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**Birmingham City Football Club
PLC**

Report and Financial Statements

Year Ended

30 June 2011

Company Number 27318

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Birmingham City Football Club PLC

Report and financial statements for the year ended 30 June 2011

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Directors

Yeung Ka Sing, Carson
Hui Ho Luek, Vico
Peter Pannu
Yeung Tsz Tsung, Ryan

Secretary and registered office

W Ip, St Andrew's Stadium, Birmingham, B9 4RL

Company number

27318

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Bankers

HSBC Bank Plc, PO Box 68, 130 New Street, Birmingham, B2 4JU

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2011

The directors present their report together with the audited financial statements for the year ended 30 June 2011

Results and dividends

The profit and loss account is set out on page 9 and shows the loss for the year

The company is unable to pay a dividend as it does not have available distributable reserves

Principal activities

The principal activity of the company continued to be that of a Football Club, namely Birmingham City Football Club

Financial and operating review

2011 was a mixed year in terms of "on field" activities. The Club won the Carling Cup its first major trophy in nearly 50 years resulting in the Club playing in the Europa League in the 2011/12 season. Unfortunately the Club was relegated to the Championship in the final game of the 2010/11 season.

The 2011/2012 season saw the club reaching the Championship playoffs but not being able to gain promotion to the Premiership.

The directors would like to take this opportunity to thank everyone at the Club for their hard work during the year and to praise the fan base for their loyal support.

Key performance indicators (KPIs)

Key performance indicators are used to measure and evaluate performance against targets and monitor various activities throughout the company. The main key performance indicators employed in the company are

		Year ended 30 June 2011 £	10 months ended 30 June 2010 £
Revenue levels (football related and other)	£'000	61,453	56,423
Operating (loss)/profit	£'000	(12,468)	997
Staff costs (player related and other)	£'000	45,088	36,739
Average attendance levels	No's	25,567	25,246

The Board monitor these key performance indicators on a monthly basis. Acceptable performance and target KPI's are set by the Company's budget and the Company's primary internal performance measure is against budgets.

Accounting period

This financial report covers the year ended 30 June 2011. The comparative figures are for the 10 month period from 1 September 2009 to 30 June 2010. The accounting period was changed to be coterminous with the ultimate parent company, Birmingham International Holdings Limited.

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2011 (*continued*)

Environment

The Group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Employee Involvement

The company places considerable value on the involvement of its employees and recognises the importance of good communication within the workplace.

It is the company's policy to give full and fair consideration to all applications from disabled persons, with due consideration being given to respective aptitudes and abilities. The same policy applies in the event of employees who become disabled during employment. Appropriate training is provided where applicable.

The quality and commitment of our people have played a major role in our business operations. This has been demonstrated in many ways. They have shown flexibility in adapting to changing business environments and new ways of working. Employees' performance is aligned to the company's goals through an annual performance review process that is carried out with all employees.

Payment of suppliers

The company seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with each supplier when details of each transaction are settled. The company will continue to strive to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders.

Transfer fees and similar transactions are such that any calculation of the number of creditor days inclusive of these balances would prove meaningless. However, creditor days excluding transfer fees for the company at 30 June 2011 were 77 days (2010 - 75 days).

Principal risks and uncertainties

Funding and going concern

The relegation of the Club to the Championship significantly reduced the income available in the 2011/2012 season and for subsequent years. This has meant that the directors have had to take actions, including effecting a number of player transfers, to reduce the ongoing cost base of the Club to help ensure that the Club is able to tailor its expenditure to the changed circumstances of the Championship. However, the reduction in expenditure is not able to be effected as quickly as the impact of the reduction in income but due to a number of player sales and the support of the Premier League parachute payments this current year is expected to show a substantial profit and positive cash inflow. The directors intend to continue to seek cost reductions to help ensure the financial viability of the Club.

