minimise any potential credit risk.
- **Currency risk**
The Group enters into forward contracts to purchase and sell foreign currency on sales and purchase transactions (including player transfers) where considered appropriate in order to minimise the impact of currency movements on the Group's financial performance. The Board has taken the decision at this time not to hedge any part of the senior secured notes which are denominated in US\$.
- **Liquidity risk**
The Group maintains a mixture of long term debt finance and maintains sufficient cash reserves in order to ensure that it has immediate funds available for short term working capital requirements and for investment in the playing squad and other capital projects.
- **Interest rate cash flow risk**
The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, which earn interest at a variable rate. Interest bearing liabilities include, senior secured notes, bank term loans and a revolving credit facility. The Group has a policy of maintaining a large proportion of its debt at a fixed rate, either by issuing debt at fixed coupon rates as with the recently issued senior secured notes or by entering into interest rate swaps where it is considered appropriate, in order to ensure certainty of future interest cash outflows. The directors will revisit the appropriateness of this policy should the Group's operations change significantly in size or nature.

Red Football Limited

Directors' report for the financial year ended 30 June 2010 (continued)

Post balance sheet events

The playing registrations of certain footballers have been disposed of, subsequent to the balance sheet date, for a total proceeds, net of associated costs of £750,083. The associated net book value was £74,978.

Subsequent to the balance sheet date, the playing registrations of certain players were acquired for a total consideration, including associated costs, of £8,307,000.

Dividends

An interim dividend was not paid during the year (2009: £nil). The directors do not recommend the payment of a final dividend (2009: £nil).

The loss for the financial year of £83.6 million (2009: Profit of £25.6 million) has been transferred to reserves.

Directors

The directors who held office throughout the year (unless otherwise indicated) and up to the date of signing the financial statements were as follows:

J Glazer (Chairman)

A Glazer

B Glazer

D Glazer

E Glazer

K Glazer

M Nusbaum

Company Secretary

W Sondericker

Qualifying third party indemnity provisions

At the time the report was approved a qualifying third party indemnity provision made by the Red Football Shareholder Group was in place for the directors of Red Football Shareholder Limited and its subsidiary companies. This has been in force throughout the financial year.

Differences between market and balance sheet value of land and buildings

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.

Charitable and political donations

Charitable donations during the year amounted to £25,000 (2009: £380,161). In line with Group policy, no donations were made for political purposes (2009: £nil).

During the year, a £25,000 (2009: £25,000 Hospice of Hope Romania Limited) donation was made to Team 2012 to support and fund training ahead of the forthcoming Olympic games. The 2009 donation was made specifically to the hospice in Belgrade following on from a Charity game held to commemorate 50 years of European Football at the Club.

The beneficiary of the balance of donations of £355,161 made during 2009 was the Manchester United Foundation ("the Foundation") which was launched in 2006/07 and has received charitable status. The Foundation is supported by Manchester United Limited, in that it has a licence to use Manchester United

Red Football Limited

Directors' report for the financial year ended 30 June 2010 (continued)

Charitable and political donations (continued)

Football Club's brand, and also certain rights to use the Club's ground at Old Trafford. Manchester United Limited is also a significant donor to the Foundation. The purpose of the Foundation, through its trading subsidiary, is to operate commercial activities using the Manchester United name, the profits from which will be used to support local and national official charity partners.

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.

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 is continuing with its focus on reward and recognition of performance as one of these priorities for improvement and its focus on a total reward strategy which has three principal components: compensation (pay package), benefits and the work experience. Schemes are continually introduced focusing on rewarding individual performance.

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

Environmental policies

Red Football Limited recognises its responsibility to ensure a safe and healthy environment and will endeavour to maintain sound environmental performance through the continued maintenance of our proactive environmental management system, which is integrated into our overall business activities.

Statement of directors' responsibilities

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

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

Red Football Limited

Directors' report for the financial year ended 30 June 2010 (continued)

Statement of directors' responsibilities (continued)

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

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

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

Statement of disclosure of information to auditors

Each director in office at the date of approval confirms:

- a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

J Glazer
Director

Registered office:
Old Trafford
Manchester
M16 0RA

Company registered in England and Wales No. 05370076
27 September 2010

Red Football Limited

Independent auditors' report to the members of Red Football Limited

We have audited the group and parent company financial statements (the "financial statements") of Red Football Limited for the year ended 30 June 2010 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated and Company balance sheets, the Consolidated cash flow statement, the Consolidated cash flow from operating activities and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2010 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Red Football Limited

Independent auditors' report to the members of Red Football Limited (continued)

Matters on which we are required to report by exception

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

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

Stephen Walton (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
27 September 2010

Red Football Limited

Consolidated profit and loss account

	Note	Year Ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Turnover	2	286,416	278,476
Operating expenses – other	3	(269,644)	(268,289)
Operating expenses – exceptional items	4	(2,160)	(837)
Total operating expenses		(271,804)	(269,126)
Operating profit		14,612	9,350
Analysed as:			
Operating profit before depreciation and amortisation of players' registrations and goodwill		98,634	91,254
Depreciation		(8,547)	(8,875)
Amortisation of players' registrations		(40,087)	(37,641)
Amortisation of goodwill		(35,388)	(35,388)
		14,612	9,350
Profit on disposal of players		12,689	80,724
Profit before interest and taxation		27,301	90,074
Net interest payable – before exceptional items	5	(42,275)	(41,889)
Net interest payable – exceptional items	6	(64,657)	-
(Loss)/profit on ordinary activities before taxation		(79,631)	48,185
Tax on (loss)/profit on ordinary activities	8	(3,735)	(22,681)
(Loss)/profit on ordinary activities after taxation		(83,366)	25,504
Equity minority interests		(273)	83
(Loss)/profit for the financial year	23,24	(83,639)	25,587

