



The small company specialists

COMPANY INFORMATION

Manchester City plc (PLUS:MANV)

Info sheet compiled: November 2006

Company Eye Ranking

20/50

EDITOR'S NOTE

Manchester City plc is the holding company of The Barclaycard FA Premiership side Manchester City Football Club plc. Since 2002 the Club has been playing in the top flight of English football and moved into the City of Manchester Stadium in 2003. Manchester City made a profit over the course of last season that can mainly be attributed to the sale of players.

It is our opinion that the Manchester City plc is a risky investment. Profit is strongly related to performance on the pitch, as this boosts turnover and could lead to increases in player value. At present we feel that the club is not performing to the level that the wage bill suggests it should, but a run of good performances could change this. Needless to say Premiership survival is a must.

3 YEARS CHART



FUNDAMENTALS

Company Name	Manchester City plc
Current Price	22.50
Status	PLUS
Market Cap	12.17
Shares in Issue	54,089,373
Activities	Operation of a professional football club
Sector	Leisure & Hotels
Corporate advisor	Arbuthnot Securities Limited
Registrar	Capita Registrars (Northern)

HISTORY

The club was originally formed as St Mark's in West Gorton, Manchester in 1880, and played on a piece of waste ground at Clowes Street. Several name changes during the following years and the name Manchester City was adopted in 1894. Oddly, soccer football was not very popular at that time, Rugby being the most widely supported team sport. Therefore, this made it difficult to find other local teams to play against. However, many successes led to the team reaching the Football League's Second Division in 1892, and finally into the First Division in 1899. Major rivals to Manchester's other great football team, Manchester United, local 'derby' matches are eagerly supported and competitiveness is always high amongst players and fans alike. A devastating fire at their Hyde Road ground in 1920 had completely destroyed the stadium and it was this

event, which prompted the move to a new purpose-built ground which was opened at Maine Road in Moss Side, Manchester in 1923. The club's fortunes have been erratic, from promotions to the top of First Division and numerous cup championships, to relegation to lower divisions. However, their descents have more often than not been matched with equally meteoric rises and Manchester City can be said to be one of the great football teams, in a city that takes its football very seriously. Rivalry between City (the blues) and Manchester United (the reds) are intense. The Club became a limited company and the name was changed to Manchester City FC in 1894. The company started trading on OFEX in 1995 at 68p, capitalising it at £8 million.

The Club moved from Maine Road to its present stadium, City of Manchester Stadium, in August 2003.

THE BUSINESS

Manchester City plc is the holding company of Manchester City Football Club plc, a member of The Barclaycard F.A. Premiership. The club has a medical centre, changing

rooms, multi-purpose gym, dining room and kitchen, media facilities, 16 acres of football pitches and a stadium that has held international events.



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ACTIVITIES

Apart from football the club also has various other activities:

Reebok City

Situated adjacent to the Stadium, Reebok City is home to the City Superstore, City Social and the City Experience.

City Superstore

The City Superstore stocks a wide range of Manchester City souvenirs, leisurewear and training gear from the kit sponsor, Reebok.

City Social

City Social is a sports bar offering drinks, sandwiches and hot food. It has large on-site television screens to allow you to watch the latest matches via satellite TV. City Social is also available for private hire for meetings, parties and events.

Online Store

Customers can complete orders electronically. Orders can be shipped directly to them, or if they wish to send a surprise gift to a friend, they can have items shipped to another address. The stores offer sale of replica kit, leisure wear, Reebok leisure, Reebok training, end of an era, executive books, multimedia gifts, souvenirs, equipment, home ware, clothing accessories, babies and toddlers items and nightwear.

Ticket store

The ticket store enhances seat sales for games at the stadium. The online ticket store is gaining popularity with fans. All season ticket holders, Citycard and ISC members are automatically issued with an access card to book tickets. Non-members have to register with the ticket store to obtain a match card, which can be used for the rest of the season.

FOOTBALL REVIEW

The end to last season was disappointing and contrasted dramatically with the final eight games of the previous season being unbeaten. The club finished in 15th place, despite running a wage bill that should have seen it comfortably in the top half of the table.

Whilst Premiership survival remains an objective, it alone does not represent a successful season for Manchester City Football Club.

During the close season, Stuart Pearce made a number of progressive changes at Carrington. Steve Wigley has been promoted to First Team Coach and Frankie Bunn has been promoted from the Academy to the position of Reserve Team Manager, providing continuity for many of the young players. Further, Derek Fazackerley has taken an office and scouting based role, allowing Stuart to spend more time on the training pitch.