The balance sheet at 30 June 2011 shows net current liabilities of £44.7m (2010 - net current liabilities of £36.8m) and net liabilities of £19.2m (2010 - £6.9m). As at 30 June 2011 the Club had received loans of £13.7m (2010 - £12.1m) from Yeung Ka Sing, Carson (a director of Birmingham City Football Club PLC (BCFC)) and a director and substantial shareholder of the parent company Birmingham International Holdings Limited (BIHL)) and loans of £7.8m (2010 - £nil) had been received from the parent company BIHL. This funding, combined with an overdraft facility which was utilised for the majority of the year to 30 June 2011, has provided the funding required to support the Club's operations. Although technically repayable on demand the directors have received formal confirmation from Yeung Ka Sing, Carson and the parent company that, given the financial position of BCFC, the amounts due (or at least a significant element of the amounts due) to Yeung Ka Sing, Carson and the parent company will remain in place for at least the 12 months from the date of approval of these financial statements. The bank overdraft facility was withdrawn as part of the annual review of the

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2011 (*continued*)

Principal risks and uncertainties (*continued*)

Club's banking facilities during August 2011 although the facility was not being used at that time. The directors would wish to once again thank all the senior management at the Club who were able to sustain the Club's operations under these very challenging circumstances.

The directors have prepared detailed profit and cash flow forecasts ("the forecasts") for BCFC including for the period to 30 June 2013. These forecasts have been based on income expected to be generated during the 2012/2013 Championship season including the residual premiership parachute payments to be received, expectations of player, management team and administration costs, expectations of player transfer and loan activities (which will need to be actively managed in the current financial circumstances) and the assumption that the amounts payable to Yeung Ka Sing, Carson and the parent company will not be substantially repaid. These forecasts show that BCFC requires additional funding to be made available to continue its operations for at least the twelve months from the date of approval of these financial statements and through to 30 June 2013. The directors consider that the cashflow forecasts can be achieved and that the additional funding required in the period to 30 June 2013 can be obtained by forward funding of player transfers and/or additional player transfers. It is noted that the forecasts assume that no further significant repayments are made to Yeung Ka Sing, Carson and the parent company in respect of the funding provided and which are technically repayable within the next twelve months but have been deferred by them by agreement.

The directors note that allegations of dealing with property known or believed to represent the proceeds of an indictable offence during the period 2001 and 2007 have been made against the Club's biggest financial supporter Yeung Ka Sing, Carson by the Hong Kong police and that these allegations are currently progressing through due legal process in that jurisdiction. The first court hearing to consider the allegations has been tentatively rescheduled to take place in November of 2012. At this stage of the proceedings the directors have not received any information to suggest that any funding provided to BCFC by Yeung Ka Sing, Carson either directly or through entities making payments to BCFC on his behalf was sourced from money laundered funds. Furthermore the directors do not have any credible reason to fear that the Hong Kong Authorities have any recourse to the loans made to BCFC by Yeung Ka Sing, Carson. As far as the directors are aware, only the assets located in Hong Kong are subject to an actual restraint.

We have considered the forecasts carefully and also considered, with the directors of the parent company, our ability to obtain the funding that is required as shown by the forecasts. We remain of the view that we can obtain the required funding (through a mixture of player sales, forward funding arrangements and additional external funding). The directors note the auditor's views as to whether the use of the going concern assumption is appropriate. At the direction of BDO the directors have performed an impairment review which shows that the Club can remain in credit if it adopted the contingencies as adopted in that study. The board is of the view that since the contingencies can support the impairment review exercise, it must be deemed as viable and based on which the conclusion on going concern assumption is appropriate. On this basis the directors continue to believe that it is appropriate to prepare the accounts of BCFC on a going concern basis. The financial statements do not include the adjustments (particularly in respect of recorded asset values) that would result if the Club were unable to continue as a going concern.