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

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

Red Football Limited

Consolidated statement of total recognised gains and losses

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
(Loss)/profit for the financial year	(83,639)	25,587
- Exchange gain/(loss) on revaluation of overseas subsidiary	5	(116)
- Investment property revaluation deficit	(702)	(2,022)
Total recognised (losses)/gains relating to the year	(84,336)	23,449

Red Football Limited

Consolidated balance sheet

	Note	At 30 June 2010 £'000	At 30 June 2009 £'000
Fixed assets			
Intangible assets – goodwill	10	350,677	386,065
Intangible assets – players' registrations	11	94,270	113,406
Tangible assets	12	248,547	253,206
		693,494	752,677
Current assets			
Stock	14	88	279
Debtors – amounts falling due within one year	15	675,114	278,149
Debtors – amounts falling due after more than one year	15	15,457	12,650
Cash at bank and in hand		163,833	150,530
		854,492	441,608
Creditors – amounts falling due within one year	16	(85,737)	(98,248)
Net current assets		768,755	343,360
Total assets less current liabilities		1,462,249	1,096,037
Creditors – amounts falling due after more than one year	17	(551,201)	(509,734)
Provision for liabilities			
Deferred taxation	19a	(13,040)	(17,568)
Other provisions	19b	(2,616)	(1,091)
Accruals and deferred income			
Deferred grant income	20	(322)	(380)
Other deferred income	21	(117,827)	(111,757)
Net assets		777,243	455,507
Capital and reserves			
Called up share capital	22	-	-
Share premium account	23	-	547,139
Other reserves	23	305	1,007
Capital contribution reserve	23	405,799	-
Profit and loss account	23	373,810	(89,695)
Total shareholders' funds	24	779,914	458,451
Minority interests		(2,671)	(2,944)
Capital employed		777,243	455,507

The financial statements on pages 9 to 40 were approved by the Board of directors on 27 September 2010 and signed on its behalf by:

J Glazer
Director

Red Football Limited

Company balance sheet

	Note	At 30 June 2010 £'000	At 30 June 2009 £'000
Fixed assets			
Investments	13	809,143	809,143
Current assets			
Debtors	15	286,038	237,367
Creditors – amounts falling due within one year	16	(52,636)	(143,143)
Net current assets		233,402	94,224
Total assets less current liabilities		1,042,545	903,367
Creditors – amounts falling due after more than one year	17	(22,437)	(491,857)
Net assets		1,020,108	411,510
Capital and reserves			
Called up share capital	22	-	-
Share premium account	23	-	547,139
Capital contribution reserve	23	405,799	-
Profit and loss account	23	614,309	(135,629)
Total shareholders' funds	24	1,020,108	411,510

The financial statements on pages 9 to 40 were approved by the board of directors on 27 September 2010 and signed on its behalf by:

J Glazer
Director

Red Football Limited

Consolidated cash flow statement

	Note	Year ended		Year ended	
		30 June 2010	30 June 2009	30 June 2010	30 June 2009
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities			103,537		111,186
Returns on investments and servicing of finance					
Interest received		1,681		1,260	
Interest paid		(35,645)		(41,772)	
Debt finance costs paid and issue discount		(23,702)		-	
Net cash outflow from returns on investments and servicing of finance			(57,666)		(40,512)
Taxation (paid)/received			(2,618)		236
Capital expenditure and financial investment					
Proceeds from sale of players' registrations		13,857		99,180	
Purchase of players' registrations		(44,274)		(55,220)	
Proceeds from sale of tangible fixed assets		51		28	
Purchase of tangible fixed assets		(4,753)		(3,810)	
Net cash (outflow)/inflow from capital expenditure and financial investment			(35,119)		40,178
Net cash inflow before use of financing			8,134		111,088
Financing					
Increase in borrowings		512,427		25,000	
Repayment of borrowings		(507,258)		(35,303)	
Net cash inflow /(outflow) from financing			5,169		(10,303)
Increase in net cash in the year	25		13,303		100,785

Red Football Limited

Consolidated cash flow from operating activities

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Net cash generated from operating activities		
Operating profit before exceptional items	16,772	10,187
Exceptional items (cash expended)	(424)	(190)
Depreciation charges	8,547	8,875
Amortisation of players' registrations	40,087	37,641
Amortisation of goodwill	35,388	35,388
(Loss)/profit on disposal of tangible fixed assets	104	(23)
Grants released	(58)	(68)
Decrease in stocks	191	4
Increase in debtors	(1,969)	(13,606)
Increase in creditors and deferred income	5,534	33,222
Decrease in provisions	(635)	(244)
Net cash inflow from operating activities	103,537	111,186

The operating cash flows include an outflow of £424,000 (2009: £nil) which comprises of £192,000 relating to the exceptional pension scheme deficit recognised in the 2009 financial statements and £232,000 relating to the exceptional onerous lease provision (note 4) recognised in the year.

