

Company Number 05370076

Red Football Limited
Annual Report and financial statements
for the year ended 30 June 2011

Red Football Limited

Contents

Directors' report	2
Independent auditors' report to the members of Red Football Limited	9
Consolidated income statement	11
Consolidated statement of comprehensive income	12
Consolidated statement of financial position	13
Consolidated statement of changes in equity	15
Consolidated statement of cash flows	17
Notes to the consolidated financial statements	18
Independent auditors' report to the members of Red Football Limited	73
Company balance sheet	75
Notes to the Company financial statements	76

Red Football Limited

Directors' report

The directors present their report and the audited Group and Company financial statements for the year ended 30 June 2011.

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 4 to the Company financial statements.

Business review

The Group's consolidated financial statements were prepared in accordance with UK Generally Accepted Accounting Principles ('UK GAAP') until 30 June 2010. The Group has elected to prepare its consolidated financial statements for 2011 under International Financial Reporting Standards ('IFRSs') as adopted by the European Union, applying a transition date of 1 July 2008 (note 32). The Company financial statements are still prepared under UK GAAP.

Group revenue for the year was £331.4 million (2010: £286.4 million; 2009: 278.5 million). Operating profit before depreciation, amortisation of, and profit on disposal of, players' registrations, and operating expenses – exceptional items ('adjusted EBITDA') for the year was £110.9 million (2010: £101.2 million; 2009: £93.0 million). Operating expenses – exceptional items for the year were £4.7 million (2010: £2.8 million; 2009: £3.1 million). Profit on ordinary activities before tax for the year was £29.7 million (2010: loss of £15.0 million; 2009: profit of £32.7 million). Profit/(loss) on ordinary activities before tax includes profit on disposal of players' registrations of £4.5 million (2010: £13.4 million; 2009: £80.2 million) and is net of net finance costs of £34.7 million (2010: £78.1 million; 2009: £90.8 million).

Included within the £34.7 million net finance costs is an unrealised foreign exchange gain of £16.4 million (2010: loss of £19.3 million; 2009: £nil) arising on the revaluation of the US Dollar denominated senior secured notes. For further details of net finance costs please refer to notes 8 and 9 to the financial statements.

The Manchester United team maintained a high level of performance on the pitch, winning the FA Premier League title, reaching the FA Cup semi-final, and reaching the final of the UEFA Champions League.

During the year Old Trafford staged 32 match day events comprising 29 Manchester United home games (comprising 19 FA Premier League, 6 UEFA Champions League and 4 domestic cup), 2 Football League Play Off Finals and 1 Rugby League Grand Final.

During the year the Group welcomed a number of significant new commercial partners, including Thomas Cook, PCCW, Epson, Singha, DHL, Shinhan Card, Telecom Malaysia and Vina Concha y Toro.

At 30 June 2011 the Group had net debt of £308.3 million (2010: £376.9 million; 2009: £364.0 million) and had net cash generated from operating activities for the year of £70.3 million (2010: £53.1 million; 2009: £70.9 million).

Red Football Limited

Directors' report (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 2010/11

Description	Target	Achieved	Detail
Team performance	Minimum third place finish in the FA Premier League	Yes	FAPL champions
	Last 16 of the UEFA Champions League	Yes	UEFA Champions League finalists
	Last 8 of domestic cup competitions		
	- FA Cup	Yes	Semi-finalists
	- Carling Cup	Yes	Eliminated fifth round
Adjusted EBITDA margin ⁽¹⁾	≥30 percent	Yes	33%
Staff costs/revenue	≤50 percent	Yes	46%
Match day revenue	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 revenue	Club owned media rights growth	No ⁽²⁾	6% decrease
Commercial revenue	Sponsorship income growth	Yes	61% increase (excluding kit and shirt sponsorship income)
Customer relationship management fan records	Customer base growth	Yes	54% increase

⁽¹⁾ Adjusted EBITDA is operating profit before depreciation, amortisation of, and profit on disposal of, players' registrations, and operating expenses – exceptional items

⁽²⁾ the decline in Club owned media rights revenue is expected to be temporary and was principally caused by a change with respect to how MUTV international rights are sold

Red Football Limited

Directors' report (continued)

Future developments and outlook for 2011/12

- Over 59,000 season tickets comprising both general admission and executive facility seats were sold before the start of the 2011/12 season.
- The team qualified for the UEFA Champions League for the 16th consecutive season by finishing FA Premier League Champions in 2010/11.
- 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 Group is exposed to a range of risks and uncertainties which have the potential to affect the long-term performance of the Group. The directors meet with the executive directors of the Group's main operating company, Manchester United Limited, by telephone on a weekly basis and face to face several times a year. At these meetings the directors regularly monitor the key risks faced by the Group and discuss mitigating actions. In addition to these discussions, the management of day to day operational risks within the business is delegated to the Group Executive (the senior management team including all the executive directors of Manchester United Limited).

The key business risks and uncertainties affecting the Group are considered to relate to the performance and popularity of the first team, negotiation and pricing of key broadcasting contracts, renewal and replacement of key commercial agreements on similar or better terms, recruitment and retention of key employees (including playing and coaching staff) and the safety and security of supporters at the Old Trafford stadium.

Our revenues are dependent on the performance and popularity of the first team. Significant sources of our revenue are the result of strong performances in the English domestic and European competitions. Our revenue varies significantly depending on the first team's participation and performance in these competitions. Our first team's performance affects all three of our primary sources of revenue: match day revenue through ticket sales, media revenue through frequency of appearance and performance, and commercial revenue through merchandising and sponsorship revenues. Our participation in the UEFA Champions League, which is dependent upon the first team's performance in the FA Premier League, is particularly important. During the year our participation in the UEFA Champions League generated match day revenues of £12.8 million (2010: £10.7 million; 2009: £13.1 million) and media revenues of £46.9 million (2010: £40.8 million; 2009: £36.0 million). 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.

During the year 90.0% (2010: 89.7%; 2009: 88.7%) of our media revenues were generated from broadcasting rights for FA Premier League and UEFA Champions League matches. Contracts for these broadcasting rights are negotiated collectively by the FA Premier League and UEFA respectively. We do not participate and therefore do not have direct influence on the outcome of contract negotiations. Furthermore, the limited number of bidders for these rights may result in reduced prices paid for those rights in the future.

Our commercial revenues for the year represented 31.2% (2010: 28.4%; 2009: 25.1%) of our total revenues. The majority of our commercial revenue is generated from commercial agreements with our sponsors and these agreements have finite terms. When these contracts do expire we may not be able to renew or replace them with contracts on similar or better terms or at all. We aim to continue to grow our sponsorship portfolio by developing and expanding our geographic and product category segmented approach which will include partnering with additional global sponsors, regional sponsors, and mobile and media operators.

Red Football Limited

Directors' report (continued)

Principal risks and uncertainties (continued)

We face strong competition from other football clubs in England and Europe in attracting and retaining talent. We aim to recruit and retain the best playing, coaching and general staff by offering attractive remuneration packages, 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

Information about the Group's financial risk management can be found in note 4 to the financial statements.

Events after the reporting date

Information about events after the reporting date can be found in note 31 to the financial statements.

Dividends

An interim dividend was not paid during the year (2010: £nil; 2009: £nil). The directors do not recommend the payment of a final dividend (2010: £nil; 2009: £nil).

The profit for the financial year of £10.2 million (2010: loss of £26.4 million; 2009: profit of £24.4 million) has been transferred to reserves.

Directors

The directors who held office throughout the year 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

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 carrying 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 amount of the assets.

Red Football Limited

Directors' report (continued)

Charitable and political donations

Charitable donations during the year amounted to £710,000 (2010: £25,000; 2009: £380,000). In line with Group policy, no donations were made for political purposes (2010: £nil; 2009: £nil).

Charitable donations include payments totalling £654,000 (2010: £nil; 2009: £355,000) to the Manchester United Foundation. The Foundation, which is a registered charity, is supported by the Group, in that it has a licence to use the Manchester United brand, and also has certain rights to use the Manchester United Football Club's ground at Old Trafford. The Group is a significant donor to the Foundation. The purpose of the Foundation, through its trading subsidiary, is to operate commercial fundraising activities using the Manchester United name, the profits from which are used to support local and national official charity partners.

Other charitable donations during the year included Unicef £50,000 and the Willow Foundation £2,500. The remaining charitable donations individually did not exceed £2,000.

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.

Red Football Limited

Directors' report (continued)

Policy on payment of creditors

The Group's policy on payment of creditors is to negotiate payment terms when agreeing the terms of each transaction. In the majority of cases this involves payment within 30 days of the invoice date, however, where discounts are available it is generally the policy to pay earlier and benefit accordingly. Creditors in respect of player acquisitions are paid on their contractual due dates.

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 financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the 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 the Company and of the profit or loss of the Group for that period.

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

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

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

Red Football Limited

Directors' report (continued)

Statement of disclosure of information to auditors

Each director who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 Section 418 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 Number 05370076
26 September 2011

Red Football Limited

Independent auditors' report to the members of Red Football Limited

We have audited the Group financial statements of Red Football Limited for the year ended 30 June 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

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 Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

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

Other matter

We have reported separately on the Parent Company financial statements of Red Football Limited for the year ended 30 June 2011.

Nicholas Boden (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
26 September 2011

Red Football Limited

Consolidated income statement

Continuing operations	Note	2011 £'000	2010 £'000	2009 £'000
Revenue	5	331,441	286,416	278,476
Operating expenses – excluding exceptional items	6	(266,786)	(233,917)	(232,034)
Operating expenses – exceptional items	7	(4,667)	(2,775)	(3,097)
Total operating expenses		(271,453)	(236,692)	(235,131)
Operating profit before profit on disposal of players' registrations		59,988	49,724	43,345
Analysed as:				
Operating profit before depreciation, amortisation of, and profit on disposal of, players' registrations, and operating expenses – exceptional items ('adjusted EBITDA')		110,889	101,220	93,045
Depreciation		(6,989)	(8,634)	(8,962)
Amortisation of players' registrations		(39,245)	(40,087)	(37,641)
Operating expenses – exceptional items	7	(4,667)	(2,775)	(3,097)
Profit on disposal of players' registrations		4,466	13,385	80,185
Operating profit		64,454	63,109	123,530
Finance costs – excluding exceptional items	8	(36,449)	(63,210)	(44,179)
Finance costs – exceptional items	9	-	(16,588)	(47,949)
Total finance costs		(36,449)	(79,798)	(92,128)
Finance income	8	1,710	1,715	1,317
Net finance costs		(34,739)	(78,083)	(90,811)
Profit/(loss) on ordinary activities before tax		29,715	(14,974)	32,719
Tax expense	11	(19,550)	(11,414)	(8,296)
Profit/(loss) for the year from continuing operations		10,165	(26,388)	24,423
Attributable to:				
Owners of the Company		9,824	(26,661)	24,506
Non-controlling interest		341	273	(83)
		10,165	(26,388)	24,423

Red Football Limited

Consolidated statement of comprehensive income

	2011 £'000	2010 £'000	2009 £'000
Profit/(loss) for the financial year	10,165	(26,388)	24,423
Other comprehensive income:			
Fair value movements on cash flow hedges, net of tax	(466)	-	-
Exchange (loss)/gain on translation of overseas subsidiary	(265)	5	(116)
Other comprehensive (loss)/profit for the year, net of tax	(731)	5	(116)
Total comprehensive profit/(loss) for the year	9,434	(26,383)	24,307
Attributable to:			
Owners of the Company	9,093	(26,656)	24,390
Non-controlling interest	341	273	(83)
Total comprehensive profit/(loss) for the year	9,434	(26,383)	24,307

Items in the statement above are disclosed net of tax. The tax relating to each component of other comprehensive income is disclosed in note 11.

Red Football Limited

Consolidated statement of financial position

	Note	2011 £'000	2010 £'000	2009 £'000	2008 ⁽¹⁾ £'000
Non-current assets					
Property, plant and equipment	12	240,540	239,509	243,466	249,022
Investment property	13	6,938	9,038	9,740	11,762
Goodwill	14	421,453	421,453	421,453	421,453
Players' registrations	15	129,709	94,270	113,406	92,739
Derivative financial instruments	17	-	-	-	19,101
Trade and other receivables	18	10,000	12,957	10,150	10,460
Non-current tax receivable	19	2,500	2,500	2,500	-
		811,140	779,727	800,715	804,537
Current assets					
Derivative financial instruments	17	-	1,669	620	-
Trade and other receivables	18	673,232	675,143	278,428	263,343
Current tax receivable	19	-	59	-	-
Cash and cash equivalents	20	150,645	163,833	150,530	49,745
		823,877	840,704	429,578	313,088
Total assets		1,635,017	1,620,431	1,230,293	1,117,625
Current liabilities					
Derivative financial instruments	17	(2,034)	-	(638)	(108)
Current tax liabilities	19	(4,338)	-	(2,500)	(1,749)
Trade and other payables	21	(145,449)	(70,086)	(85,977)	(64,128)
Borrowings	22	(16,573)	(19,391)	(11,251)	(8,165)
Deferred income	23	(110,043)	(90,503)	(75,860)	(71,976)
Provisions	24	(536)	(481)	(728)	(1,049)
		(278,973)	(180,461)	(176,954)	(147,175)
Net current assets		544,904	660,243	252,624	165,913
Total assets less current liabilities		1,356,044	1,439,970	1,053,339	970,450

⁽¹⁾ stated as at 1 July 2008.