Over the summer period City have improved their squad through player acquisitions and by being "Bosman aware". Equally important are a number of contract extensions. Academy alumni Joey Barton, Micah Richards, Daniel Sturridge and Michael Johnson committed to Manchester

City despite the attention of other clubs.

Having pulled forward some planned summer expenditure with the purchase of Georgios Samaras in January, total net expenditure on new players in 2006 is £8.5 million. Instalment payments on previously purchased players takes total spend up by a further £1.8 million for the same period.

There has been further investment in the wage bill as the 2006/07 season started. Indeed, football has once again experienced wage inflation as teams battle for their share of the new TV deal which is now less than one year away.

The Academy had an excellent year, capped by an admirable performance against Liverpool in the Youth Cup Final. The mission of the Academy is to provide players for the First Team. Nevertheless, where players will not make the grade in the Premier League there is a view to maximise value through sales with the proceeds reinvested in improved facilities and Academy investment. The total spend is over £2 million each year on this area of player development.

STADIUM

The Club continue to investigate and talk to supporters about ways to enhance the look, feel and atmosphere at the stadium.

The Company has launched a new Live4City membership scheme for children between the ages of 0 to 16. This scheme, which sits in harmony with the Junior Blues, is free to all young, existing and prospective, Manchester City fans.

Conference income grew 38% for the second year running. The stadium is alive and in use every single day, none more so than with the continuation of a concert series. After summer 2005's Oasis and U2 events, the crowd profile changed dramatically with first Bon Jovi visiting the stadium, before a reformed Take That performed a greatest hits package to 120,000 over two nights.



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SPONSORSHIP

At the start of the year Thomas Cook committed to two further years with the Club as main sponsor. Other partners include Reebok, Budweiser, Orange, Ladbrokes, MBNA, John Smiths, Vauxhall and Timpson.

The club's financial services offer with Britannia Building Society has been broadened during the period. The agreement with Magic 1152 has been extended and new deals with, amongst others, Totalbet, GAC Logistics, Willow Water and Netgear have been announced.

CITY IN THE COMMUNITY

In the past twelve months the role of Social Responsibility in the Club has embraced a range of outward reaching projects, the centrepiece of which has been the One City initiative. The club have received support for this project, with Richard Scudamore of the Premier League travelling up to speak at the inaugural One City Symposium, celebrating and embracing diversity in Manchester. In the latest survey, 79% of fans surveyed rated the work against racism as very good or good.

Celebrating its 20th anniversary in 2006, CITC has a wide-ranging programme of activities and social themes, working across Manchester and Tameside – a population of some 600,000. With key themes including health,

citizenship, life skills, social inclusion, environment, and football, CITC worked with some 250,000 people in the last year alone and has engaged with over 2 million in its 20-year history. Health projects include fitness and healthy eating, dental health and referral programmes. There are also challenging life skills projects including project based work experience and music schemes with, for example, the world famous Halle Orchestra. A major initiative targeting "at risk" young people - KICKZ - funded by the Home Office is being piloted by CITC in South Manchester, whilst the CITC soccer schools attract over 4,000 young people every year.

DEVELOPMENT HIGHLIGHTS

August 2003 – Moved to new stadium (City of Manchester Stadium).

5th November 1999 - BSkyB subscribed £5.5 million for a holding in the Enlarged Share Capital of 9.9 per cent of Manchester City.

EXPANSION

There is now a half hour television show, "Inside MCFC", broadcast by Channel M. Further, and an International Television Programming Block for the overseas TV market.

and a web-based video lounge for the USA has been produced

DIRECTORS

John Wardle – Chairman

John Wardle was appointed to the board in 1998. He is a cofounder and Deputy Chairman of John David Sports plc.

Bryan Bodek - Deputy Chairman

Bryan Bodek was appointed to the Board in 2000. He is the Managing Director of Airline Services Ltd, Non-executive Chairman of The Medico House plc and a Director of Henshaws Society for Blind People. He is the Chairman of the Remuneration Committee and is a member of the Audit Committee.

Alistair Mackintosh - Chief Executive

Alistair Mackintosh was appointed to the Board as Finance Director in 1999, having previously held the position of Financial Controller. He was appointed Joint Managing Director in 2002 and Managing Director in 2003 and has subsequently taken on the role of CEO.

Dennis Tueart - Director

Dennis Tueart was appointed to the Board in 1997 and is a

former England and Manchester City footballer. He is the Managing Director of a Manchester based business promotions and conference production company.