The operating cash flows include an outflow of £nil (2009: £190,000) which relates to the exceptional employee termination costs accounted for within the 2008 financial statements.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010

1 Accounting policies

The financial statements have been prepared using the accounting policies described below which have been applied consistently across the Group throughout the year.

Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment properties, and have been drawn up to comply with applicable accounting standards in the United Kingdom and the Companies Act 2006, except for the non depreciation of investment properties and non amortisation of intangible assets.

Basis of consolidation

The financial statements combine the results of Red Football Limited and all its subsidiary undertakings using acquisition accounting. Subsidiary undertakings are those undertakings that Red Football Limited exerts control over. Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated.

Goodwill

On the acquisition of a subsidiary undertaking, fair values are attributed to the net assets acquired. Goodwill, which represents the difference between the purchase consideration and the fair value of net assets acquired is capitalised and amortised through the profit and loss account on a straight-line basis over its estimated useful economic life of 15 years.

Estimated useful economic life is determined after taking into account such factors as the nature and age of the business, the strength of the underlying brands and the stability of the industry in which the acquired business operates, as well as the typical life span of the acquired products to which the goodwill attaches.

Goodwill acquired is subject to an impairment review at the end of the first year following an acquisition, and at any other time if events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

Match Day

Match Day turnover comprises income receivable from all match day activities from Manchester United games at Old Trafford, together with the Club's 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.

Premier League Merit awards are only recognised when they are known at the end of the football season. UEFA pool distributions relating to participation in the Champions League are spread over the matches played in the competition whilst distributions relating to team performance are recognised to the extent they are certain.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

Commercial

Commercial turnover comprises income receivable from the exploitation of the Manchester United brand through sponsorship and other commercial agreements, including minimum guaranteed income, 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 over and above the minimum guaranteed income contained in the sponsorship and licensing agreements is taken to turnover when it is probable that the amounts will not be recouped by the sponsor in future years. Commercial turnover is recognised on a contractual basis, when it is considered that the contractual basis fairly reflects the level of activity and benefits of the contract.

Accrued income

Income from match day activities, media and commercial contracts, which is received after the period to which it relates, is treated as accrued income.

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 and Investment Properties

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes only those costs directly attributable to bring the asset into working condition for its intended use.

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

	Reducing balance	Straight line
Freehold property	1.33%	75 years
Computer equipment and software (included within Plant and machinery)	33%	3 years
Plant and machinery	20%-25%	4-5 years
Fixtures and fittings	15%	7 years

Tangible fixed assets acquired prior to and including 31 July 1999 are depreciated on a reducing balance basis at the rates stated above. Tangible fixed assets acquired on or after 1 August 1999 are depreciated on a straight line basis at the rates stated above.

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of a professional valuation undertaken at least every five years with an external professional valuer.

The directors consider that the carrying value of the investment properties fairly reflects the market value at the balance sheet date, based on a valuation undertaken by an external firm of qualified Chartered Surveyors, in accordance with the appropriate sections of the current Practice Statements and the United Kingdom Practice Statements contained within the RICS Valuation Standards, 6th Edition.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

Tangible Fixed Assets and Investment Properties (continued)

Changes in investment property values are disclosed in the Statement of total recognised gains and losses (being a movement on an investment property revaluation reserve), unless a deficit (or its reversal) on an individual investment property is expected to be permanent, in which case it is charged (or credited) to the profit and loss account for the year.

Depreciation is not provided for on investment properties. This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

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 – players' registrations

The costs associated with the acquisition of players' registrations are capitalised at cost as intangible fixed assets. Costs include transfer fees, FAPL levy fees, agents fees and other directly attributable costs. 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 player's 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 date at which the contingent payment becomes probable. The total amount which is currently considered possible but not probable is disclosed in note 28b.

Where a sale transaction for a players' registration is in progress at the balance sheet date but completed by the date the financial statements are approved and the amount of net proceeds is less than the carrying value of that registration, a provision for the loss on disposal is included in the financial statements, within the disposal of players category in the profit and loss account. An assessment is also made of directly attributable disposal costs and related onerous contract costs, such amounts are provided and included within the disposal of players category in the profit and loss account.

Proceeds from the temporary transfer of players' registrations to other clubs are offset against their respective staff costs.

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

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

Grants (continued)

balance sheet represents total grants received less amounts credited to the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profit at the current tax rate.

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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

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 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. Monetary 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 taken to the profit and loss account. Any exchange gains or losses arising from the translation of a foreign subsidiary undertaking are recognised through the Statement of total recognised gains and losses.

Provisions

Provision is made for the anticipated net costs of onerous leases on non-trading properties and is discounted. 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. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. Derivative instruments utilised by the Group include forward currency contracts and interest rate swaps. The impact on profit is 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. Any premiums received at the inception of the lease are recognised on a straight-line basis over the life of the lease.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

Leases (continued)

Rentals receivable under operating leases are credited to the profit and loss account on a straight line basis over the lease term. Any lease incentives given are recognised on a straight-line basis over the life of the lease.

Pension costs

The pension cost charge disclosed in note 29 represents contributions payable by one company to the fund. The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Bank loans, senior secured notes and senior facilities

Bank loans are recorded at the amount repayable at the balance sheet date, net of directly attributable issue costs which are amortised over the estimated useful life of the relevant loans.