Red Football Limited

Consolidated statement of financial position (continued)

	Note	2011 £'000	2010 £'000	2009 £'000	2008 ⁽¹⁾ £'000
Total assets less current liabilities		1,356,044	1,439,970	1,053,339	970,450
Non-current liabilities					
Derivative financial instruments	17	-	(1,537)	(29,821)	-
Trade and other payables	21	(28,416)	(26,432)	(5,393)	(3,149)
Borrowings	22	(442,330)	(521,350)	(503,241)	(515,530)
Deferred income	23	(18,349)	(27,324)	(35,897)	-
Provisions	24	(1,940)	(2,135)	(363)	(286)
Deferred tax liabilities	25	(54,406)	(60,023)	(56,871)	(54,039)
		(545,441)	(638,801)	(631,586)	(573,004)
Total liabilities		(824,414)	(819,262)	(808,540)	(720,179)
Net assets		810,603	801,169	421,753	397,446
Equity					
Share capital	26	-	-	-	-
Share premium		-	-	547,139	547,139
Capital contribution reserve		405,799	405,799	-	-
Hedging reserve		(466)	-	-	-
Retained earnings		407,600	398,041	(122,442)	(146,832)
Equity attributable to owners of the Company		812,933	803,840	424,697	400,307
Non-controlling interests		(2,330)	(2,671)	(2,944)	(2,861)
Total equity		810,603	801,169	421,753	397,446

⁽¹⁾ stated as at 1 July 2008.

The notes on pages 18 to 72 are an integral part of these consolidated financial statements.

The financial statements on pages 11 to 72 were authorised for issue by the board of directors on 26 September 2011 and were signed on its behalf.

J Glazer
Director

Company Number: 05370076

Red Football Limited

Consolidated statement of changes in equity

	Share Capital £'000	Share Premium £'000	Capital contribution reserve	Hedging reserve £'000	Retained Earnings £'000	Total attributable to owners £'000	Non- controlling interest £'000	Total Equity £'000
Balance at 1 July 2008	-	547,139	-	-	(146,832)	400,307	(2,861)	397,446
Comprehensive income								
Profit/(loss) for the year	-	-	-	-	24,506	24,506	(83)	24,423
Other comprehensive income								
Currency translation differences	-	-	-	-	(116)	(116)	-	(116)
Total comprehensive income for the year	-	-	-	-	24,390	24,390	(83)	24,307
Balance at 30 June 2009	-	547,139	-	-	(122,442)	424,697	(2,944)	421,753
Comprehensive income								
(Loss)/profit for the year	-	-	-	-	(26,661)	(26,661)	273	(26,388)
Other comprehensive income								
Currency translation differences	-	-	-	-	5	5	-	5
Total comprehensive (loss)/ income for the year	-	-	-	-	(26,656)	(26,656)	273	(26,383)
Transactions with owners								
Capital reduction (see (i) below)	-	(547,139)	-	-	547,139	-	-	-
Capital contribution received from immediate parent undertaking (see (ii) below)	-	-	405,799	-	-	405,799	-	405,799
Balance at 30 June 2010	-	-	405,799	-	398,041	803,840	(2,671)	801,169
Comprehensive income								
Profit for the year	-	-	-	-	9,824	9,824	341	10,165
Other comprehensive income								
Cash flow hedges, net of tax	-	-	-	(466)	-	(466)	-	(466)
Currency translation differences	-	-	-	-	(265)	(265)	-	(265)
Total comprehensive income for the year	-	-	-	(466)	9,559	9,093	341	9,434
Balance at 30 June 2011	-	-	405,799	(466)	407,600	812,933	(2,330)	810,603

Red Football Limited

Consolidated statement of changes in equity (continued)

- (i) On 27 January 2010, the Company undertook a capital reduction supported by the directors' Solvency Statement in accordance with Section 642 of the Companies Act 2006, to cancel its share premium and create realised profits of £547,139,000.
- (ii) On 27 January 2010, Red Football Joint Venture Limited invested £405,799,000 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's financial statements and credits the reserves of Red Football Limited.
- (iii) No dividend has been paid by the Company during the above periods and the directors are not proposing to pay a dividend relating to the year ended 30 June 2011.

Red Football Limited

Consolidated statement of cash flows

	Note	2011 £'000	2010 £'000	2009 £'000
Cash flows from operating activities				
Profit/(loss) on ordinary activities before taxation		29,715	(14,974)	32,719
Impairment charges	7	2,013	615	1,935
Net finance costs		34,739	78,083	90,811
Profit on disposal of players' registrations		(4,466)	(13,385)	(80,185)
Depreciation charges		6,989	8,634	8,962
Amortisation of players' registrations		39,245	40,087	37,641
(Profit)/loss on disposal of property, plant and equipment		(46)	104	(23)
Fair value losses/(gains) on derivative financial instruments		1,047	(427)	(629)
Increase in trade and other receivables		(18,683)	(578)	(13,602)
Increase in trade and other payables and other deferred income		34,727	4,277	33,991
Decrease in provisions		(140)	1,101	(434)
Cash flows from operating activities		125,140	103,537	111,186
Interest paid		(56,394)	(35,645)	(41,772)
Debt finance costs relating to borrowings		(118)	(13,846)	-
Interest received		1,774	1,681	1,260
Income tax (paid)/refund		(70)	(2,618)	236
Net cash generated from operating activities		70,332	53,109	70,910
Cash flows from investing activities				
Purchases of property, plant and equipment		(7,263)	(4,753)	(3,810)
Proceeds from sale of property, plant and equipment		107	51	28
Purchases of players' registrations		(25,369)	(44,274)	(55,220)
Proceeds from sale of players' registrations		13,956	13,857	99,180
Net cash (used in)/generated from investing activities		(18,569)	(35,119)	40,178
Cash flows from financing activities				
Proceeds from borrowings		-	502,571	25,000
Repayment of secured senior facilities		-	(506,962)	(10,088)
Repayment of other borrowings		(64,499)	(296)	(25,215)
Net cash used in financing activities		(64,499)	(4,687)	(10,303)
Net (decrease)/increase in cash and cash equivalents		(12,736)	13,303	100,785
Cash and cash equivalents at beginning of year		163,833	150,530	49,745
Exchange losses on cash and cash equivalents		(452)	-	-
Cash and cash equivalents at end of year	20	150,645	163,833	150,530

Interest paid includes £6.1 million (2010: £13.8 million; 2009: £nil) resulting from the termination of an interest rate swap related to the previous secured senior facilities (see note 9).

Red Football Limited

Notes to the consolidated financial statements

1 General Information

Red Football Limited ('the Company') and its subsidiaries (together 'the Group') is a professional football club together with related activities. The Company is a private company limited by share capital domiciled and incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Sir Matt Busby Way, Old Trafford, Manchester, M16 0RA. The registered number of the Company is 05370076.

These financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Group's consolidated financial statements were prepared in accordance with UK Generally Accepted Accounting Principles ('UK GAAP') until 30 June 2010. The Group has elected to prepare its consolidated financial statements for 2011 under International Financial Reporting Standards ('IFRSs') as adopted by the European Union, applying a transition date of 1 July 2008 (note 32). The Company financial statements are still prepared under UK GAAP.

The consolidated financial statements of Red Football Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative financial instruments) which are recognised at fair value through the income statement.

2.1.1 Changes in accounting policy and disclosure

a) New and amended standards, and interpretations mandatory for the first time for financial year beginning 1 July 2010 and adopted by the Group.

Annual improvements to IFRSs (2009). This is a collection of amendments to standards as part of the IASB programme of annual improvements. The standards impacted are:

- IFRS 2, 'Share based payment'
- IFRS 5, 'Non-current assets held for sale and discontinued operations'
- IFRS 8, 'Operating segments'
- IAS 1, 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- IAS 17, 'Leases'
- IAS 18, 'Revenue'
- IAS 36, 'Impairment of assets'
- IAS 38, 'Intangible assets'
- IAS 39, 'Financial instruments: Recognition and measurement'

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.1.1 Changes in accounting policy and disclosure (continued)

In addition the following IFRIC interpretations were adopted in the year:

- IFRIC 9, 'Remeasurement of embedded derivatives'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedges of a net investment in foreign operation'
- IFRIC 18, 'Transfers of assets from customers'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

The adoption of these new standards and amendments did not have a material impact on the Group's profits, net assets or equity.

b) New and amended standards and interpretations early adopted by the Group

No standards have been early adopted by the Group.

c) New and amended standards and interpretations issued but not yet effective and not early adopted by the Group

- Amendment to IFRS 1, 'First time adoption' – financial instrument disclosures
- Amendment to IAS 24, 'Related party disclosures'
- Annual improvements 2010
- Amendments to IFRS 7, 'Financial instruments: Disclosures on transfer of financial assets'
- Amendment to IAS 12, 'Income taxes', on deferred tax
- IFRS 9, 'Financial instruments' – classification and measurement
- IFRIC 14, 'Prepayments of a minimum funding requirement'
- Amendment to IAS19, 'Employee benefits'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IAS 27 (revised 2011), 'Separate financial statements'
- IFRS 13, 'Fair value measurement'
- IAS 28 (revised 2011), 'Investments in associates and joint ventures'
- Amendment to IAS 1, 'Presentation of financial statements'

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

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.2 Basis of consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition accounting method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs associated with an acquisition are included in the income statement as incurred. Contingent consideration is fair valued at the date of acquisition. Any changes to the fair value are taken directly to the income statement in subsequent years.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of shares from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

2.3 Segment reporting

The Group has one reportable segment, being the operation of a professional football club. The chief operating decision maker (being the Executive Board of Manchester United Limited), who is responsible for allocating resources and assessing performance obtains financial information, being the consolidated income statement, statement of financial position and cash flow statement, about the Group as a whole. The Group has an investment property, however this is not considered to be a material business segment and is therefore not reported as such.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling which is the Company's and its subsidiaries functional currency, with the exception of Manchester United Commercial Enterprises (Ireland) Limited whose functional currency is the Euro.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or cost. All other foreign exchange gains or losses are presented in the income statement within operating profit.

c) Translation of overseas net assets

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

On disposal of a foreign operation any cumulative exchange differences held in equity are reclassified to the consolidated income statement.

2.5 Revenue

Revenue represents the fair value of consideration received or receivable from the Group's principal activities excluding transfer fees and value added tax. The Group's principal revenue streams are Match Day, Media and Commercial. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.5 Revenue (continued)

a) Match day

Match day revenue is recognised based on matches played throughout the year with revenue from each match being recognised only after the match to which the revenue relates has been played.

Match day revenue comprises revenue receivable from all domestic and European match day activities from Manchester United games at Old Trafford, together with the Group's share of gate receipts from domestic cup matches not played at Old Trafford and fees receivable for the Manchester United First 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.

Match day revenue which is received in advance of the year end but relating to the following year (mainly the sale of seasonal facilities for first team matches at Old Trafford) is treated as deferred income (see 2.7). The deferred income is then released to revenue as the games are played.

b) Media

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

Revenue received from The FA Premier League in respect of broadcasting contracts for each football season is recognised in the corresponding financial year. The fixed element of revenue received from the FA Premier League is recognised as the home games are played. Facility fees for live coverage and highlights are earned for both home and away games and are recognised as each match is played.

Distributions from UEFA relating to participation in the Champions League comprise market pool payments which are recognised over the matches played and fixed amounts for participation in individual matches which are recognised when played. Distributions relating to team performance are recognised when they become certain.

Media revenue which is received in advance of the year end but relating to the following year is treated as deferred income (see 2.7). The deferred income is then released to revenue on an accruals basis in accordance with the substance of the relevant agreements.

c) Commercial

Commercial revenue comprises revenue receivable from the exploitation of the Manchester United brand through sponsorship and other commercial agreements, including minimum guaranteed revenue. Revenue from related activities such as Conference and Events or the Museum is recognised as the event or service is provided or the facility is enjoyed.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.5 Revenue (continued)

For sponsorship contracts any additional revenue receivable over and above the minimum guaranteed revenue contained in the sponsorship and licensing agreements is taken to revenue when a reliable estimate of the future performance of the contract can be obtained and it is probable that the amounts will not be recouped by the sponsor in future years. Revenue is recognised over the term of the sponsorship agreement in line with the performance obligations included within the contract and based on the sponsorship benefits enjoyed by the individual sponsor.

Commercial revenue which is received in advance of the year end but relating to the following year is treated as deferred income (see 2.7). The deferred income is then released to revenue on an accruals basis in accordance with the substance of the relevant agreements.

d) Finance income

Finance income is recognised using the effective interest rate method.

2.6 Accrued revenue

Revenue from match day activities, media and commercial contracts, which is received after the financial year to which it relates, is accrued as earned.

2.7 Deferred income

Revenue from match day activities, media and commercial contracts, receivable prior to the year end in respect of future football seasons, is deferred.