Acquisition of players

The acquisition of players and their related payroll costs are deemed the core activity risk and, whilst assisting the Manager in improving the playing squad, the Board is mindful of the pitfalls that are inherent in this area of the business. The aim is therefore to manage these costs whilst being as competitive as possible within the Club's financial constraints.

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2011 (*continued*)

Sponsorship contract

Effective for 2011/2012 season the rights to the net income from the sponsorship of kit was transferred to a wholly owned subsidiary of the parent company, Birmingham (Hong Kong) Limited ("BHK") This transfer was made on the basis of an informal and unwritten agreement between the directors of BCFC and BIHL ("common directors") to enable the HK based company to maximise the potential of marketing the club within the Far East market Given that this is a transfer between a wholly owned subsidiary and its parent, the parent company board requested that the transfer of these particular rights to be made at nil consideration The common directors consider that this transfer should not be regarded a "distribution in specie", which as BCFC have negative reserves could be deemed an illegal dividend as the underlying intention is to benefit the group as a whole from maximising the income received from the BCFC brand BDO have advised that the UK tax authorities may seek to claim that this income (or a receipt of funds in respect of the transfer of rights) should have been recorded by BCFC and therefore be subject to UK taxation The common directors understand and accept this risk but are comfortable that there would be no impact to taxation to be recorded in the financial statements even if this was found to be the case by HMRC as a result of the significant tax losses carried within BCFC As a result of all of the factors noted above it is appropriate that the net income generated from the sponsorship contract is recorded within the financial statements of BHK and that no income (either from sponsorship or on a transfer of rights) is recorded with the financial statements of BCFC It is noted that Mr Pannu has throughout the audit given his strong views to all material parties which have been considered by the parent board on this transaction BDO have advised and it is confirmed that in the circumstances of this transaction it is appropriate to take advantage of the exemption conferred by UK Financial Reporting Standard 8 'Related party disclosures' not to disclose any details of this transaction or contract terms within the financial statements This issue alone has caused significant delay in publishing the accounts with the auditors having to seek appropriate clarifications from those concerned

Independent legal opinions

As indicated above, all relevant audit disclosures had been made to the auditors following appropriate legal advice both in the Hong Kong and United Kingdom Payments by the parent company to parties on contracts in Hong Kong with no connection to the business in the UK and with no implication to the financial statements of the company were deemed irrelevant Clarification on these issues and the obtaining of professional accounting and legal tax opinions had also caused further delays and escalation on the agreed audit fee Following legal advice, disclosures to appropriate parties were made of relevant materials and certain sensitive parts were redacted on such advice,

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2011 (*continued*)

Financial instruments

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk

The company does not have material exposures in any of the areas identified above but can use derivative instruments to manage these exposures

The company's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts together with trade debtors and trade creditors that arise directly from its operations

The main risks arising from the company's financial instruments can be analysed as follows

Credit risk

The company's principal financial assets are bank balances, cash, and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Group's policy has been to ensure continuity of funding through operating within its banking facilities and to match borrowing against the useful life of assets purchased.

Interest rate risk

The interest on bank loans and overdrafts is at market rate. The company's policy is to keep the overdraft and loans within defined limits, such that the risk that could arise from a change in interest rates would not have a significant impact on cash flows. The directors' took out an interest rate swap on the variable interest rate bank loan in 2006 and have capped the interest rate on the £2m bank loan taken out during the year ended 31 August 2009 to reduce the exposure of this risk. The residual element is due to be repaid in full by June 2012. The company does not hedge account for these derivative instruments.

Foreign currency risk

The company has no significant exposure in its trading operations to the risk of changes in foreign currency exchange rates.

Charitable and political contributions

During the year the company made charitable contributions of £11,231. There were no political contributions.

Directors

The directors of the company during the year were.

Yeung Ka Sing, Carson

Hui Ho Luek, Vico

Michael Wiseman resigned 11 July 2011

Peter Pannu and Yeung Tsz Tsung, Ryan were appointed as directors on 11 July 2011

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2011 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' 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 elected to prepare the 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 company and of the profit or loss of the company 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any relevant information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that relevant information. The directors are not aware of any relevant audit information of which the auditors are unaware.