Senior secured notes are recorded at the amount repayable at the balance sheet date, net of directly attributable finance and issue costs which are amortised over the estimated useful life of the senior secured notes.

2 Turnover

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Match Day	100,164	108,799
Media	104,814	99,735
Commercial	81,438	69,942
	286,416	278,476

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
United Kingdom	283,552	272,021
Rest of world – tour income	2,864	6,455
	286,416	278,476

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

The Group's activities are managed as one business and, as such, the operating expenses are not separately identifiable to any particular segment. As a result, no segmental analysis of operating performance or net assets is provided.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

3 Operating expenses - other

Group	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Operations excluding player amortisation and trading:		
Staff costs (note 7)	131,689	123,120
Depreciation – owned assets (note 12)	8,547	8,875
Amortisation of goodwill (note 10)	35,388	35,388
Operating lease costs - land and buildings	1,272	741
Operating lease costs – other	173	173
Other operating charges	51,838	61,841
Auditors' remuneration: audit of parent company and consolidated accounts	16	23
Auditors' remuneration: other audit services	12	16
Auditors' remuneration: other services	463	625
Exchange losses/(gains) on retranslation	113	(63)
Grants released (note 20)	(58)	(68)
Loss/(profit) on disposal of tangible fixed assets	104	(23)
	229,557	230,648
Player amortisation:		
Amortisation of players' registrations (note 11)	40,087	37,641
	269,644	268,289
Auditors' remuneration for other services comprised:		
Audit of subsidiary undertakings	69	97
Taxation advice	394	528
	463	625

In addition to the auditors remuneration charges disclosed above, are amounts of £701,000 (2009: £nil) included within debt finance costs relating to services provided in connection with the bond issue on 29th January 2010.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

4 Operating expenses – exceptional items

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Football League pension scheme deficit	-	837
Increase in onerous lease provision (note 19b)	2,160	-
	2,160	837

The revised onerous lease provision reflects the present value of future lease payments on a property upon which no income generating tenant has been secured. The provision relates to a lease which contains a break clause that may be exercised in 2015.

5 Net interest payable – before exceptional items

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Interest payable on bank loans, overdrafts and senior facilities	22,859	42,106
Interest payable on senior secured notes	19,072	-
Unwinding of discount factor on onerous lease provision (note 19b)	99	-
Amortisation of issue discount/debt finance costs	1,960	1,100
Total interest and similar charges payable before exceptional items	43,990	43,206
Total interest receivable	(1,715)	(1,317)
Net interest payable before exceptional items	42,275	41,889

6 Net interest payable – exceptional items

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Termination of interest rate swap agreements	40,682	-
Unrealised foreign exchange loss on dollar denominated senior secured notes	19,270	-
Accelerated amortisation of debt issue costs on repaid senior facilities	4,705	-
	64,657	-

On completion of the bond issue (refer to note 18), the previous secured bank loans (senior facilities) were repaid in the Company. This resulted in an exceptional loss in the year on interest rate swaps (related to senior facilities) of £40.7m and also triggered the accelerated write off of the remaining unamortised debt issue costs on the senior facilities of £4.7m.

Exceptional items also include an unrealised foreign exchange loss of £19.3m arising on the translation of dollar denominated senior secured notes due to the strengthening of the dollar relative to sterling in the period since the bond issue. In the event of the dollar weakening relative to sterling, the profit and loss account would recognise an unrealised foreign exchange gain with the cumulative profit or loss only becoming realised in 2017, when the senior secured notes are due for repayment (refer to note 18).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

7 Staff costs

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

Group	Year ended 30 June 2010 Number	Year ended 30 June 2009 Number
By activity:		
Players	68	62
Ground staff	111	110
Ticket office and membership	105	106
Catering	64	70
Administration and other	244	243
Average monthly number of employees	592	591

The company has no employees (2009: nil).

The Group also employs approximately 1,869 temporary staff (2009: 2,012).

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

Group	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Wages and salaries	117,060	109,567
Social security costs	13,234	12,325
Other pension costs	1,395	1,228
	131,689	123,120

No directors received any emoluments in respect of services for the Company or the Group during the year (2009: none).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

8 Tax on (loss)/profit on ordinary activities

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Current tax		
UK Corporation tax on the (loss)/profit for the year	8,204	7,452
Foreign tax suffered	59	44
Adjustment in respect of previous years	-	(2,032)
Total current tax	8,263	5,464
Deferred tax		
Origination and reversal of timing differences (note 19a)	(4,528)	17,217
Total deferred tax	(4,528)	17,217
Tax charge on (loss)/profit on ordinary activities	3,735	22,681

The £8,204,000 (2009: £7,452,000) corporation tax charge on the loss for the year relates to a payment in respect of group relief claimed from the immediate parent company, Red Football Joint Venture Limited.