2.8 Taxation

Current tax, which comprises UK and overseas corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profits and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply in the period in which the liability is settled or the asset is realised and is charged or credited in the income statement, except where it relates to items charged or credited to equity via the statement of comprehensive income, when the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.9 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Cost comprises the purchase price (after deducting discounts and rebates) and any directly attributable costs. Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment charges arising are recognised in the income statement when the carrying amount of an asset is greater than the estimated recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use, and are calculated with reference to future discounted cash flows that the asset is expected to generate when considered as part of a cash-generating unit.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating expenses within the income statement.

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

The estimated useful lives of assets are as follows:

	Reducing balance	Straight line
Freehold property	1.33%	75 years
Investment property	-	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

Property, plant and equipment acquired prior to and including 31 July 1999 are depreciated on a reducing balance basis at the rates stated above. Property, plant and equipment acquired on or after 1 August 1999 are depreciated on a straight line basis at the rates stated above.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.10 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is measured initially at its cost, comprising the purchase price (after deducting discounts and rebates) and any directly attributable costs. The fair values of investment properties are disclosed in note 13. These are assessed annually using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. Investment properties are depreciated using the straight line method over 75 years.

Where subsequent expenditure is incurred on replacing a major part of a property the existing part of the property that is being replaced is derecognised, and the new expenditure is capitalised as part of the carrying amount of the property. Subsequent costs of day-to-day servicing and maintaining a property are not recognised as an asset. Instead, they are expensed as incurred.

Investment properties are reviewed for impairment when there is a triggering event such as a decline in the property market.

2.11 Goodwill

a) Initial recognition

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

b) Impairment

Management considers there to be one material cash generating unit for the purposes of annual impairment review being the operation of a professional football club.

Goodwill is not subject to amortisation and is tested annually for impairment. An impairment loss is recognised in the income statement when the carrying value of goodwill exceeds its recoverable amount. Its recoverable amount is the higher of fair value less costs of disposal and value in use.

2.12 Players' registrations and football staff remuneration

a) Remuneration

Remuneration is charged to operating expenses in accordance with the terms of the applicable contractual agreements and any performance bonus when there is a legal or contractual obligation. Signing-on fees paid to players are charged evenly, as part of operating expenses, to the income statement over the period of the player's contract. Loyalty fees payable are accrued, as part of operating expenses, to the income statement for the period to which they relate.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.12 Players' registrations and football staff remuneration (continued)

b) Initial recognition

The costs associated with the acquisition of players' registrations are capitalised at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the player's registration. The estimate of the fair value of the contingent consideration payable requires management to assess the likelihood of specific performance conditions being met which would trigger the payment of the contingent consideration. This assessment is carried out on an individual player basis. The additional amount of contingent consideration potentially payable, in excess of the amounts included in the cost of players' registrations, is disclosed in note 28.3. Costs include transfer fees, FAPL levy fees, agents' fees incurred by the club and other directly attributable costs. These costs are fully amortised over the period covered by the player's contract.

c) Renegotiation

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 the revised book value is amortised over the remaining revised contract life.

d) Disposals

Assets available for sale (principally player registrations) are classified as assets held for sale when their carrying value is expected to be recovered principally through a sale transaction and a sale is considered to be highly probable. Highly probable is defined as being actively marketed by the club, with unconditional offers having been received prior to the year end. These assets would be stated at the lower of the carrying amount and fair value less costs to sell.

Gains and losses on disposal of players' registrations are determined by comparing the fair value of the consideration receivable, net of any transaction costs, with the carrying amount and are recognised separately in the income statement within profit on disposal of players' registrations. Where a part of the consideration receivable is contingent on specified performance conditions, this amount is recognised in the income statement from the date the conditions are met.

e) Impairment

Management does not consider that it is possible to determine the value in use of an individual football player in isolation as that player (unless via a sale or insurance recovery) cannot generate cash flows on his own. Whilst management does not consider any individual player can be separated from the single cash generating unit ("CGU"), being the operations of the Group as a whole, there may be certain circumstances where a player is taken out of the CGU, for example a player sustaining career threatening injury. If such circumstances were to arise, the carrying value of the player would be assessed against the Group's best estimate of the player's fair value less any costs to sell and an impairment charge made in operating expenses reflecting any loss arising.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of cash flows (cash flow hedge). The Group had no designated hedges in place at 30 June 2010, 2009 and 2008 relating to income recognised up to and including the year ended 30 June 2011.

For designated hedges placed in the 3 months ended 30 June 2011 relating to future years' income the Group has documented, at the inception of the transaction, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking the hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged item.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 17. Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the income statement within 'operating expenses – excluding exceptional items'. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'operating expenses – excluding exceptional items'.

2.14 Trade and other receivables

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.14 Trade and other receivables (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating expenses' in the income statement.

Other receivables comprise loans to related parties (note 30.1), which are recognised initially at fair value and subsequently measured at amortised cost. They are presented as non-current assets as collection is expected in more than one year.

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.16 Trade payables

Trade payables are obligations to pay for goods and services which have been acquired in the commercial operations of the Group. Amounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Interest expenses are recognised using the effective interest rate method.

2.18 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Provision is made for the anticipated net costs of onerous leases on non-trading properties.

Red Football Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Any incentives received at the inception of the lease are recognised on a straight-line basis over the life of the lease.

Rentals receivable under sub-tenancy agreements are credited to the income statement 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. The risk and rewards of ownership on the sub-let property remain with the third party lessor.

2.20 Pension costs

The Group is one of a number of participating employers in The Football League Limited Pension and Life Assurance Scheme ('the scheme'). The Group is unable to identify its share of the assets and liabilities of the scheme. As such the Group's contributions into the scheme are reflected within the income statement when the contributions fall due.

The Group also operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The Group's contributions into this scheme are reflected within the income statement when they fall due.

2.21 Exceptional items

Where an item of expenditure or income occurs which is considered by the Group to be sufficiently large or unusual in nature, it will be separately classified as 'Exceptional'. This includes, but is not limited to, profits on disposal of non-current assets (excluding players' registrations), restructuring costs, large or significant one-off or non-cash items and costs associated with the early settlement of financial instruments.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds of the issue.

Red Football Limited

Notes to the consolidated financial statements (continued)

3 Critical Accounting Judgements and Estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting judgements, estimates and assumptions concerning the carrying value of assets and liabilities that are not readily apparent from other sources. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions used are based on historical experience and any other factors that are considered to be relevant. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are considered to be:

a) Goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these flows. These calculations have been carried out in accordance with the assumptions set out in note 14.

b) Player registrations

The costs associated with the acquisition of players' registrations are capitalised at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the player's registration. The estimate of the fair value of the contingent consideration payable requires management to assess the likelihood of specific performance conditions being met which would trigger the payment of the contingent consideration. This assessment is carried out on an individual player basis.

The Group will perform an impairment review on intangible assets, including player registrations, if adverse events indicate that the amortised carrying value of the asset may not be recoverable. Whilst no individual player can be separated from the single cash generating unit ("CGU"), being the operations of the Group as a whole, there may be certain circumstances where a player is taken out of the CGU, for example a player being excluded from the First Team due to sustaining a career threatening injury. If such circumstances were to arise, the carrying value of the player would be assessed against the Group's best estimate of the player's fair value less any costs to sell.

c) Estimates in certain commercial contracts

In addition to a minimum guarantee, certain sponsorship contracts include additional profit share arrangements based on cumulative profits earned from the exploitation of the Manchester United brand. However, under the terms of one key sponsorship agreement, such surplus profits may be recouped by the sponsor against future minimum guarantees should the future financial performance result in profits below the minimum guarantee.

Any additional profit share on such arrangements is only recognised when a reliable estimate of the future performance of the contract can be obtained and only to the extent that the revenue is considered probable.

In assessing whether any additional profit share is probable and should therefore be recognised, management carry out regular reviews of the contracts and future financial forecasts, having regard to the underlying risk factors such as team performance and general economic conditions.

Additional profit share recognised in the year ended 30 June 2011 amounted to £5.7 million, cumulative £8.9 million (2010: £3.2 million, cumulative £3.2 million; 2009: £nil, cumulative £nil).

Red Football Limited

Notes to the consolidated financial statements (continued)

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and cash flow risk), credit risk, and liquidity risk. The Group uses derivative financial instruments to hedge certain exposures, and has designated certain derivatives as hedges of cash flows (cash flow hedge).

The policy for each of the above risks is described in more detail below.

a) Market risk

Currency risk

The Group is exposed to the following currency risks:

- Significant income received in Euros as a result of participation in the UEFA Champions League competition. During the year ended 30 June 2011 the Group received a total of €53.8 million of income denominated in Euros (2010: €45.9 million; 2009: €40.2 million). The Group seeks to hedge the majority of the currency risk of this income by placing forward contracts at the point at which it becomes reasonably certain that it will receive the income. The fair value of forward foreign exchange contracts is disclosed in note 17.
- Significant amount of sponsorship income denominated in US Dollars. During the year ended 30 June 2011 the Group received a total of US\$29.5 million of income denominated in US Dollars (2010: US\$21.5 million; 2009: US\$16.4 million).
- Risks arising from the senior secured notes issued in US Dollars (see note 22). The Group issued a total of US\$425 million of US Dollar denominated senior secured notes, the principal of which is not hedged, and is therefore retranslated each year at the closing rate for each reporting date. The currency retranslation for the year ended 30 June 2011 resulted in a credit to the income statement of £16.4 million (2010: charge of £19.3 million, 2009: £nil) and is disclosed in note 8 of the financial statements as a non-exceptional item. Interest is paid on the US Dollar element of the senior secured notes in US Dollars.
- The Group only considers hedging US Dollar exposures to the extent that there is an excess of currency receivable after the interest payments have been made and after taking into consideration the credit risk of the counterparty.
- Payment and receipts of transfer fees may also give rise to foreign currency exposures. Due to the nature of player transfers the Group may not always be able to predict such cash flows until the transfer has taken place. Where possible and depending on the payment profile of transfer fees payable and receivable the Group will seek to hedge future payments and receipts at the point it becomes reasonably certain that the payments will be made or the income will be received. When hedging income to be received, the Group also takes account of the credit risk of the counterparty.

Red Football Limited

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Currency risk (continued)

At 30 June 2011:

- if Sterling had strengthened by 10% against the Euro, with all other variables held constant, post-tax profit for the year would have been £1.6 million higher (2010: £0.3 million higher; 2009: £0.7 million lower).
- if Sterling had weakened by 10% against the Euro, with all other variables held constant, post-tax profit for the year would have been £1.9 million lower (2010: £0.4 million lower; 2009: £0.8 million higher).
- if Sterling had strengthened by 10% against the US Dollar, with all other variables held constant, post-tax profit for the year would have been £21.0 million higher (2010: £23.8 million higher; 2009: £0.5 million lower).
- if Sterling had weakened by 10% against the US Dollar, with all other variables held constant, post-tax profit for the year would have been £25.7 million lower (2010: £29.1 million lower; 2009: £0.6 million higher).

Interest rate risk

The Group has no significant interest bearing assets other than cash on deposit which attracts interest at a small margin above UK base rates.

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are denominated in Sterling and US Dollar. Full details of the Group's borrowings and associated interest rates can be found in note 22.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest bearing positions.

Based on various scenarios, the Group manages its cash flow interest rate risk where appropriate using interest rate swaps at contract lengths consistent with the repayment schedule of the borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. These are approved by the Executive Board of Manchester United Limited and the Board receives updates on a regular basis in respect of the hedging position.

The Group has entered into a number of swap agreements with terms remaining of up to seven years, as disclosed in note 17. As at 30 June 2011 the fair value of these interest rate swaps was a liability of £1,404,000 (2010: £1,537,000; 2009: £29,821,000; 2008: asset of £19,101,000). Details of all derivatives are given in note 17.

Cash flow risk

Cash flow forecasting is performed on a regular basis which includes rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

The Group's borrowing facilities are described in note 22. Financing facilities have been agreed at appropriate levels having regard to the Group's operating cash flows and future development plans.

Red Football Limited

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Of the net total trade receivable balance of £28,845,000 (2010: £32,175,000; 2009: £26,380,000; 2008: £38,891,000), £4,154,000 (2010: £13,358,000; 2009: £10,293,000; 2008: £25,816,000) relates to amounts receivable from various other football clubs in relation to player trading and £19,670,000 (2010: £13,986,000; 2009: £11,809,000; 2008: £5,461,000) relates to commercial sponsorship. The maximum credit exposure relates to the total of cash and cash equivalents and trade and other receivables (excluding receivables from immediate parent undertaking and prepayments) and is £206,171,000 (2010: £212,427,000; 2009: £194,700,000; 2008: £97,385,000).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset included in the statement of financial position. Management does not expect any material losses from non-performance by these counterparties.

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure at the reporting date relates to football liabilities but this is mitigated by the governing bodies of international and national football associations.

c) Liquidity risk

The Group's policy is to maintain a balance of continuity of funding and flexibility through the use of secured loan notes and other borrowings as applicable. The annual cash flow is cyclical in nature with a significant portion of cash inflows being received prior to the start of the playing season. Ultimate responsibility for liquidity risk management rests with the Executive Directors of Manchester United Limited. The Directors use management information tools including budgets and cash flow forecasts to constantly monitor and manage current and future liquidity. The maturity profile of borrowings is presented in note 22 along with the Group's borrowing facilities as at the reporting date.