During the year, Edwards resigned as joint auditors and BDO LLP were appointed as sole auditors.

By order of the board

Yeung Ka Sing, Carson

Director

25 May 2012

Birmingham City Football Club PLC

Independent auditor's report

To the members of Birmingham City Football Club PLC

We were engaged to audit the financial statements of Birmingham City Football Club Plc for the year ended 30 June 2011 which comprise the profit and loss account, 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 express an opinion on the financial statements based on conducting the audit 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 (APB's) Ethical Standards for Auditors. Because of the matters described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Basis for disclaimer of opinion on the financial statements

The audit evidence available to us was insufficient in relation to the matters noted below.

1 A number of factors have made us sceptical as to whether we have received all relevant information and explanations necessary for the audit from the directors. These factors include: During the audit process an individual director made comments in writing about certain transactions reflected in the financial statements that indicated concern as to the integrity of these transactions and their recording and / or disclosure in the financial statements. We have not been provided with sufficient and appropriate evidence that the board of directors have formally considered, and resolved as necessary, the issues relating to these comments or that these comments have been withdrawn by the individual director. During the audit process we identified that significant payments that might have been related to the company were not disclosed to us in a timely fashion and we were only able to obtain important audit evidence in respect of these payments on the basis that we accepted it "redacted" and that it was not available for discussion with the Board as a whole. These payments have now been agreed to be recorded in the accounts of the parent company. The measures we sought to adopt to help address our heightened scepticism in respect of these matters were to request a retraction of the comments made from the individual director concerned, request specific written representations on the matters of concern from the company and the parent company and also to include additional specific representations in the directors' letter of representation supporting the financial statements with such representations being approved by all executive directors of the company and the parent company as appropriate. However, the retraction and the representations were not able to be obtained from the directors of the company and the parent company. As a result of these matters and in the absence of any alternative evidence available to us we have significant doubt as to whether we have received all relevant information necessary for the purposes of our audit.

2 The directors have prepared detailed profit and cash flow forecasts including for the period to 30 June 2013. These forecasts have been based on income expected to be generated during the 2012/2013 Championship season including the residual Premiership parachute payments to be received, expectations of player, management team and administration costs, expectations of player transfer and loan activities and the assumption that the amounts payable to Yeung Ka Sing, Carson and the parent company will not be substantially repaid. These forecasts show that the company requires additional funding to be made available to

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Independent auditor's report (*continued*)

continue its operations for at least the twelve months from the date of approval of these financial statements and through to 30 June 2013. The directors consider that the cashflow forecasts can be achieved and that the additional funding required in the period to 30 June 2013 can be obtained by forward funding of player transfers and/or additional player transfers. During our evaluation of the company's ability to continue as a going concern we have considered the evidence available to us to support the directors' view that the cashflow forecasts can be achieved and that the required funds can be obtained from existing or new funding sources and have also considered the company's ability to rebase its costs as necessary in a timely fashion. Our conclusion from our evaluation is that we do not have sufficient appropriate audit evidence to conclude whether the directors' use of the going concern assumption is appropriate in the circumstances.

Disclaimer of opinion on financial statements

Because of the significance of the matters described in the Basis for disclaimer of opinion on the financial statements paragraph to the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Opinion on other matter prescribed by the Companies Act 2006

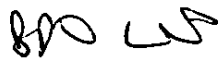
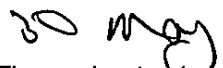
Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation of our work referred to in the Basis for disclaimer of opinion on the financial statements paragraph to the financial statements we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and we are unable to conclude as to whether adequate accounting records have not been kept.