The tax rate for the year is higher (2009: lower) than that resulting from applying the standard rate of corporation tax in the UK of 28% (2009: 28%). A reconciliation of current tax is shown below:

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
(Loss)/profit on ordinary activities before taxation	(79,631)	48,185
(Loss)/profit on ordinary activities multiplied by the standard rate of 28% (2009: 28%)	(22,297)	13,492
Effects of:		
- Adjustment to tax in respect of previous years	-	(2,032)
- Expenses not deductible for tax purposes	1,040	1,069
- Goodwill amortisation	9,909	9,909
- Foreign tax suffered	59	44
- Capital allowances and other timing differences	1,351	1,657
- Rolled over gain on player disposal	3,177	(18,874)
- Deferred tax asset not recognised	15,024	199
Total Current Tax	8,263	5,464

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance Act (No 2) 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to

Red Football Limited

Notes to the financial statements for the year ended 30 June, 2010 (continued)

8 Tax on (loss)/profit on ordinary activities (continued)

Factors that may affect future tax charges (continued)

reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance Act (No 2) 2010 would be to reduce the deferred tax liability provided at 30 June 2010 by £466k. This £466k decrease in the deferred tax liability would increase profit for the year by £466k. This decrease in the deferred tax liability is due to the reduction in the corporation tax rate from 28 per cent to 27 per cent with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 30 June 2010, would be to reduce the deferred tax liability by £1,398k (being £466k recognised in 2012, £466k recognised in 2013 and £466k recognised in 2014).

9 Profits of holding company

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the company alone. The Company's profit for the financial year was £202,799,000 (2009: Loss of £31,099,000) which includes dividends received of £266,951,000 from direct subsidiary undertakings.

10 Intangible assets - goodwill

Group	Total £'000
Cost	
At 1 July 2009 and 30 June 2010	530,822
Accumulated amortisation	
At 1 July 2009	144,757
Charge for the year	35,388
At 30 June 2010	180,145
Net book amount	
At 30 June 2010	350,677
At 30 June 2009	386,065

The Company had no intangible fixed assets relating to goodwill (2009: £nil).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

11 Intangible assets – players' registrations

Group	Total £'000
Cost	
At 1 July 2009	222,306
Additions	25,717
Disposals	(9,638)
At 30 June 2010	238,385
Accumulated amortisation	
At 1 July 2009	108,900
Charge for the year	40,087
Disposals	(4,872)
At 30 June 2010	144,115
Net book amount	
At 30 June 2010	94,270
At 30 June 2009	113,406

The Company had no intangible fixed assets relating to players' registrations (2009: £nil).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

12 Tangible assets

Group	Investment Property £'000	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 July 2009	9,740	252,235	31,744	18,441	312,160
Additions	-	754	1,658	2,333	4,745
Disposals	-	(683)	(465)	(662)	(1,810)
Revaluation	(702)	-	-	-	(702)
At 30 June 2010	9,038	252,306	32,937	20,112	314,393
Accumulated depreciation					
At 1 July 2009	-	21,033	25,939	11,982	58,954
Charge for the year	-	3,288	3,642	1,617	8,547
Disposals	-	(683)	(408)	(564)	(1,655)
At 30 June 2010	-	23,638	29,173	13,035	65,846
Net book amount					
At 30 June 2010	9,038	228,668	3,764	7,077	248,547
At 30 June 2009	9,740	231,202	5,805	6,459	253,206

The Company had no tangible fixed assets (2009: £nil).

Investment properties were valued on an open market existing use basis by an external firm of qualified Chartered Surveyors, in accordance with RICS Appraisal and Valuation Manual.

The change in market value of the investment property is expected to be temporary and has therefore been taken to the statement of total recognised gains and losses.

If the revalued assets were stated on an historical cost basis, investment property cost and investment property net book value would be £11.8 million (2009: £11.8 million) and £11.8 million (2009: £11.8 million) respectively.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

13 Fixed asset investments

Company

	Subsidiary Undertakings
	£'000
Cost and net book amount	
At 1 July 2009 and 30 June 2010	809,143

The following companies are the principal subsidiary undertakings of the Group at 30 June 2010:

Subsidiaries	Country of incorporation and operation	Principal activity	Description of share classes owned
*Red Football Junior Limited	England and Wales	Holding company	100% Ordinary
*Manchester United Limited	England and Wales	Holding company	72% Ordinary
Manchester United Football Club Limited	England and Wales	Professional football club	100% Ordinary
MU Finance plc	England and Wales	Debt holding company	100% Ordinary
Manchester United Interactive Limited	England and Wales	Media company	100% Ordinary
Manchester United Commercial Enterprises (Ireland) Limited	Ireland	Property investment	100% Ordinary
Alderley Urban Investments Limited	England and Wales	Property investment	100% Ordinary
MUTV Limited	England and Wales	Subscription TV channel	66.7% Ordinary

* Direct investment of Red Football Limited, others are held by subsidiary undertakings.

The directors believe that the net book value of investments is supported by their underlying net assets and future forecasts.

14 Stock

Group	30 June 2010 £'000	30 June 2009 £'000
Raw materials and consumables	21	37
Goods held for resale	67	242
	88	279

The Company had no stock (2009: £nil).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

15 Debtors

	Group		Company	
	30 June 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Amounts falling due within one year				
Trade debtors	29,218	26,230	-	-
Amounts due from parent undertaking	630,761	236,649	233,409	233,409
Amounts due from subsidiary undertakings	-	-	52,629	3,958
Corporation tax	59	-	-	-
Other debtors	23	1,689	-	-
Prepayments and accrued income	15,053	13,581	-	-
	675,114	278,149	286,038	237,367
Amounts falling due after more than one year				
Trade debtors	2,957	150	-	-
Other debtors	12,500	12,500	-	-
	15,457	12,650	-	-
Total debtors	690,571	290,799	286,038	237,367

Trade debtors include transfer fees receivable from other football clubs of £13,358,000 (2009: £10,293,000), of which £2,957,000 (2009: £150,000) is receivable after more than one year.