Surplus cash held by the operating entities over and above that required for working capital management are invested by Group finance in interest bearing current accounts or money market deposits. At the reporting date, the Group held cash and cash equivalents of £150,645,000 (2010: £163,833,000; 2009: £150,530,000; 2008: £49,745,000).

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Red Football Limited

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

	Less than 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables excluding social security and other taxes ⁽¹⁾	120,465	9,663	11,069	17,589	-
Borrowings	15,915	657	759	2,411	459,365
	136,380	10,320	11,828	20,000	459,365
Non-trading ⁽²⁾ and net settled derivative financial instruments:					
cash outflow	94	907	353	939	569
At 30 June 2011	136,474	11,227	12,181	20,939	459,934
Trade and other payables excluding social security and other taxes ⁽¹⁾	44,541	12,706	8,782	22,549	4,067
Borrowings	19,148	243	338	6,143	537,386
	63,689	12,949	9,120	28,692	541,453
Non-trading ⁽²⁾ and net settled derivative financial instruments:					
cash outflow	85	248	378	938	876
cash inflow	(151)	(1,518)	-	-	-
At 30 June 2010	63,623	11,679	9,498	29,630	542,329
Trade and other payables excluding social security and other taxes ⁽¹⁾	62,729	13,463	2,116	5,862	1,259
Borrowings	72	11,179	14,269	114,742	379,486
	62,801	24,642	16,385	120,604	380,745
Non-trading ⁽²⁾ and net settled derivative financial instruments:					
cash outflow	99	20,082	16,959	42,561	1,111
cash inflow	(1,345)	(1,345)	-	-	-
At 30 June 2009	61,555	43,379	33,344	163,165	381,856

Red Football Limited

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

	Less than 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables excluding social security and other taxes ⁽¹⁾	38,439	9,113	1,366	4,995	360
Borrowings	-	8,165	11,251	54,165	456,469
	38,439	17,278	12,617	59,160	456,829
Non-trading ⁽²⁾ and net settled derivative financial instruments:					
cash outflow	-	13,524	99	-	-
cash inflow	(6,310)	(11,256)	(4,958)	(14,744)	(2,417)
At 1 July 2008	32,129	19,546	7,758	44,416	454,412

⁽¹⁾ Social security and other taxes are excluded from trade and other payables balance, as this analysis is required only for financial instruments.

⁽²⁾ Non-trading derivatives are included at their fair value at the reporting date.

4.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. Capital is calculated as 'equity attributable to owners of the Company' as shown in the statement of financial position plus net debt. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. A reconciliation of net debt is shown in note 27.

4.3 Fair value estimation

The following table presents the assets and liabilities that are measured at fair value. The fair value hierarchy used in measuring fair value has the following levels:

- Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Assets				
Derivative financial assets at fair value through profit or loss	-	1,669	620	19,101
Liabilities				
Derivative financial liabilities at fair value through profit or loss	(1,404)	(1,537)	(30,459)	(108)
Derivative financial liabilities designated as cash flow hedges	(630)	-	-	-
	(2,034)	132	(29,839)	18,993

Red Football Limited

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is categorised as Level 2.

All of the derivative assets and liabilities detailed above are categorised as Level 2.

5 Segment information

The principal activity of the Group is the operation of a professional football club. All of the activities of the Group support the operation of the football club and the success of the First Team is critical to the on-going development of the Group.

Consequently the Chief Operating Decision Maker regards the Group as operating in one material segment, being the operation of a professional football club.

External revenue, all of which arises within the United Kingdom from the Group's principal activity, can be analysed into its three main revenue components as follows:

	2011 £'000	2010 £'000	2009 £'000
Match Day	108,577	100,164	108,799
Media	119,426	104,814	99,735
Commercial	103,438	81,438	69,942
	331,441	286,416	278,476

All non-current assets are held within the United Kingdom.

Entities accounting for more than 10% of revenue are as follows:

	2011 £'000	2010 £'000	2009 £'000
Entity 1	63,409	55,854	54,313
Entity 2	51,129	40,719	33,472

Red Football Limited

Notes to the consolidated financial statements (continued)

6 Operating expenses - excluding exceptional items

	2011 £'000	2010 £'000	2009 £'000
Operating expenses excluding player amortisation:			
Employee benefit expense (note 10)	152,915	131,689	123,120
Depreciation - property, plant and equipment (note 12)	6,902	8,547	8,875
Depreciation - investment property (note 13)	87	87	87
Operating lease costs - land and buildings	1,149	1,272	741
Operating lease costs - other	178	173	173
Stadium and other operating charges	66,434	51,354	60,819
Auditors' remuneration: audit of parent company and consolidated accounts	16	16	23
Auditors' remuneration: other audit services	12	12	16
Audit of subsidiary undertakings	76	69	97
Auditors' remuneration: taxation advice	212	394	528
Exchange (gains)/losses on translation	(394)	113	(63)
(Profit)/loss on disposal of property, plant and equipment	(46)	104	(23)
	227,541	193,830	194,393
Player amortisation:			
Amortisation of players' registrations (note 15)	39,245	40,087	37,641
	266,786	233,917	232,034

In addition to the auditors' remuneration charges disclosed above, are amounts of £nil (2010: £701,000; 2009: £nil) included within debt finance costs relating to services provided in connection with the senior secured notes issued on 29 January 2010 and £625,000 (2010: £nil; 2009: £nil) included within professional adviser fees in operating expenses – exceptional items (note 7).

Red Football Limited

Notes to the consolidated financial statements (continued)

7 Operating expenses – exceptional items

	2011 £'000	2010 £'000	2009 £'000
Investment property impairment (note 13)	2,013	615	1,935
Professional adviser fees relating to proposed issue of shares	2,654	-	-
Increase in onerous lease provision (note 24)	-	2,160	325
Football League pension scheme deficit	-	-	837
	4,667	2,775	3,097

The investment property impairment charges represent reductions in the market value of investment properties held by the Group, based on internal and external valuations undertaken in 2009, 2010 and 2011 respectively (see note 13 for further details).

Professional adviser fees regards the proposed issue of shares relate to a proposed public offer of shares by the Group's immediate parent undertaking. These fees are recognised as an expense rather than being accounted for as a deduction from equity as they are not directly attributable to the issue of shares. The fees include £625,000 (2010: £nil; 2009: £nil) relating to services provided by the Group's auditors.

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

The Football League pension deficit reflects the Group's share of the increased deficit as per the last actuarial valuation at 31 August 2008 (see note 29 for further details).

Red Football Limited

Notes to the consolidated financial statements (continued)

8 Net finance costs – excluding exceptional items

	2011 £'000	2010 £'000	2009 £'000
Interest payable on bank loans, overdrafts and deferred element of terminated interest rate swap	4,619	2,490	1,834
Interest payable on senior secured notes and secured senior facilities	41,778	39,440	40,272
Amortisation of issue discount, debt finance and debt issue costs on senior secured notes, secured senior facilities and secured payment in kind loan	2,431	1,960	1,100
Premium on repurchase of senior secured notes (note 22)	3,511	-	-
Foreign exchange (gain)/loss on US Dollar denominated senior secured notes	(16,414)	19,270	-
Unwinding of discount factor on onerous lease provision (note 24)	93	99	-
Fair value movements on derivative financial instruments:			
Forward foreign exchange contracts	563	(563)	-
Interest rate swaps	(132)	514	973
Total finance costs excluding exceptional items	36,449	63,210	44,179
Total finance income – interest receivable	(1,710)	(1,715)	(1,317)
Net finance costs excluding exceptional items	34,739	61,495	42,862

9 Net finance costs – exceptional items

	2011 £'000	2010 £'000	2009 £'000
Accelerated amortisation of debt issue costs on repaid secured senior facilities	-	4,705	-
Fair value movements on financial instruments:			
Terminated interest rate swap agreements	-	11,883	47,949
	-	16,588	47,949

On completion of the senior secured notes issue in January 2010 (see note 22), the secured senior facilities were repaid. This triggered the accelerated amortisation of debt issue costs on the secured senior facilities amounting to £nil (2010: £4,705,000; 2009: £nil) and also resulted in the termination of interest rate swap agreements related to the secured senior facilities.

The fair value movement on the terminated interest rate swap agreements, including losses on termination, amounted to £nil (2010: £11,883,000; 2009: £47,949,000).

Red Football Limited

Notes to the consolidated financial statements (continued)

10 Employees

10.1 Employee benefit expense and average number of people employed

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

	2011 Number	2010 Number	2009 Number
Average number of employees:			
Football - players	71	68	62
Football - technical and coaching	70	68	63
Commercial	53	40	23
Media	65	57	73
Administration and other	369	359	370
Average monthly number of employees	628	592	591

The Group also employs approximately 2,191 temporary staff on match days (2010: 1,869; 2009: 2,012).

Particulars of employee costs are as shown below:

	2011 £'000	2010 £'000	2009 £'000
Wages and salaries (including bonuses)	135,568	117,060	109,567
Social security costs	15,919	13,234	12,325
Other pension costs	1,428	1,395	1,228
	152,915	131,689	123,120

10.2 Key management compensation

Key management includes directors (executive and non-executive) of the Group and executive directors of Manchester United Limited. The compensation paid or payable to key management for employee services is shown below:

	2011 £'000	2010 £'000	2009 £'000
Salaries and other short-term employee benefits (including bonuses)	4,039	3,527	3,300
Post-employment benefits	252	355	336
	4,291	3,882	3,636

No directors of Red Football Limited received any emoluments in respect of services for the Company and Group during the year (2010: none; 2009: none).

Red Football Limited

Notes to the consolidated financial statements (continued)

11 Tax

	2011 £'000	2010 £'000	2009 £'000
Current tax:			
Current tax on profit for the year	24,874	8,203	7,452
Foreign tax	129	59	44
Adjustment in respect of prior years	-	-	(2,032)
Total current tax expense	25,003	8,262	5,464
Deferred tax:			
Origination and reversal of temporary differences	(3,426)	3,152	2,832
Adjustment in respect of previous years	2,190	-	-
Impact of change in UK corporation tax rate	(4,217)	-	-
Total deferred tax (credit)/expense	(5,453)	3,152	2,832
Total tax expense	19,550	11,414	8,296

A reconciliation of the total tax expense is as follows:

	2011 £'000	2010 £'000	2009 £'000
Profit/(loss) before tax	29,715	(14,974)	32,719
Profit/(loss) on ordinary activities multiplied by weighted average UK Corporation tax rate of 27.5% (2010: 28%, 2009: 28%)	8,172	(4,193)	9,161
Tax effects of:			
Foreign tax	129	59	44
Adjustment in respect of previous years	2,190	-	(2,032)
Expenses not deductible for tax purposes	2,871	524	924
Re-measurement of deferred tax – change in UK corporation tax rate	(4,217)	-	-
Utilisation of previously unrecognised tax losses	(5,260)	-	-
UK/UK transfer pricing adjustment	15,665	15,024	199
Total tax expense	19,550	11,414	8,296

The main rate of UK corporation tax reduced from 28% to 26% from 1 April 2011. The reduction to 26% was substantively enacted on 29 March 2011 and consequently deferred tax balances have been re-measured to 26%.

Proposals have been announced to further reduce the rate to 25% from 1 April 2012, to 24% from 1 April 2013, and to 23% by 1 April 2014. The further reduction to 25% was enacted in July 2011. As this change was not substantively enacted at the reporting date, it is not reflected in the financial statements. The further reductions to 24% and 23% have yet to be enacted.

The overall effect of the further reductions from 26% to 23%, if these applied to the deferred tax balance at 30 June 2011, would be to reduce the deferred tax liability by £6,277,000 (being £2,092,000 expected to be recognised in 2012, £2,093,000 expected to be recognised in 2013, and £2,092,000 expected to be recognised in 2014).