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:

- returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made



30 May 2012
Thomas Lawton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Birmingham City Football Club PLC

Profit and loss account for the year ended 30 June 2011

	Note	Club operations Year ended 30 June 2011 £	Player amortisation, impairment and trading costs Year ended 30 June 2011 £	Total Year ended 30 June 2011 £	Total 10 months ended 30 June 2010 £
Turnover	3	61,452,609	-	61,452,609	56,422,666
Operating expenses - excluding exceptional items		57,550,942	14,275,338	71,826,280	54,950,984
Exceptional items	2	-	2,095,138	2,095,138	474,259
Operating expenses		57,550,942	16,370,476	73,921,418	55,425,243
Operating (loss)/profit	4	3,901,667	(16,370,476)	(12,468,809)	997,423
Net profit on sale of players' registrations		-	585,970	585,970	288,686
(Loss)/profit on ordinary activities before interest and other income		3,901,667	(15,784,506)	(11,882,839)	1,286,109
Interest receivable				2,678	2,341
Interest payable and similar charges	7			(461,929)	(1,089,395)
(Loss)/profit on ordinary activities before and after taxation for the financial year				(12,342,090)	199,055
Taxation	8			-	-
Profit/(loss) on ordinary activities before and after taxation for the financial year				(12,342,090)	199,055

All activities are derived from continuing operations

All recognised gains and losses in the current year and prior period are included in the profit and loss account

The notes on pages 12 to 30 form part of these financial statements

Birmingham City Football Club PLC

Balance sheet at 30 June 2011

<i>Company number 27318</i>	Note	30 June 2011	30 June 2011	30 June 2010 Restated	30 June 2010 Restated
		£	£	£	£
Fixed assets					
Intangible assets	9		17,613,589		27,272,949
Tangible assets	10		13,913,833		13,045,317
			<u>31,527,422</u>		<u>40,318,266</u>
Current assets					
Stocks	11	186,717		142,843	
Debtors - due within one year	12	2,800,584		6,405,969	
Debtors - due after more than one year	12	1,291,725		1,574,148	
			<u>4,092,309</u>	<u>7,980,117</u>	
Total debtors					
Cash at bank and in hand		550,602		1,321,232	
			<u>4,829,628</u>	<u>9,444,192</u>	
Creditors: amounts falling due within one year	13	49,547,765		46,204,277	
			<u>(44,718,137)</u>		<u>(36,760,085)</u>
Net current liabilities					
Total assets less current liabilities			<u>(13,190,715)</u>		<u>3,558,181</u>
Creditors: amounts falling due after more than one year	14	6,052,029		8,458,835	
Provisions for liabilities	15	-		2,000,000	
			<u>6,052,029</u>	<u>10,458,835</u>	
Net liabilities			<u>(19,242,744)</u>		<u>(6,900,654)</u>

The notes on pages 12 to 30 form part of these financial statements

Birmingham City Football Club PLC

Balance sheet at 30 June 2011 (*continued*)

	Note	30 June 2011 £	30 June 2011 £	30 June 2010 £	30 June 2010 £
Capital and reserves					
Called up share capital	17		752,838		752,838
Share premium account	18		207,096		207,096
Revaluation reserve	18		245,745		312,726
Capital redemption reserve	18		750		750
Other reserves	18		14,731,066		14,731,066
Profit and loss account	18		(35,180,239)		(22,905,130)
Shareholders' deficit	19		(19,242,744)		(6,900,654)

The financial statements were approved by the board of directors and authorised for issue on 28 May 2012