Group other debtors include amounts due from the directors of £10,000,000 (2009: £10,000,000), all of which is receivable after more than one year. Full details of these loans can be found in note 30a to the financial statements.

Amounts due from parent and subsidiary undertakings are unsecured, interest free, repayable on demand and have no fixed dates of repayment.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

16 Creditors – amounts falling due within one year

	Group		Company	
	30 June 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Borrowings and associated costs (note 18)	(3,099)	10,151	-	9,850
Trade creditors	13,910	38,626	-	556
Amounts due to parent undertaking	21,246	23,528	-	-
Amounts due to subsidiary undertakings	-	-	48,728	132,594
Corporation tax	-	2,500	-	-
Social security and other taxes	11,868	6,510	-	-
Other creditors	5,082	167	3,684	-
Accruals	36,730	16,766	224	143
	85,737	98,248	52,636	143,143

Group trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £11,230,000 (2009: £28,942,000).

Amounts due to parent and subsidiary undertakings are unsecured, interest free, repayable on demand, and have no fixed dates of repayment.

17 Creditors – amounts falling due after more than one year

	Group		Company	
	30 June 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Bank loans and associated costs (note 18)	519,769	499,341	-	491,857
Other borrowings (note 18)	5,000	5,000	-	-
Trade creditors	2,995	4,209	-	-
Other creditors	23,437	1,184	22,437	-
	551,201	509,734	22,437	491,857

Group trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £2,995,000 (2009: £4,209,000).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

18 Borrowings

	Group		Company	
	30 June 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Secured bank loans/senior facilities	7,489	509,492	-	501,707
Senior secured notes	509,181	-	-	-
Other borrowings	5,000	5,000	-	-
	521,670	514,492	-	501,707
Maturity of financial liabilities:				
Less than one year	(3,099)	10,151	-	9,850
In more than one year but not more than two years	(3,080)	13,169	-	12,850
In more than two years but not more than five years	(4,111)	111,686	-	105,609
In more than five years	531,960	379,486	-	373,398
	521,670	514,492	-	501,707
Analysis of changes in borrowings:				
Opening	514,492	523,695	501,707	510,695
New borrowings (net of debt finance (£14.1m) costs and issue discount (£9.9m))	488,501	25,000	-	-
Unrealised foreign exchange loss on dollar denominated senior secured notes	19,270	-	-	-
Amortisation of issue discount/debt finance costs	6,665	1,100	5,255	1,100
Repayment of borrowings	(507,258)	(35,303)	(506,962)	(10,088)
Closing	521,670	514,492	-	501,707

On 29 January 2010, MU Finance plc, a wholly owned subsidiary of Manchester United Limited, issued sterling and dollar denominated senior secured notes (bond issue), which amounted to £502.5 million in aggregate (net of original issue discount). The notes are due for repayment in 2017 and interest will be paid on the notes semi-annually.

The notes are secured by a first-ranking lien over all shares and substantially all property and assets of the issuer and guarantors, which by definition incorporates Red Football Limited, Red Football Junior Limited, Manchester United Limited and Manchester United Football Club Limited. The notes are listed on the Luxembourg stock exchange and are traded on the Euro MTF market.

The funds raised from the bond issue, together with existing cash reserves, were on-loaned to the Company to repay in full, the existing secured bank loans (senior facilities). The Group also has access to a new £75m revolving credit facility which replaces the £50m revolving credit facility under the previous agreement. No draw downs were made from the new facility during the financial year.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

18 Borrowings (continued)

Included within group borrowings is £9,270,000 (2009: £nil) of unamortised original issue discount on the sterling and dollar denominated senior secured notes, of which £1,408,000 (2009: £nil) is to be amortised within one year.

Also included within group borrowings is £13,247,000 (2009: £nil) of unamortised financing costs on the senior secured notes, of which £2,010,000 (2009: £nil) is to be amortised within one year.

The costs are being amortised in line with the senior secured note repayment terms.

Senior secured notes of £509,181,000 (2009: £nil) comprise of:

- a) £489,911,000 of senior secured notes (net of £9,270,000 of unamortised issue discount and £13,247,000 of unamortised debt finance costs). The note issue comprised aggregate principal amounts of £250 million of sterling senior secured notes attracting a coupon rate of 8.75% and \$425 million of U.S. dollar denominated senior secured notes attracting a coupon rate of 8.375%.
- b) £19,270,000 unrealised foreign exchange loss arising on the revaluation of dollar denominated senior secured notes.

Secured bank loans of £7,489,000 (2009: £509,492,000) comprise of:

- a) £nil (2009: £501,707,000) of senior facilities (net of £5,256,000 of unamortised debt finance costs) drawn down by Red Football Limited, a subsidiary Company by way of four term loans.
- b) £7,489,000 (£7,785,000) bank loan within Alderley Urban Investments Limited, a subsidiary of Manchester United Limited that attracts interest of Libor + 1%. £3,290,000 is repayable in quarterly instalments through to July 2018, with the remaining balance of £4,199,000 being re-payable at par on 9 July 2018. The loan is secured by way of a first legal charge over a group investment property, known as The Manchester International Freight Terminal.