Red Football Limited

Notes to the consolidated financial statements (continued)

11 Tax (continued)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2011 £'000			2010 £'000			2009 £'000		
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
Arising on income and expenses recognised in other comprehensive income:									
Movements in fair value of financial instruments treated as cash flow hedges	(630)	(164)	(466)	-	-	-	-	-	-
Exchange (loss)/gain on translation of overseas subsidiary	(265)	-	(265)	5	-	5	(116)	-	(116)
Other comprehensive income	(895)	(164)	(731)	5	-	5	(116)	-	(116)
Deferred tax (note 25)	-	(164)	-	-	-	-	-	-	-

Red Football Limited

Notes to the consolidated financial statements (continued)

12 Property, plant and equipment

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 2008	252,559	30,453	16,309	299,321
Additions	101	1,054	2,169	3,324
Disposals	-	(188)	(37)	(225)
Transfers	(425)	425	-	-
At 30 June 2009	252,235	31,744	18,441	302,420
Accumulated depreciation				
At 1 July 2008	17,751	21,807	10,741	50,299
Charge for year	3,282	4,315	1,278	8,875
Disposals	-	(183)	(37)	(220)
At 30 June 2009	21,033	25,939	11,982	58,954
Net book amount				
At 30 June 2009	231,202	5,805	6,459	243,466
At 30 June 2008	234,808	8,646	5,568	249,022
Cost				
At 1 July 2009	252,235	31,744	18,441	302,420
Additions	754	1,658	2,333	4,745
Disposals	(683)	(465)	(662)	(1,810)
At 30 June 2010	252,306	32,937	20,112	305,355
Accumulated depreciation				
At 1 July 2009	21,033	25,939	11,982	58,954
Charge for 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	228,668	3,764	7,077	239,509
Cost				
At 1 July 2010	252,306	32,937	20,112	305,355
Additions	3,020	1,978	2,996	7,994
Disposals	-	(586)	(120)	(706)
At 30 June 2011	255,326	34,329	22,988	312,643
Accumulated depreciation				
At 1 July 2010	23,638	29,173	13,035	65,846
Charge for year	3,286	1,787	1,829	6,902
Disposals	-	(532)	(113)	(645)
At 30 June 2011	26,924	30,428	14,751	72,103
Net book amount				
At 30 June 2011	228,402	3,901	8,237	240,540

Red Football Limited

Notes to the consolidated financial statements (continued)

13 Investment properties

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Cost at the beginning of the year	11,762	11,762	11,762	-
Acquisitions	-	-	-	11,762
Cost at the end of the year	11,762	11,762	11,762	11,762
Accumulated depreciation and impairment at the beginning of the period	(2,724)	(2,022)	-	-
Depreciation	(87)	(87)	(87)	-
Impairment	(2,013)	(615)	(1,935)	-
Accumulated depreciation and impairment at the end of the period	(4,824)	(2,724)	(2,022)	-
Closing net book amount	6,938	9,038	9,740	11,762

Investment properties were externally valued as at 30 June 2011 and 30 June 2010 in accordance with UK practice statements contained within the Royal Institute of Chartered Surveyors Valuations Standards, 6th edition. Investment properties were internally valued as at 30 June 2009 by an employee of Manchester United Limited group holding a recognised professional qualification. The fair value as at 30 June 2011 was £6,938,000 (2010: £9,038,000; 2009: £9,740,000).

Impairment charges have been recognised in 2011, 2010 and 2009 based on the valuations undertaken, to ensure the carrying amounts of the investment properties do not exceed fair value.

The property rental income earned by the Group from its investment property amounted to £1,019,000 (2010: £1,022,000; 2009: £1,033,000). Direct operating expenses arising on the investment property in the period amounted to £187,000 (2010: £146,000; 2009: £122,000).

Red Football Limited

Notes to the consolidated financial statements (continued)

14 Goodwill

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Cost and net book amount at the beginning and end of the year	421,453	421,453	421,453	421,453

Impairment tests for goodwill

Goodwill arose largely in relation to the Group's acquisition of Manchester United Limited. An impairment test has been performed on the carrying value of goodwill based on value-in-use calculations.

The value-in-use calculations have used pre-tax cash flow projections based on the financial budgets approved by management covering a five year period. For each accounting period, cash flows beyond the five year period are extrapolated using a terminal growth rate of 2.5%, which does not exceed the long term average growth rate for the UK economy in which the cash generating unit operates.

The other key assumptions used in the value in use calculations for each period are the discount rate, which has been determined at 11.6% for each period, and certain assumptions around progression in Domestic and European cup competitions, notably the UEFA Champions League.

Management determined budgeted revenue growth based on historic performance and its expectations of market development. The discount rates are pre-tax and reflect the specific risks relating to the business.

These calculations did not result in any impairment.

The following sensitivity analysis was performed:

- increase the discount rate by 3%;
- failure to qualify for the UEFA Champions League once every five seasons.

In each of these scenarios no impairment was identified.

Having assessed the future anticipated cash flows, management does not consider there to be any reasonably possible changes in key assumptions that would lead to an impairment charge in the years ended 30 June 2011, 2010 and 2009.

Red Football Limited

Notes to the consolidated financial statements (continued)

15 Players' registrations

	£'000
Cost	
At 1 July 2008	201,412
Additions	61,802
Disposals	(40,908)
At 30 June 2009	222,306
Accumulated amortisation	
At 1 July 2008	108,673
Charge for year	37,641
Disposals	(37,414)
At 30 June 2009	108,900
Net book amount	
At 30 June 2009	113,406
At 30 June 2008	92,739
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 year	40,087
Disposals	(4,872)
At 30 June 2010	144,115
Net book amount	
At 30 June 2010	94,270
Cost	
At 1 July 2010	238,385
Additions	74,760
Disposals	(19,775)
At 30 June 2011	293,370
Accumulated amortisation	
At 1 July 2010	144,115
Charge for year	39,245
Disposals	(19,699)
At 30 June 2011	163,661
Net book amount	
At 30 June 2011	129,709

Red Football Limited

Notes to the consolidated financial statements (continued)

16 Financial instruments

16.1 Financial instruments by category

The accounting classification of each category of financial instruments, and their carrying values, is set out in the following table:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Financial assets				
At fair value through profit and loss:				
Derivative financial instruments	-	1,669	620	19,101
Loans and receivables:				
Trade and other receivables excluding prepayments ⁽¹⁾	673,355	679,355	280,819	268,213
Cash and cash equivalents	150,645	163,833	150,530	49,745
Total	824,000	844,857	431,969	337,059
Financial liabilities				
Designated and effective as hedging instruments:				
Derivate financial instruments	630	-	-	-
At fair value through profit and loss:				
Derivate financial instruments	1,404	1,537	30,459	108
Other financial liabilities:				
Trade and other payables excluding social security and other taxes ⁽²⁾	158,785	84,650	84,860	54,331
Borrowings	458,903	540,741	514,492	523,695
Total	619,722	626,928	629,811	578,134

⁽¹⁾ Prepayments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

⁽²⁾ Social security and other taxes are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.

16.2 Credit quality of financial assets

Credit risk is managed on a Group basis and arises from cash and cash equivalents and trade and other receivables (excluding prepayments).

Derivative financial instruments and cash and cash equivalents are placed with counterparties with a minimum Moody's rating of Aa3.

For receivables the directors consider that, based on the historical information about default rates and the current strength of relationships (a number of which are recurring long term relationships) the credit quality of financial assets that are neither past due nor impaired is good.

None of the financial assets that are fully performing have been renegotiated in the last twelve months.

Red Football Limited

Notes to the consolidated financial statements (continued)

17 Derivative financial instruments

	2011		2010		2009		2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Derivatives that are designated and effective as hedging instruments carried at fair value:								
Forward foreign exchange contracts	-	(630)	-	-	-	-	-	-
Financial instruments carried at fair value through profit or loss:								
Interest rate swaps	-	(1,404)	-	(1,537)	-	(29,821)	19,101	-
Forward foreign exchange contracts	-	-	1,669	-	620	(638)	-	(108)
	-	(2,034)	1,669	(1,537)	620	(30,459)	19,101	(108)
Less non-current portion:								
Financial instruments carried at fair value through profit or loss:								
Interest rate swaps	-	-	-	(1,537)	-	(29,821)	19,101	-
Non-current derivative financial instruments	-	-	-	(1,537)	-	(29,821)	19,101	-
Current derivative financial instruments	-	(2,034)	1,669	-	620	(638)	-	(108)

Details of derivative contracts for both foreign currency and interest rate swaps committed to at each reporting date, the fair values of which are recognised above, are as follows:

At 30 June 2011

Sterling foreign currency derivative contracts:

Currency	Principal value (£'000)	Average rate
Euro	28,340	1.1347

The Group has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from anticipated future income relating to participation in the UEFA Champions League, which are designated as cash flow hedges.

As at 30 June 2011, the aggregate amount of losses, net of tax, under forward foreign exchange contracts deferred in the hedging reserve in equity relating to exposure on these anticipated future transactions is £466,000. It is anticipated that the future income will be received within the next 12 months, at which time the amount deferred in equity will be reclassified to profit or loss.

Interest rate swaps:

Principal value of loan outstanding (£'000)	Rate received	Rate paid	Expiry date
*7,166 – 4,199	3 month Libor	Fixed 6.1%	9 July 2018

Red Football Limited

Notes to the consolidated financial statements (continued)

17 Derivative financial instruments (continued)

At 30 June 2010

Sterling 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
*7,488 – 7,166	3 month Libor	Fixed 5.25%	7 April 2011
*7,166 – 4,199	3 month Libor	Fixed 6.1%	9 July 2018

At 30 June 2009

Sterling foreign currency derivative contracts:

Currency	Principal value (£'000)	Average rate
Euro	7,588	1.275
US Dollar	5,182	1.477

Interest rate swaps:

Principal value of loan outstanding (£'000)	Rate received	Rate paid	Expiry date
450,000	6 months Libor	Fixed 5.0775%	31 December 2013
225,000	1 month Libor + 0.52%	6 month Libor	31 December 2009
150,000	1 month Libor + 0.53%	6 month Libor	31 December 2009
75,000	1 month Libor + 0.50%	6 month Libor	31 December 2009
*7,786 – 7,166	3 months Libor	Fixed 5.25%	7 April 2011
*7,166 – 4,199	3 months Libor	Fixed 6.1%	9 July 2018

Red Football Limited

Notes to the consolidated financial statements (continued)

17 Derivative financial instruments (continued)

At 30 June 2008

Sterling foreign currency derivative contracts:

Currency	Principal value (£'000)	Average rate
Euro	29,238	1.2658

Interest rate swaps:

Principal value of loan outstanding (£'000)	Rate received	Rate paid	Expiry date
450,000	1 month Libor	6 month Libor - 0.2%	31 December 2008
450,000	6 month Libor	Fixed 5.0775%	31 December 2013
*8,000 – 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 interest rate swaps reduces with the secured bank loan repayment terms, see note 22.

18 Trade and other receivables

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Trade receivables	31,525	34,255	26,444	39,063
Less: provision for impairment of trade receivables	(2,680)	(2,080)	(64)	(172)
Trade receivables – net	28,845	32,175	26,380	38,891
Receivables from parent undertakings	617,829	630,761	236,649	220,573
Other receivables	10,000	10,023	11,689	1,145
Accrued revenue	16,681	6,396	6,101	7,604
	673,355	679,355	280,819	268,213
Prepayments	9,877	8,745	7,759	5,590
	683,232	688,100	288,578	273,803
Less non-current portion:				
Trade receivables	-	2,957	150	10,460
Other receivables (note 30.1)	10,000	10,000	10,000	-
Non-current trade and other receivables	10,000	12,957	10,150	10,460
Current trade and other receivables	673,232	675,143	278,428	263,343

Trade receivables include transfer fees receivable from other football clubs of £4,154,000 (2010: £13,358,000; 2009: £10,293,000; 2008: £25,816,000) of which £nil (2010: £2,957,000; 2009: £150,000; 2008: £10,460,000) is receivable after more than one year.

The fair values of trade and other receivables are equal to their carrying values, as detailed above.

Red Football Limited

Notes to the consolidated financial statements (continued)

18 Trade and other receivables (continued)

Credit terms offered by the Group vary depending on the type of sale. For seasonal match day facilities and sponsorship contracts, payment is usually required in advance of the season to which the sale relates. For other sales the credit terms typically range from 14 - 30 days, although specific agreements may be negotiated in individual contracts with terms beyond 30 days. For player transfer activities, credit terms are determined on a contract by contract basis.

As of 30 June 2011, trade receivables of £24,084,000 (2010: £14,389,000; 2009: £17,597,000; 2008: £28,873,000) were fully performing.

As of 30 June 2011, trade receivables of £4,761,000 (2010: £17,632,000; 2009: £8,763,000; 2008: £10,008,000) were past due but not impaired. These relate to independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Up to 3 months	4,444	14,642	8,340	9,778
Over 3 months	317	2,990	423	230
	4,761	17,632	8,763	10,008

As of 30 June 2011, trade receivables of £2,680,000 (2010: £2,234,000; 2009: £84,000; 2008: £182,000) were impaired and provided for. The amount of the provision was £2,680,000 as of 30 June 2011 (2010: £2,080,000; 2009: £64,000; 2008: £172,000). The individually impaired receivables largely relate to a transfer fee receivable due from one football club, with whom a revised formal payment plan has been agreed. The ageing of these receivables, based on due date, is as follows:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Up to 3 months	2,319	2,148	-	-
3 to 6 months	361	86	84	182
	2,680	2,234	84	182

Movements on the provision for impairment of trade receivables are as follows:

	2011 £'000	2010 £'000	2009 £'000
Brought forward	2,080	64	172
Provisions for receivables impairment	600	2,056	32
Unused amounts reversed	-	(40)	(140)
Carried forward	2,680	2,080	64

Receivables from parent undertakings are unsecured, interest free, repayable on demand and have no fixed repayment dates.

Red Football Limited

Notes to the consolidated financial statements (continued)

18 Trade and other receivables (continued)

The carrying amount of trade and other receivables are denominated in the following currencies:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Sterling	671,969	671,609	275,674	255,312
Euro	1,644	2,702	8,220	16,357
US Dollar	9,619	13,789	4,684	2,134
	683,232	688,100	288,578	273,803

19 Income tax

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Non-current tax receivable	2,500	2,500	2,500	-
Current tax receivable	-	59	-	-
Tax receivable	2,500	2,559	2,500	-

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Current tax liabilities	4,338	-	2,500	1,749

The £2,500,000 non-current tax receivable relates to tax withheld at 25% of the loans made to Directors during 2009 under s455 CTA 2010. The corresponding liability was paid on 01 April 2010 and is recoverable upon repayment of the Directors' loans.