Mark Boler - Director

Sidney Rose - Life President

Stuart Pearce - Team Manager

After his illustrious playing career ended at Manchester City in 2002, Stuart "Psycho" Pearce stayed at the club as a coach. When Kevin Keegan left the club in March 2005, Pearce was appointed as caretaker manager until the end of the season.

His brief time in charge in City in the 2004/05 campaign proved to be a great success. In only 9 games he steered City 4 wins, 4 draws and only 1 defeat - his first game against Spurs at White Heart Lane.

It was no surprise therefore that he got the job on a permanent basis.



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SHAREHOLDINGS

	Number	%
The Trust interests of DM Makin and JC Wardle		29.95
Walbrook Trustees (Guernsey) Ltd		18.75

	Number	%
BSkyB	5,336,639	9.9
FH Lee		7.13

FINANCIAL HISTORY

Profit and loss account for year to 31st May 2006

£000	Year ended 31st May 2006	Year ended 31st May 2005
Turnover	61,802	60,864
Operating expenses before amortisation of players	(56,741)	(57,359)
OPERATING PROFIT before amortisation of players	5,061	3,505
Amortisation of players	(7,147)	(11,565)
OPERATING LOSS after amortisation of players	(2,086)	(8,060)
Profit on disposal of players	19,058	339
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION	16,972	(7,721)
Interest receivable and similar income	598	189
Interest payable and similar charges	(4,903)	(5,061)
Stadium finance lease charges	(2,605)	(3,031)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	10,062	(15,624)

Balance Sheet as at year end 31st May 2006

£000	Year ended 31st May 2006	Year ended 31st May 2005
Intangible assets	11,018	11,000
Tangible assets	154,705	156,870
Investments	-	-
FIXED ASSETS	165,723	167,870
Stocks	420	772
Debtors	6,056	5,576
Cash at bank and in hand	9,805	7,448
CURRENT ASSETS	16,281	13,796
CREDITORS Amounts falling due within one year	(38,693)	(39,636)
NET CURRENT LIABILITIES	(22,412)	(25,840)
TOTAL ASSETS LESS CURRENT LIABILITIES	143,311	142,030
CREDITORS Amounts falling due after more than one year	(89,236)	(92,783)
Deferred income	(15,486)	(20,720)
NET ASSETS	38,589	28,527
CAPITAL AND RESERVES		
Called up share capital	5,421	5,421
Share premium account	26,575	26,575
Revaluation reserve	71,344	71,344
Profit and loss account	(64,751)	(74,813)
EQUITY SHAREHOLDERS' FUNDS	38,589	28,527

FINANCIAL REVIEW

Turnover for the year ended 31 May 2006 reached £61.8 million (2005: £60.9 million). This year-on-year increase was achieved despite a £3.4 million fall in TV merit payments following the 15th place finish. An FA Cup run produced enhanced ticket revenues of £1.5 million. Concert and other commercial revenues accounted for the remainder of the uplift.

Operating profit before amortisation of players was up 46% at £5.1 million (2005: £3.5 million). As well as the increase in commercial revenues a key determinant of this increase was the fall in the wage bill.

Total salary costs fell to £34.3 million (2005: £37.7 million), partly due to reduced payments to players under performance related contracts. Stadium rent payable for the period totalled £2.6 million (2005: £3.0 million). The profit on disposal of players of £19.1 million (2005: £0.3 million) led to a profit on ordinary activities after taxation of £10.1 million (2005: loss £15.6 million).

Net external debt, excluding finance leases, fell once again this year to a figure of £32.2 million (2005: £38.5 million). The club continue to look for ways to both actively manage debt while investing in the First Team and Academy.



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In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable.

In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

If the Company has not undertaken an acquisition or a significant investment within 24 months of the start of trading on PLUS, there is no guarantee that the Company can maintain a PLUS trading facility if the Directors do not deem any acquisitions or investments to be suitable within any such period.

It is likely that the Company will need to raise further funds in the future, either to complete a proposed investment or acquisition or to raise further working or development capital for such a transaction. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that the new investors will be prepared to subscribe for Ordinary Shares at prices that are the same or greater than the price at which they are being introduced.

CONTACT

City of Manchester Stadium
Sportcity
Manchester
M11 3FF

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	25
Customers	30
Low cost	13
Management	20
- corporate governance	
- quality	
- shareholding	
Product	25
Sector	20
Financial evaluation	
Early and profitable exit potential	
Financial strength	15
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	20
Risk	
Overall average rating	20



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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