The loan stock of £5,000,000 is unsecured and is issued to the minority shareholder of MUTV (a subsidiary of Manchester United Limited). The loan stock accrues interest at Libor + 1% to 1.5% and was repayable at par in 2007, subject to the availability of free cash flows. It is currently estimated that the loan will be repaid within 2 to 5 years, based on current projections.

19 Provision for liabilities and charges

(a) Deferred taxation

The provision for deferred taxation comprises:

Group	30 June 2010 £'000	30 June 2009 £'000
Capital allowances less than depreciation	(1,963)	(559)
Short term timing differences	(694)	(747)
Rolled over gain on player disposal	15,697	18,874
	13,040	17,568

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

19 Provision for liabilities and charges (continued)

(a) Deferred taxation (continued)

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

Group	30 June 2010 £'000
At 1 July 2009	17,568
Amount (credited) to profit and loss account (note 8)	(4,528)
At 30 June 2010	13,040

The Group has an unrecognised deferred tax asset of £17.9 million (2009: £2.9 million) arising from losses which has not been recognised as it is not considered likely that the asset could be realised in the foreseeable future.

There was no deferred tax balance in the Company (2009: £nil).

(b) Other provisions

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

Group	30 June 2010 £'000
At 1 July 2009	1,091
Utilised	(467)
Unwinding of discount factor	99
Charged to the profit and loss account	2,160
Movements on foreign exchange	(267)
At 30 June 2010	2,616

The provision relates to a lease which contains a break clause that may be exercised in 2015 (refer to note 4).

The company had no other provisions (2009 £nil).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

20 Deferred grant income

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

Group	30 June 2010 £'000
At 1 July 2009	380
Grants released to the profit and loss account	(58)
At 30 June 2010	322

There was no deferred grant income in the Company (2009: £nil).

21 Other deferred income

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

Group	30 June 2010 £'000	30 June 2009 £'000
Match Day activities	52,018	54,178
Media contracts	64	-
Commercial contracts	65,745	57,579
	117,827	111,757

There was no deferred income balance in the Company (2009: £nil).

22 Called up share capital

Group and Company	30 June 2010 £	30 June 2009 £
Authorised:		
1,000,000 ordinary shares of £0.0001 each	100	100
Allotted and fully paid:		
994,397 ordinary shares of £0.0001 each	99	99

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

23 Reserves

Group

	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000
At 1 July 2009	547,139	-	(89,695)
Loss for the financial year	-	-	(83,639)
Exchange gain on overseas subsidiary	-	-	5
Capital reduction	(547,139)	-	547,139
Capital contribution received from immediate parent undertaking	-	405,799	-
At 30 June 2010	-	405,799	373,810

Group

	Investment property revaluation reserve £'000	Subsidiary acquisition reserve £'000	Other reserves £'000	Total £'000
At 1 July 2009	(2,022)	2,463	566	1,007
Investment property revaluation deficit	(702)	-	-	(702)
At 30 June 2010	(2,724)	2,463	566	305

Company

	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2009	547,139	-	(135,629)	411,510
Profit for the financial year (note 9)	-	-	202,799	202,799
Capital reduction	(547,139)	-	547,139	-
Capital contribution received from immediate parent undertaking	-	405,799	-	405,799
At 30 June 2010	-	405,799	614,309	1,020,108

On 27 January 2010, the Company undertook a capital reduction supported by the directors Solvency Statement in accordance with s642 of the Companies Act 2006, to cancel its share premium and create realised profits of £547,139,000 (2009: £nil).

On 27 January 2010, Red Football Joint Venture Limited invested £405,799,000 (2009: £nil) of proceeds from the bond issue (received from Manchester United Limited) into the Company, by way of a permanent capital contribution. The contribution is recognised as an investment in Red Football Joint Venture Limited and credits the reserves of the Company.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

24 Reconciliation of movements in shareholders' funds

	Group		Company	
	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
(Loss)/profit for the financial year	(83,639)	25,587	202,799	(31,099)
Exchange gain/(loss) on overseas subsidiary	5	(116)	-	-
Capital contribution received from immediate parent undertaking	405,799	-	405,799	-
Investment property revaluation deficit	(702)	(2,022)	-	-
Net increase/(decrease) to shareholders' funds	321,463	23,449	608,598	(31,099)
Opening shareholders' funds	458,451	435,002	411,510	442,609
Closing shareholders' funds	779,914	458,451	1,020,108	411,510

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

25 Reconciliation of net cash inflow to movement in net debt

Group

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Increase in cash in the year	13,303	100,785
Cash inflow from increase in borrowing (net of debt finance and issue discount)	(488,725)	(25,000)
Non cash changes (note 26)	(25,711)	(1,100)
Cash outflow from repayment of debt	507,258	35,303
Movement in net debt	6,125	109,988
Opening net debt	(363,962)	(473,950)
Closing net debt	(357,837)	(363,962)

26 Analysis of changes in net debt

	At 1 July 2009 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2010 £'000
Cash at bank and in hand	150,530	13,303	-	163,833
Debt due within one year	(10,151)	11,246	2,004	3,099
Debt due after more than one year	(504,341)	7,287	(27,715)	(524,769)
	(363,962)	31,836	(25,711)	(357,837)

Non-cash changes comprise largely unrealised foreign exchange losses on translation of dollar denominated senior secured notes (£19.3m) and amortisation of debt finance/issue costs (£6.7m).