20 Cash and cash equivalents

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Cash at bank and in hand	150,645	158,364	150,530	35,109
Short-term bank deposits	-	5,469	-	14,636
Cash and cash equivalents	150,645	163,833	150,530	49,745

Cash and cash equivalents for the purposes of the statement of cash flows are as above.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Sterling	127,644	153,127	149,838	34,611
Euro	72	566	599	15,134
US Dollar	22,929	10,140	93	-
	150,645	163,833	150,530	49,745

Red Football Limited

Notes to the consolidated financial statements (continued)

21 Trade and other payables

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Trade payables	69,360	16,905	42,835	34,154
Payables to parent undertakings	27,651	21,246	23,528	-
Other payables	29,270	28,519	1,351	623
Accrued expenses	32,504	17,980	17,146	19,554
	158,785	84,650	84,860	54,331
Social security and other taxes	15,080	11,868	6,510	12,946
	173,865	96,518	91,370	67,277
Less non-current portion:				
Trade payables	9,301	2,995	4,209	2,634
Other payables	19,115	23,437	1,184	515
Non-current trade and other payables	28,416	26,432	5,393	3,149
Current trade and other payables	145,449	70,086	85,977	64,128

Trade payables include transfer fees and other associated costs in relation to the acquisition of player registrations of £54,931,000 (2010: £11,230,000; 2009: £28,942,000; 2008: £21,752,000) due within one year and £9,301,000 (2010: £2,995,000; 2009: £4,209,000; 2008: £2,634,000) due after more than one year.

Payables to parent undertakings are unsecured, interest-free, repayable on demand, and have no fixed dates of repayment.

Other payables include a deferred element of the terminated interest rate swap related to the previous senior facilities of £4,155,000 (2010: £3,684,000; 2009: £nil; 2008: £nil) due within one year and £18,282,000 (2010: £22,437,000; 2009: £nil; 2008: £nil) after more than one year. This is being repaid to the bank counterparties over 6 years from 2010 and accrues interest at an effective interest rate of 5.13%.

The carrying amounts of trade and other payables are denominated in the following currencies:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Sterling	155,292	89,330	90,151	48,792
Euro	18,478	7,188	892	18,463
US Dollar	95	-	327	22
	173,865	96,518	91,370	67,277

Red Football Limited

Notes to the consolidated financial statements (continued)

22 Borrowings

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Current				
Secured bank loans	338	319	301	215
Secured senior facilities	-	-	10,950	7,950
Other borrowings	400	-	-	-
Accrued interest on senior secured notes	15,835	19,072	-	-
	16,573	19,391	11,251	8,165
Non-current				
Secured bank loans	6,828	7,169	7,485	7,785
Secured senior facilities	-	-	490,756	502,745
Senior secured notes	431,234	509,181	-	-
Other borrowings	4,268	5,000	5,000	5,000
	442,330	521,350	503,241	515,530
Total borrowings	458,903	540,741	514,492	523,695

Maturity of borrowings

Less than one year	16,573	19,391	11,251	8,165
In more than one year but not more than two years	759	335	13,169	11,251
In more than two years but not more than five years	2,411	6,143	111,686	54,165
In more than five years	439,160	514,872	378,386	450,114
	458,903	540,741	514,492	523,695

Secured bank loans/senior facilities of £7,166,000 (2010: £7,488,000, 2009: £509,492,000, 2008: £518,695,000) comprise:

- £7,166,000 (2010: £7,488,000, 2009: £7,786,000, 2008: £8,000,000) bank loan within Alderley Urban Investments Limited, a subsidiary of Manchester United Limited, that attracts interest of Libor + 1%. £2,967,000 is repayable in quarterly instalments through to July 2018, with the remaining balance of £4,199,000 being repayable 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, and the loan is also guaranteed by Manchester United Limited.
- £nil (2010: £nil, 2009: £501,706,000, 2008: £510,695,000) of senior facilities net of £nil (2010: £nil, 2009: £5,255,000, 2008: £6,355,000) of unamortised debt finance costs drawn down by the Company.

On 29 January 2010, MU Finance plc, a wholly owned subsidiary of Red Football Limited, issued sterling and US Dollar denominated senior secured notes (senior secured note issue), which amounted to the sterling equivalent of £502.5 million in aggregate (net of original issue discount). The notes are due for repayment in 2017 and interest is paid semi-annually.

Red Football Limited

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

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 senior secured note issue, together with existing cash reserves, were used to repay in full, the secured senior facilities loans.

Senior secured notes of £431,234,000 (2010: £509,181,000, 2009: £nil, 2008: £nil) comprise:

- a) £428,378,000 (2010: £489,911,000; 2009: £nil; 2008: £nil) of senior secured notes (net of unamortised issue discount and unamortised debt finance costs amounting to £20,204,000 (2010: £22,517,000; 2009: £nil; 2008: £nil) translated at the historic exchange rate. The note issue comprised aggregate principal amounts of £250 million of sterling senior secured notes attracting a fixed coupon rate of 8.75% and US\$425 million of US Dollar denominated senior secured notes attracting a fixed coupon rate of 8.375%.
- b) £2,856,000 (2010: £19,270,000; 2009: £nil; 2008: £nil) of cumulative foreign exchange losses arising on the translation of dollar denominated senior secured notes being the difference between the historic exchange rate and the year-end spot rate.

The Group has the option to redeem the senior secured notes at any time prior to their 2017 repayment date by paying a specified premium on the principal amounts redeemed dependant on the date of redemption.

During the year ended 30 June 2011 the Group repurchased the sterling equivalent of £63,846,000 (2010: £nil; 2009: £nil; 2008: £nil) of senior secured notes comprising £58,225,000 of sterling senior secured notes and US\$9,000,000 of US Dollar denominated senior secured notes. The consideration paid amounted to £67,357,000 (2010: £nil; 2009: £nil; 2008: £nil) reflecting a premium on repurchase of £3,511,000 (2010: £nil; 2009: £nil; 2008: £nil). The repurchase triggered the accelerated amortisation of issue discount and debt finance costs amounting to £2,815,000 (2010: £nil; 2009: £nil; 2008: £nil). The premium on repurchase and the accelerated amortisation of issue discount and debt finance costs are immediately recognised in the income statement – see note 8. The repurchased senior secured notes are held by the Group and have not been retired.

Other borrowings comprise loan stock of £4,668,000 (2010: £5,000,000; 2009: £5,000,000; 2008: £5,000,000) which 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 within MUTV. It is currently estimated that the loan will be repaid over approximately 12 years, based on current projections.

Red Football Limited

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The carrying amount and fair value of the non-current borrowings are as follows:

	Carrying amount				Fair value			
	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Secured bank loans	6,828	7,169	7,485	7,785	6,828	7,169	7,485	7,785
Secured senior facilities	-	-	496,012	509,100	-	-	496,012	509,100
Senior secured notes	451,438	531,697	-	-	485,527	508,554	-	-
Other borrowings	4,268	5,000	5,000	5,000	4,268	5,000	5,000	5,000
	462,534	543,866	508,497	521,885	496,623	520,723	508,497	521,885
Non-current portion of debt finance/issue costs and issue discount	(20,204)	(22,516)	(5,256)	(6,355)	-	-	-	-
Non-current borrowings	442,330	521,350	503,241	515,530	496,623	520,723	508,497	521,885

The fair value of the liability components of non-current borrowings are calculated as follows:

Secured bank loans/senior facilities are subject to a variable interest rate and regular repricing based on the LIBOR rate, the fair value of the debt therefore approximates the carrying value.

Senior secured notes fair value is calculated based on the market value of the traded notes as of the reporting date.

Other borrowings are subject to a variable interest rate based on the LIBOR rate, the fair value of the debt therefore approximates the carrying value.

The carrying amount of borrowings are denominated in the following currencies:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Sterling	195,162	253,918	514,492	523,695
US Dollar	263,741	286,823	-	-
	458,903	540,741	514,492	523,695

The Group also has the following undrawn committed borrowing facilities:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Revolving Credit Facility	75,000	75,000	50,000	50,000

No drawdowns were made from these facilities during 2011 and 2010. In 2009, £25 million was drawn down and subsequently repaid within the year.

Red Football Limited

Notes to the consolidated financial statements (continued)

23 Deferred income

Deferred income comprises the following amounts receivable in respect of future football seasons:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Match Day activities	48,991	52,018	54,178	58,520
Media contracts	89	64	-	-
Commercial contracts	79,312	65,745	57,579	13,456
	128,392	117,827	111,757	71,976
Less non-current deferred income	(18,349)	(27,324)	(35,897)	-
Current deferred income	110,043	90,503	75,860	71,976

24 Provisions

The movement in provisions is as follows:

	£'000
At 1 July 2008	1,335
Utilised	(691)
Charged to the income statement	325
Movements on foreign exchange	122
At 30 June 2009	1,091
Utilised	(467)
Unwinding of discount factor	99
Charged to the income statement	2,160
Movements on foreign exchange	(267)
At 30 June 2010	2,616
Utilised	(536)
Unwinding discount factor	93
Movements on foreign exchange	303
At 30 June 2011	2,476

The balance comprises:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Current	536	481	728	1,049
Non-current	1,940	2,135	363	286
	2,476	2,616	1,091	1,335

The provision relates entirely to an onerous property lease which contains a break clause that may be exercised in 2015 (refer to note 7).

Red Football Limited

Notes to the consolidated financial statements (continued)

25 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation £'000	Rolled over gain on player disposal £'000	Fair value adjustments £'000	Non qualifying property £'000	Property revaluation £'000	Other £'000	Total £'000
At 1 July 2008	888	-	5,318	22,058	26,312	(537)	54,039
(Credited)/charged to income statement (note 11)	(1,447)	18,874	(13,673)	(306)	(406)	(210)	2,832
At 30 June 2009	(559)	18,874	(8,355)	21,752	25,906	(747)	56,871
(Credited)/charged to income statement (note 11)	(1,404)	(3,177)	8,392	(306)	(406)	53	3,152
At 30 June 2010	(1,963)	15,697	37	21,446	25,500	(694)	60,023
Charged/(credited) to income statement (note 11)	3,233	(5,093)	(401)	(1,817)	(2,197)	822	(5,453)
Credited to other comprehensive income (note 11)	-	-	(164)	-	-	-	(164)
At 30 June 2011	1,270	10,604	(528)	19,629	23,303	128	54,406

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Deferred tax assets	(528)	(2,657)	(9,661)	(537)
Deferred tax liabilities	54,934	62,680	66,532	54,576
Deferred tax liabilities (net)	54,406	60,023	56,871	54,039

The Group has an unrecognised deferred tax asset of £24.6 million (2010: £31.9 million; 2009: £28.4 million; 2008: £28.2 million) arising from losses which have not been recognised of £94.8 million (2010: £113.9 million; 2009: £101.4 million; 2008: £100.7 million). The asset has not been recognised as there remains uncertainty as to whether it can be realised in the foreseeable future.

26 Share Capital

	2011 £	2010 £	2009 £	2008 £
Authorised:				
1,000,000 ordinary shares of £0.0001 each	100	100	100	100
Allotted, and fully paid:				
994,397 ordinary shares of £0.0001 each	99	99	99	99

Red Football Limited

Notes to the consolidated financial statements (continued)

27 Analysis of changes in net debt

	At 1 July 2008 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2009 £'000
Current borrowings	(8,165)	10,303	(13,389)	(11,251)
Non-current borrowings	(515,530)	-	12,289	(503,241)
Less: cash and cash equivalents	49,745	100,785	-	150,530
	(473,950)	111,088	(1,100)	(363,962)

Non-cash movements comprise amortisation of issue costs relating to the secured senior facilities.

	At 1 July 2009 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2010 £'000
Current borrowings	(11,251)	11,246	(19,386)	(19,391)
Non-current borrowings	(503,241)	7,287	(25,396)	(521,350)
Less: cash and cash equivalents	150,530	13,303	-	163,833
	(363,962)	31,836	(44,782)	(376,908)

Non-cash movements largely comprise the foreign exchange loss arising on translation of US Dollar denominated senior secured notes, accrued interest on the senior secured notes and amortisation of issue discount, debt finance and debt issue costs.

	At 1 July 2010 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2011 £'000
Current borrowings	(19,391)	22,886	(20,068)	(16,573)
Non-current borrowings	(521,350)	64,294	14,726	(442,330)
Less: cash and cash equivalents	163,833	(12,736)	(452)	150,645
	(376,908)	74,444	(5,794)	(308,258)

Non-cash movements largely comprise the foreign exchange gain arising on translation of US Dollar denominated senior secured notes, offset by movement on accrued interest on the senior secured notes and amortisation of issue discount, debt finance and debt issue costs.

Red Football Limited

Notes to the consolidated financial statements (continued)

28 Commitments

28.1 Operating lease commitments

The Group leases various premises under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2011		30 June 2010		30 June 2009		1 July 2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Not later than 1 year	1,527	120	897	171	771	173	741	101
Later than 1 year and no later than 5 years	5,314	96	2,005	85	2,333	201	2,472	157
Later than 5 years	4,436	-	4,561	-	5,077	-	5,527	-
	11,277	216	7,463	256	8,181	374	8,740	258

28.2 Capital commitments

At 30 June 2011, the Group had capital commitments amounting to £1.3 million (2010: £2.8 million; 2009: £1.3 million; 2008: £nil).