Yeung Ka Sing
Director

The notes on pages 12 to 30 form part of these financial statements

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

Basis of preparation going concern

The balance sheet at 30 June 2011 shows net current liabilities of £44.7m (2010 net current liabilities of £36.8m) and net liabilities of £19.2m (2010 £6.9m). As at 30 June 2011 the Club had received loans of £13.7m (2010 £12.1m) from Yeung Ka Sing, Carson (a director of Birmingham City Football Club PLC (BCFC) and a director and substantial shareholder of the parent company Birmingham International Holdings Limited (BIHL)) and loans of £7.8m (2010 nil) had been received from the parent company BIHL. This funding, combined with an overdraft facility which was utilised for the majority of the year to 30 June 2011, has provided the funding required to support the Club's operations. Although technically repayable on demand the directors have received formal confirmation from Yeung Ka Sing, Carson and the parent company that, given the financial position of BCFC, the amounts due (or at least a significant element of the amounts due) to Yeung Ka Sing, Carson and the parent company will remain in place for at least the 12 months from the date of approval of these financial statements. The bank overdraft facility was withdrawn as part of the annual review of the Club's banking facilities during August 2011 although the facility was not being used at that time.

The directors have prepared detailed profit and cash flow forecasts ("the forecasts") for BCFC including for the period to 30 June 2013. These forecasts have been based on income expected to be generated during the 2012/2013 Championship season including the premiership parachute payments to be received, expectations of player, management team and administration costs, expectations of player transfer and loan activities (which will need to be actively managed in the current financial circumstances), and the assumption that the amounts payable to Yeung Ka Sing, Carson and the parent company will not be substantially repaid. These forecasts show that BCFC requires additional funding to be made available to continue its operations for at least the twelve months from the date of approval of these financial statements and through to 30 June 2013. The directors consider that the cashflow forecasts can be achieved and that the additional funding required in the period to 30 June 2013 can be obtained by forward funding of player transfers and/or additional player transfers. It is noted that the forecasts assume that no further significant repayments are made to Yeung Ka Sing, Carson and the parent company in respect of the funding provided and which are technically repayable within the next twelve months but have been deferred by them by agreement.

The directors note that allegations of dealing with property known or believed to represent the proceeds of an indictable offence during the period 2001 and 2007 have been made against the Club's biggest financial supporter Yeung Ka Sing, Carson by the Hong Kong police and that these allegations are currently progressing through due legal process in that jurisdiction. The first court hearing to consider the allegations has been tentatively rescheduled to take place in November of 2012. At this stage of the proceedings the directors have not received any information to suggest that any funding provided to BCFC by Yeung Ka Sing, Carson either directly or through entities making payments to BCFC on his behalf was sourced from money laundered funds. Furthermore the directors do not have any credible reasons to fear that the Hong Kong Authorities have any recourse to the loans made to BCFC by Yeung Ka Sing, Carson. As far as the directors are aware, only the assets located in Hong Kong are subject to actual restraint.

The directors have considered the forecasts carefully and also considered, with the directors of the parent company, the Club's ability to obtain the funding that is required as shown by the forecasts. The directors remain of the view that the Club can obtain the required funding (through a mixture of player sales, forward funding arrangements and additional external funding). On this basis the directors continue to believe that it is appropriate to prepare the accounts of BCFC on a going concern basis. The financial statements do not include the adjustments (particularly in respect of recorded asset values) that would result if the Club were unable to continue as a going concern.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

1 Accounting policies (*continued*)

Financial statement exemptions cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Birmingham International Holdings Limited and the company is included in consolidated financial statements

Financial statement exemptions related party disclosures

The company is a wholly owned subsidiary of Birmingham International Holdings Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with the parent company or other wholly owned subsidiaries within the group

Financial statements restatement

The amounts due to Yeung Ka Sing, Carson and Birmingham International Holdings Limited which were disclosed as amounts falling due after more than one year in the prior year financial statements are now disclosed as due within one year (in the comparative figures) to conform with the presentation adopted for the current year

The following principal accounting policies have been applied

Fixed assets land and buildings

The company has taken advantage of the arrangements under Financial Reporting Standard 15 'Tangible fixed assets' which allow the carrying value of those assets acquired prior to 1996, which had been revalued, to be retained. All additions to fixed assets since this date are stated at cost. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss account.