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

27 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	30 June 2010		30 June 2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Group				
Expiry date:				
-within one year	-	33	-	14
-between two and five years	405	145	258	159
-after five years	518	-	540	-
	923	178	798	173

28 Commitments and contingent liabilities

a) Capital commitments

At 30 June 2010, the Group had capital commitments amounting to £2.8 million (2009: £1.3 million).

At 30 June 2010, the Company did not have any capital commitments (2009: £nil).

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 £12,769,000 (2009: £11,141,000).

At 30 June 2010, the potential amount payable by type of condition and category of player was:

	First team squad £'000	Other £'000	Total £'000
Type of condition			
MUFC appearances/new contract	8,074	4,325	12,399
International appearances	50	320	370
	8,124	4,645	12,769

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

28 Commitments and contingent liabilities (continued)

(c) Derivative contracts

At 30 June 2010, certain Group companies had entered into derivative contracts for both foreign currency and interest rate swaps. The amounts committed to as at 30 June 2010 are as follows:

GBP foreign currency derivative contracts:

Currency	Principal Value (£'000)	Average Rate
Euro	23,936	1.180
US Dollar	11,854	1.454

US Dollar foreign currency derivative contracts

Currency	Principal Value (\$'000)	Average Rate
GBP	22,272	1.555

Interest rate swaps:

Principal Value of loan outstanding (£'000)	Rate received	Rate paid	Expiry date
*7,489 – 7,166	3 month libor	Fixed 5.25%	7 April 2011
*7,166 – 4,199	3 month libor	Fixed 6.1%	9 July 2018

* - The principal value of the swaps reduces in accordance with the loan repayment terms (note 18).

The principal value of £7,489,000 represents the balance outstanding at 30 June 2010 on the secured bank loan in Alderley Urban Investments Limited.

The carrying amounts of the derivatives as disclosed in the table above, are included within debtors or creditors as appropriate. The fair value of the financial instruments are the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of the foreign currency and interest rate swap agreements was estimated by calculating the present value, using appropriate discount rates in effect at the balance sheet date, of affected future cash flows translated, where appropriate, into pounds sterling at the market rates in effect at the balance sheet dates. The fair value surplus of the foreign currency and interest rate swap agreements was £124,755.

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

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 unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme. The Group is advised only of its share of the deficit in the Scheme and the contributions required to make good the deficit. A cumulative amount of £3,260,682 (2009: £3,260,682) has been charged to the profit and loss account (in full) as it is principally attributable to employees who have left the Group or retired.

The current deficit, based on the last actuarial valuation at 31 August 2008, is being paid off over a period of ten years from September 2009. The creditor as at 30 June 2010 amounts to £183,748 (2009: £167,000) due within one year and £1,000,735 (2009: £1,184,000) due after more than one year.

(b) Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the profit and loss account in the period in which they become payable and amounted to £1,395,000 (2009: £1,228,000).

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

As at 30 June 2010, amounts accrued in relation to the defined contribution scheme amounted to £218,725 (2009: £184,586).

30 Related party transactions

a) Directors' transactions

Included within other debtors due after more than one year are loan balances made between the Group and the following directors:

Director	At 1 July 2009 and 30 June 2010
	£'000
A Glazer	1,667
B Glazer	1,667
D Glazer	1,667
E Glazer	1,667
J Glazer	1,666
K Glazer	1,666
	10,000

Red Football Limited

Notes to the financial statements for the year ended 30 June 2010 (continued)

30 Related party transactions (continued)

a) Directors' transactions (continued)

The loans are not due for repayment for a period of at least five years from the date of issue. Interest was charged on the loans from the date of issue at 5.5% per annum. Interest charged during the year amounted to £550,000 (2009: £233,110). The amounts above represent the maximum balances during year.

b) Other related party transactions

E M Watkins was a director of a subsidiary undertaking, Manchester United Football Club Limited throughout the period. Legal fees of £423,185 were incurred during the year (2009: £431,677), in the ordinary course of business, to Brabners Chaffe Street, a firm in which E M Watkins is the senior partner. Included within Group trade creditors are amounts of £53,296 (2009: £123,079) owed to Brabners Chaffe Street.

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Red Football Shareholder Limited, whose financial statements are publicly available.

31 Post balance sheet events

The playing registrations of certain footballers have been disposed of, subsequent to the balance sheet date, for a total proceeds, net of associated costs of £750,083. The associated net book value was £74,978.

Subsequent to the balance sheet date, the playing registrations of certain players were acquired for a total consideration, including associated costs, of £8,307,000.

32 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Red Football Joint Venture Limited.

The ultimate parent undertaking and controlling party is Red Football Limited Partnership, a limited partnership formed in the state of Nevada, United States of America whose general partner is Red Football General Partner, Inc. a corporation formed in the State of Nevada, United States of America.

Red Football Shareholder Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2010. The consolidated financial statements of Red Football Shareholder Limited can be obtained from the Company Secretary, Red Football Shareholder Limited, Old Trafford, Manchester, M16 0RA.

Red Football Joint Venture Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 30 June 2010. The consolidated financial statements of Red Football Joint Venture Limited can be obtained from the Company Secretary, Red Football Joint Venture Limited, Old Trafford, Manchester, M16 0RA.