28.3 Transfer fees payable

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts, in excess of the amounts included in the cost of players' registrations, would be payable by the Group if certain specific performance conditions are met. The maximum additional amounts that could be payable is £19,822,000 (2010: £12,769,000; 2009: £11,141,000; 2008: £14,800,000).

At 30 June 2011 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	11,526	5,901	17,427
International appearances	2,050	345	2,395
	13,576	6,246	19,822

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 consolidated financial statements (continued)

28 Commitments (continued)

At 30 June 2009 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	7,516	2,590	10,106
International appearances	800	235	1,035
	8,316	2,825	11,141

At 30 June 2008 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	4,650	7,785	12,435
International appearances	1,000	1,365	2,365
	5,650	9,150	14,800

29 Pension arrangements

29.1 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 on 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 the additional contributions it is required to pay to make good the deficit. The Group has received confirmation that the assets and liabilities of the Scheme cannot be split between the participating employers. Full provision has been made for the additional contributions that the Group has been requested to pay to help fund the deficit as it is principally attributable to employees who have left the Group or retired

Based on the last actuarial valuation at 31 August 2008, the overall deficit of the Scheme was £13,059,000. The Group has agreed to make additional contributions of £1,301,000 over a period of ten years from September 2009. The liability as at 30 June 2011 amounts to £167,330 (2010: £183,748; 2009: £167,000; 2008: £108,000) due within one year and £833,405 (2010: £1,000,735; 2009: £1,184,000; 2008: £515,000) due after more than one year and is included within other payables.

29.2 Defined contribution schemes

Contributions made to defined contribution pension arrangements are charged to the income statement in the period in which they become payable and amounted to £1,428,000 (2010: £1,395,000, 2009: £1,228,000). As at 30 June 2011, contributions of £186,810 (2010: £218,725; 2009: £184,586; 2008: £152,681) due in respect of the current reporting period had not been paid over to the pension schemes.

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

Red Football Limited

Notes to the consolidated financial statements (continued)

30 Related party transactions

The immediate parent undertaking is Red Football Joint Venture Limited. The ultimate 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 Limited Partnership and Red Football General Partner, Inc. are controlled by family trusts affiliated with the Glazer family.

Red Football Shareholder Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2011. 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 2011. 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.

The following transactions were carried out with related parties:

30.1 Loans to/from related parties

Loans granted to directors are not due for repayment for a period of at least five years from December 2008. 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 (2010: £550,000; 2009: £233,110). The amounts below represent the maximum balances during year.

	At 1 July 2009, 30 June 2010 and 2011 £'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

The total amount of loans outstanding has been included within non-current 'other receivables'. No provision has been required in 2011, 2010 and 2009 for the loans made to key management.

30.2 Purchases of goods and services

E M Watkins was a director of a subsidiary undertaking, Manchester United Football Club Limited, throughout the year. Legal fees of £315,595 (2010: £423,185; 2009: £431,677) were incurred during the year, in the ordinary course of business, to Brabners Chaffe Street, a firm in which E M Watkins is the senior partner. Included within trade payables are amounts of £11,431 (2010: £53,296; 2009: £123,079) owed to Brabners Chaffe Street.

Red Football Limited

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

30.3 Interest in senior secured notes

On 22 October 2010 and 12 January 2011 K Glazer, a director of the Company, and certain members of his immediate family made open market purchases of the Group's US Dollar denominated senior secured notes. The value purchased totalled US\$10.6 million. The US Dollar denominated notes attract a fixed coupon rate of 8.375%. Interest payable to K Glazer and certain members of his immediate family during the year amounted to £379,180 (2010: £nil; 2009: £nil; 2008: £nil) of which £227,762 (2010: £nil; 2009: £nil; 2008: £nil) was accrued at the year end. The value of the Group's senior secured notes held by K Glazer at 30 June 2011 was US\$10.6 million.

30.4 Fees

The Group incurred a management fee of £6,000,000 (2010: £4,325,000; 2009: £2,937,500) from Red Football Limited Partnership, the ultimate parent undertaking. The Group was also charged a consultancy fee of £nil (2010: £nil; 2009: £2,900,000) by SLP Partners LLC, a company also controlled by the Glazer family.

31 Events after the reporting date

31.1 Playing registrations

The playing registrations of certain footballers have been disposed of, subsequent to the reporting date, for total proceeds, net of associated costs, of £6,678,000. The associated net book value was £1,051,000. These registrations have not been reclassified as held for sale as the associated net book value is not considered to be material.

31.2 Senior secured note purchases

Subsequent to the reporting date, the Group repurchased the sterling equivalent of £23,237,000 of senior secured notes comprising £12,000,000 of sterling senior secured notes and US\$18,000,000 of US dollar denominated senior secured notes. The consideration paid amounted to £25,097,000. The repurchased senior secured notes are held by the Group and have not been retired.

32 Reconciliation of net assets and profit under UK GAAP to IFRS

These are the Group's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 30 June 2011, the comparative information presented in these financial statements for the year ended 30 June 2010 and 30 June 2009 and in the preparation of an opening IFRS statement of financial position at 1 July 2008 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared under UK GAAP. An explanation of how the transition from UK GAAP to IFRSs has affected the Group's statement of financial position, income statement and cash flow statement is set out in the following tables and notes that accompany the tables.

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.1 Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from UK GAAP to IFRS.

a) Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3, 'Business combinations', prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Group elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

b) Exemption for cumulative translation differences

IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, 'The effects of changes in foreign exchange rates', from the date a subsidiary or equity method investee was formed or acquired. The Group elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its transition date.

c) Hedge accounting exemption

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39, 'Financial instruments: Recognition and measurement', at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1 July 2008 are reflected as hedges in the Group's results under IFRS. As such, there are no effective hedges in the period to June 2010. New hedges entered in during the year ended 30 June 2011 that satisfied the hedge accounting criteria have been designated as such.

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS

Consolidated statement of financial position as at 1 July 2008

	UK GAAP £'000	A £'000	B £'000	C £'000	IFRS £'000
Non-current assets					
Property, plant and equipment	249,022	-	-	-	249,022
Investment properties	11,762	-	-	-	11,762
Goodwill	421,453	-	-	-	421,453
Players registrations	92,739	-	-	-	92,739
Derivative financial instruments	-	-	19,101	-	19,101
Trade and other receivables	10,460	-	-	-	10,460
	785,436	-	19,101	-	804,537
Current assets					
Trade and other receivables	263,343	-	-	-	263,343
Cash and cash equivalents	49,745	-	-	-	49,745
	313,088	-	-	-	313,088
Total assets	1,098,524	-	19,101	-	1,117,625
Current liabilities					
Derivative financial instruments	-	-	(108)	-	(108)
Current tax liabilities	(1,749)	-	-	-	(1,749)
Trade and other payables	(64,128)	-	-	-	(64,128)
Borrowings	(7,065)	-	-	(1,100)	(8,165)
Deferred income	(71,976)	-	-	-	(71,976)
Provisions	(1,049)	-	-	-	(1,049)
	(145,967)	-	(108)	(1,100)	(147,175)
Non-currents liabilities					
Trade and other payables	(3,149)	-	-	-	(3,149)
Borrowings	(516,630)	-	-	1,100	(515,530)
Provisions	(286)	-	-	-	(286)
Deferred tax liabilities	(351)	(48,370)	(5,318)	-	(54,039)
	(520,416)	(48,370)	(5,318)	1,100	(573,004)
Total liabilities	(666,383)	(48,370)	(5,426)	-	(720,179)
Net assets	432,141	(48,370)	13,675	-	397,446
Equity					
Share capital	-	-	-	-	-
Share premium	547,139	-	-	-	547,139
Retained earnings	(112,137)	(48,370)	13,675	-	(146,832)
Non-controlling interests	(2,861)	-	-	-	(2,861)
Total equity	432,141	(48,370)	13,675	-	397,446

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS (continued)

Explanations of UK GAAP to IFRS adjustments at 1 July 2008

A - Adjustments to the Group's deferred tax liabilities in respect of the revaluation of freehold property to its fair value in May 2005 on the acquisition of Manchester United Limited, together with provision on non-qualifying expenditure on freehold property held by the Group as at the date of acquisition, not previously recognised under UK GAAP.

B - The recognition of fair value gains and losses of derivative financial instruments recognised in the consolidated income statement and associated deferred tax.

C - In line with IAS39, the initial amount of borrowings are recognised net of transaction costs in the balance sheet. The difference between UK GAAP and IFRS represents a reclassification of the transaction costs to show the netting of these transaction costs against the principal amount of the borrowings.

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS (continued)

Consolidated income statement for the year ended 30 June 2009

Continuing operations	UK GAAP £'000	A £'000	B £'000	D £'000	E £'000	F £'000	IFRS £'000
Revenue	278,476	-	-	-	-	-	278,476
Operating expenses – excluding exceptional items	(268,289)	-	629	35,388	(87)	325	(232,034)
Operating expenses – exceptional items	(837)	-	-	-	(1,935)	(325)	(3,097)
Total operating expenses	(269,126)	-	629	35,388	(2,022)	-	(235,131)
Operating profit before profit on disposal of players' registrations	9,350	-	629	35,388	(2,022)	-	43,345
Analysed as:							
Operating profit before depreciation, amortisation of, and profit on disposal of, players' registrations, amortisation of goodwill and operating expenses – exceptional items ('adjusted EBITDA')	92,091	-	629	-	-	325	93,045
Depreciation	(8,875)	-	-	-	(87)	-	(8,962)
Amortisation of goodwill	(35,388)	-	-	35,388	-	-	-
Amortisation of players' registrations	(37,641)	-	-	-	-	-	(37,641)
Operating expenses – exceptional items	(837)	-	-	-	(1,935)	(325)	(3,097)
Profit on disposal of players' registrations	80,724	-	(539)	-	-	-	80,185
Operating profit	90,074	-	90	35,388	(2,022)	-	123,530
Finance costs – excluding exceptional items	(43,206)	-	(973)	-	-	-	(44,179)
Finance costs – exceptional items	-	-	(47,949)	-	-	-	(47,949)
Total finance costs	(43,206)	-	(48,922)	-	-	-	(92,128)
Finance income	1,317	-	-	-	-	-	1,317
Net finance costs	(41,889)	-	(48,922)	-	-	-	(90,811)
Profit on ordinary activities before tax	48,185	-	(48,832)	35,388	(2,022)	-	32,719
Tax expense	(22,681)	712	13,673	-	-	-	(8,296)
Profit for the year from continuing operations	25,504	712	(35,159)	35,388	(2,022)	-	24,423
Other comprehensive income:							
Exchange loss on translation of overseas subsidiary	(116)	-	-	-	-	-	(116)
Total comprehensive profit for the year	25,388	712	(35,159)	35,388	(2,022)	-	24,307
Attributable to:							
Owners of the Company	25,471	712	(35,159)	35,388	(2,022)	-	24,390
Non-controlling interest	(83)	-	-	-	-	-	(83)
	25,388	712	(35,159)	35,388	(2,022)	-	24,307

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS (continued)

Consolidated statement of financial position as at 30 June 2009

	UK GAAP £'000	A £'000	B £'000	C £'000	D £'000	IFRS £'000
Non-current assets						
Property, plant and equipment	243,466	-	-	-	-	243,466
Investment properties	9,740	-	-	-	-	9,740
Goodwill	386,065	-	-	-	35,388	421,453
Players registrations	113,406	-	-	-	-	113,406
Trade and other receivables	10,150	-	-	-	-	10,150
Non-current tax receivable	2,500	-	-	-	-	2,500
	765,327	-	-	-	35,388	800,715
Current assets						
Derivative financial instruments	-	-	620	-	-	620
Trade and other receivables	278,428	-	-	-	-	278,428
Cash and cash equivalents	150,530	-	-	-	-	150,530
	428,958	-	620	-	-	429,578
Total assets	1,194,285	-	620	-	35,388	1,230,293
Current liabilities						
Derivative financial instruments	-	-	(638)	-	-	(638)
Current tax liabilities	(2,500)	-	-	-	-	(2,500)
Trade and other payables	(85,977)	-	-	-	-	(85,977)
Borrowings	(10,151)	-	-	(1,100)	-	(11,251)
Deferred income	(75,860)	-	-	-	-	(75,860)
Provisions	(728)	-	-	-	-	(728)
	(175,216)	-	(638)	(1,100)	-	(176,954)
Non-currents liabilities						
Derivative financial instruments	-	-	(29,821)	-	-	(29,821)
Trade and other payables	(5,393)	-	-	-	-	(5,393)
Borrowings	(504,341)	-	-	1,100	-	(503,241)
Deferred income	(35,897)	-	-	-	-	(35,897)
Provisions	(363)	-	-	-	-	(363)
Deferred tax liabilities	(17,568)	(47,658)	8,355	-	-	(56,871)
	(563,562)	(47,658)	(21,466)	1,100	-	(631,586)
Total liabilities	(738,778)	(47,658)	(22,104)	-	-	(808,540)
Net assets	455,507	(47,658)	(21,484)	-	35,388	421,753
Equity						
Share capital	-	-	-	-	-	-
Share premium	547,139	-	-	-	-	547,139
Retained earnings	(88,688)	(47,658)	(21,484)	-	35,388	(122,442)
Non-controlling interests	(2,944)	-	-	-	-	(2,944)
Total equity	455,507	(47,658)	(21,484)	-	35,388	421,753

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS (continued)

Explanations of UK GAAP to IFRS adjustments for 2009

A - Adjustments to the Group's deferred tax liabilities in respect of the revaluation of freehold property to its fair value in May 2005 on the acquisition of Manchester United Limited, together with provision on non-qualifying expenditure on freehold property held by the Group as at the date of acquisition, not previously recognised under UK GAAP.

B - Fair value gains and losses of derivative financial instruments recognised in the consolidated income statement and associated deferred tax.

C - In line with IAS39, the initial amount of borrowings are recognised net of transaction costs in the balance sheet. The difference between UK GAAP and IFRS represents a reclassification of the transaction costs to show the netting of these transaction costs against the principal amount of the borrowings.

D - Under UK GAAP an annual amortisation charge was made against the carrying value of goodwill. Under IFRS this amortisation charge has been replaced by an annual impairment test. No impairment is required based on calculations performed. The adjustment reflects the reversal of the 2009 amortisation charges.

E - Under IFRS, investment properties are being accounted for using the cost method. The adjustment reflects an element of depreciation under the cost method and recognition of an impairment charge through the income statement. This was previously considered to be a temporary impairment and was therefore reflected through reserves under UK GAAP.

F - The onerous lease provision charged in 2009 to 'operating expenses - excluding exceptional items' has been reclassified within 'operating expenses - exceptional items' to ensure consistency of treatment with 2010.

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS (continued)

Consolidated income statement for the year ended 30 June 2010

Continuing operations	UK GAAP £'000	A £'000	B £'000	D £'000	E £'000	G £'000	IFRS £'000
Revenue	286,416	-	-	-	-	-	286,416
Operating expenses – excluding exceptional items	(269,644)	-	426	35,388	(87)	-	(233,917)
Operating expenses – exceptional items	(2,160)	-	-	-	(615)	-	(2,775)
Total operating expenses	(271,804)	-	426	35,388	(702)	-	(236,692)
Operating profit before profit on disposal of players' registrations	14,612	-	426	35,388	(702)	-	49,724
Analysed as:							
Operating profit before depreciation, amortisation of, and profit on disposal of, players' registrations, amortisation of goodwill and operating expenses – exceptional items ('adjusted EBITDA')	100,794	-	426	-	-	-	101,220
Depreciation	(8,547)	-	-	-	(87)	-	(8,634)
Amortisation of goodwill	(35,388)	-	-	35,388	-	-	-
Amortisation of players' registrations	(40,087)	-	-	-	-	-	(40,087)
Operating expenses – exceptional items	(2,160)	-	-	-	(615)	-	(2,775)
Profit on disposal of players registrations	12,689	-	696	-	-	-	13,385
Operating profit	27,301	-	1,122	35,388	(702)	-	63,109
Finance costs – excluding exceptional items	(43,990)	-	50	-	-	(19,270)	(63,210)
Finance costs – exceptional items	(64,657)	-	28,799	-	-	19,270	(16,588)
Total finance costs	(108,647)	-	28,849	-	-	-	(79,798)
Finance income	1,715	-	-	-	-	-	1,715
Net finance cost	(106,932)	-	28,849	-	-	-	(78,083)
Loss on ordinary activities before tax	(79,631)	-	29,971	35,388	(702)	-	(14,974)
Tax expense	(3,735)	712	(8,391)	-	-	-	(11,414)
Loss for the year from continuing operations	(83,366)	712	21,580	35,388	(702)	-	(26,388)
Other comprehensive income:							
Exchange gain on translation of overseas subsidiary	5	-	-	-	-	-	5
Total comprehensive loss for the year	(83,361)	712	21,580	35,388	(702)	-	(26,383)
Attributable to:							
Owners of the Company	(83,634)	712	21,580	35,388	(702)	-	(26,656)
Non-controlling interest	273	-	-	-	-	-	273
	(83,361)	712	21,580	35,388	(702)	-	(26,383)

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS (continued)

Consolidated statement of financial position as at 30 June 2010

	UK GAAP £'000	A £'000	B £'000	C £'000	D £'000	H £'000	IFRS £'000
Non-current assets							
Property, plant and equipment	239,509	-	-	-	-	-	239,509
Investment properties	9,038	-	-	-	-	-	9,038
Goodwill	350,677	-	-	-	70,776	-	421,453
Players registrations	94,270	-	-	-	-	-	94,270
Trade and other receivables	12,957	-	-	-	-	-	12,957
Non-current tax receivable	2,500	-	-	-	-	-	2,500
	708,951	-	-	-	70,776	-	779,727
Current assets							
Derivative financial instruments	-	-	1,669	-	-	-	1,669
Trade and other receivables	675,143	-	-	-	-	-	675,143
Current tax receivable	59	-	-	-	-	-	59
Cash and cash equivalents	163,833	-	-	-	-	-	163,833
	839,035	-	1,669	-	-	-	840,704
Total assets	1,547,986	-	1,669	-	70,776	-	1,620,431
Current liabilities							
Trade and other payables	(89,158)	-	-	-	-	19,072	(70,086)
Borrowings	3,099	-	-	(3,418)	-	(19,072)	(19,391)
Deferred income	(90,503)	-	-	-	-	-	(90,503)
Provision	(481)	-	-	-	-	-	(481)
	(177,043)	-	-	(3,418)	-	-	(180,461)
Non-currents liabilities							
Derivative financial instruments	-	-	(1,537)	-	-	-	(1,537)
Trade and other payables	(26,432)	-	-	-	-	-	(26,432)
Borrowings	(524,768)	-	-	3,418	-	-	(521,350)
Deferred income	(27,324)	-	-	-	-	-	(27,324)
Provisions	(2,135)	-	-	-	-	-	(2,135)
Deferred tax liabilities	(13,040)	(46,946)	(37)	-	-	-	(60,023)
	(593,699)	(46,946)	(1,574)	3,418	-	-	(638,801)
Total liabilities	(770,742)	(46,946)	(1,574)	-	-	-	(819,262)
Net assets	777,244	(46,946)	95	-	70,776	-	801,169
Equity							
Share capital	-	-	-	-	-	-	-
Capital contribution reserve	405,799	-	-	-	-	-	405,799
Retained earnings	374,116	(46,946)	95	-	70,776	-	398,041
Non-controlling interests	(2,671)	-	-	-	-	-	(2,671)
Total equity	777,244	(46,946)	95	-	70,776	-	801,169

Red Football Limited

Notes to the consolidated financial statements (continued)

32 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

32.2 Reconciliation of UK GAAP to IFRS (continued)

Explanations of UK GAAP to IFRS adjustments for 2010

A - Adjustments to the Group's deferred tax liabilities in respect of the revaluation of freehold property to its fair value in May 2005 on the acquisition of Manchester United Limited, together with provision on non-qualifying expenditure on freehold property held by the Group as at the date of acquisition, not previously recognised under UK GAAP.

B - Fair value gains and losses of derivative financial instruments recognised in the consolidated income statement and associated deferred tax.

C - In line with IAS39, the initial amount of borrowings are recognised net of transaction costs in the balance sheet. The difference between UK GAAP and IFRS represents a reclassification of the transaction costs to show the netting of these transaction costs against the principal amount of the borrowings.

D - Under UK GAAP an annual amortisation charge was made against the carrying value of goodwill. Under IFRS this amortisation charge has been replaced by an annual impairment test. No impairment is required based on calculations performed. The consolidated income statement adjustment reflects the reversal of the 2010 amortisation charge whereas the consolidated statement of financial position reflects the cumulative position.

E - Under IFRS, investment properties are being accounted for using the cost method. The adjustment reflects an element of depreciation under the cost method and recognition of an impairment charge through the income statement. This was previously considered to be a temporary impairment and was therefore reflected through reserves under UK GAAP.

G - Under UK GAAP, any foreign exchange gains and losses arising on the translation of dollar denominated senior secured notes were treated as exceptional due to being unusual by size and incidence. Under IFRS, fair valuing of financial instruments is normal practice and as such we no longer recognise these gains and losses as exceptional.

H - Accrued interest on borrowings previously classified within accruals has been reclassified into borrowings.

32.3 Reconciliation of cash flows under UK GAAP to IFRS

The transition from UK GAAP to IFRS has had no effect on the reported cash flows generated by the Group. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

Red Football Limited

Independent auditors' report to the members of Red Football Limited

We have audited the Parent Company financial statements of Red Football Limited for the year ended 30 June 2011 which comprise the Balance Sheet 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 Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company 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 Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2011 ;
- 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 Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.

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

Other matter

We have reported separately on the Group financial statements of Red Football Limited for the year ended 30 June 2011.

Nicholas Boden (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
26 September 2011

Red Football Limited

Company balance sheet

	Note	At 30 June 2011 £'000	At 30 June 2010 £'000
Fixed assets			
Investments in subsidiaries	4	809,143	809,143
Current assets			
Debtors	5	235,297	286,038
Creditors – amounts falling due within one year	6	(8,898)	(52,636)
Net current assets		226,399	233,402
Total assets less current liabilities		1,035,542	1,042,545
Creditors – amounts falling due after more than one year	7	(18,282)	(22,437)
Net assets		1,017,260	1,020,108
Capital and reserves			
Share capital	8	-	-
Capital contribution reserve	9	405,799	405,799
Profit and loss account	9	611,461	614,309
Total shareholders' funds		1,017,260	1,020,108

The notes on pages 76 to 79 are an integral part of these Company financial statements.

The financial statements on pages 75 to 79 were authorised for issue by the board of directors on 26 September 2011 and were signed on its behalf.

J Glazer
Director

Company Number: 05370076

Red Football Limited

Notes to the Company financial statements

1 General information

Red Football Limited is a holding company. The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom. The address of its registered office is Sir Matt Busby Way, Old Trafford, Manchester, M16 0RA.

The registered number of the Company is 05370076.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis under the historical cost convention, and have been drawn up in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Companies Act 2006.

2.2 Investments in subsidiaries

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.

2.3 Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of Red Football Joint Venture Limited and is included in the consolidated financial statements of Red Football Joint Venture Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related party disclosures' from disclosing related party transactions with entities that are part of the Red Football Joint Venture Limited group or investees of the Red Football Joint Venture Limited group.

3 Result for the year

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. The Company's result for the financial year was a loss of £2,848,000 (2010: profit of £202,799,000) which includes dividends received from direct subsidiary undertakings of £nil (2010: £266,951,000).

The auditors' remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

Red Football Limited

Notes to the Company Financial Statements (continued)

4 Investments in subsidiaries

Subsidiary
Undertakings
£'000

Cost and net book amount

At 1 July 2010 and 30 June 2011

809,143

The following companies are the principal subsidiary undertakings of the Company at 30 June 2011:

Subsidiaries	Principal activity	Issued share capital	Description of share classes owned
Red Football Junior Limited*	Holding company	GBP 100	100% Ordinary
Manchester United Limited*	Holding company	GBP 26,519,248	100% Ordinary
Manchester United Football Club Limited	Professional football club	GBP 1,008,546	100% Ordinary
MU Finance plc	Debt-holding company	GBP 15,000,000	100% Ordinary
Manchester United Interactive Limited	Media company	GBP 10,000	100% Ordinary
Manchester United Commercial Enterprises (Ireland) Limited	Property investment	EUR 13	100% Ordinary
Alderley Urban Investments Limited	Property investment	GBP 2	100% Ordinary
MUTV Limited	Subscription TV channel	GBP 2,400	66.7% Ordinary

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

All of the above were incorporated and operate in England and Wales, with the exception of Manchester United Commercial Enterprises (Ireland) Limited which was incorporated and operates in Ireland.

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

5 Debtors

	2011 £'000	2010 £'000
Amounts due from parent undertakings	233,409	233,409
Amounts due from subsidiary undertakings	1,888	52,629
	235,297	286,038

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 Company Financial Statements (continued)

6 Creditors – amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	93	-
Amounts due to subsidiary undertakings	4,628	48,728
Other creditors	4,155	3,684
Accruals	22	224
	8,898	52,636

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

7 Creditors – amounts falling due after more than one year

	2011 £'000	2010 £'000
Other creditors	18,282	22,437

8 Share capital

	2011 £	2010 £
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

9 Reserves

	Capital contribution reserve £'000	Profit and loss account £'000
Balance at 1 July 2010	405,799	614,309
Loss for the financial year	-	(2,848)
Balance at 30 June 2011	405,799	611,461

Red Football Limited

Notes to the Company Financial Statements (continued)

10 Reconciliation of movements in shareholders' funds

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
(Loss)/profit for the financial year	(2,848)	202,799
Capital contribution received from immediate parent undertaking	-	405,799
Net (decrease)/increase in shareholders' funds	(2,848)	608,598
Opening shareholders' funds	1,020,108	411,510
Closing shareholders' funds	1,017,260	1,020,108

11 Commitments

At 30 June 2011, the Company did not have any capital commitments (2010: £nil).

12 Immediate parent undertaking and ultimate controlling party

The immediate parent undertaking is Red Football Joint Venture Limited. The ultimate 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 Limited Partnership and Red Football General Partner, Inc. are controlled by family trusts affiliated with the Glazer family.

Red Football Shareholder Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2011. 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 2011. 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.