A reserves adjustment is made each year for the excess depreciation charge.

Fixed assets depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- 50 years
Long leasehold property improvements	- shorter of lease or 50 years
Motor vehicles	- 5 years
Fixtures and equipment	- between 3 and 5 years

Freehold land is not depreciated.

Intangible fixed assets cost and amortisation of acquired players' registrations

The costs associated with the acquisition of players' registrations are initially recorded at their fair value at the date of acquisition. These costs are fully amortised over the period of the respective players' contracts, being between 1 and 5 years. A provision is made in accruals, for additional payments where, in management's opinion, the Club or player is likely to achieve the requirements for these additional payments. Where the outcome of these requirements is uncertain, additional payments are not made as a provision but the maximum amount payable is disclosed as a contingent liability (note 20). Agent fees incurred relating to services provided to the Club are capitalised as part of intangible assets.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

1 Accounting policies (*continued*)

Intangible fixed assets cost and amortisation of acquired players' registrations (continued)

Agent fees incurred in relation to services provided to the player but paid on their behalf by the Club are treated as a prepayment and unwound over a period to match the length of the player's contract. This release is to the wages and salaries cost within the profit and loss account rather than to player amortisation.

Amortisation of the costs of player registrations is charged to the profit and loss account on a straight-line basis over the contract life of each individual player.

Impairment of intangible and tangible fixed assets

An impairment review on the intangible assets is undertaken if events or changes in circumstances indicate that the carrying amount of the player may not be recoverable. The Club compares the carrying amount of the asset with its recoverable amount. The Club 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. Furthermore, the Club also considers that all of the players are unable to generate cash flows even when considered together. Accordingly the Club considers the smallest cash-generating unit to contain all first team players, the stadium and the training facilities.

The Club calculates the value in use of this cash-generating unit by discounting estimated expected future cash flows relating to the Club activities and compares this value with the value of the intangible assets, stadium, training facilities (and related assets). If the expected future cash flows are below the recorded value of assets the Club will make an impairment of assets on a pro-rata basis.

In certain instances there may be an individual player or group of players whom the Club does not consider to be part of the First Team Squad and who will therefore not contribute to the future cash flows earned by the cash-generating unit. This is normally due to a permanent career-threatening injury/condition or planned sale for proceeds below carrying value. In this situation the carrying value of the player or group of players is removed from the carrying value of players assessed as part of the cash-generating unit referred to above and instead these players will be assessed for impairment in isolation by considering their carrying value with the Club's best estimate of their fair value less costs to sell.

Further details on impairment are given in note 9.

Signing on fees and image rights

Signing on fees and image rights are not recorded within the costs of acquired players' registrations but are held on balance sheet and charged to results on a straight line basis over the period of each player's contract. The last image rights contract was completed on 30 June 2011 and no new contracts have been entered into thereafter.

Stocks

Stocks are recorded at the lower of cost and net realisable value. Cost is based on the expenditure incurred in acquiring the stocks and bringing them to their existing location and condition. Net realisable value is based on the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow-moving or defective items where appropriate.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

1 Accounting policies (*continued*)

Leased assets (continued)

leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Grants

Grants and donations received in respect of safety work and ground developments are credited to deferred capital grants and are released to the profit and loss account over the anticipated useful life of the assets to which they relate. Football Trust grants received towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

1 Accounting policies (*continued*)

Turnover

Turnover represents income arising from sales to third parties, and excludes transfer fees receivable and value added tax

(i) Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played

(ii) Fixed elements of FA central broadcasting contracts are recognised over the duration of the football season on a time basis. Appearance fees are accounted for as earned. The merit based payment (over and above the guaranteed payment for 20th place which is recognised over the duration of the Premier League season) in respect of the position achieved in the league table is recognised at the end of the league season, when the final league position is known. The merit based payment is only applicable to the Premier League

(iii) Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate, based on the terms of the contract

(iv) Catering revenues are recognised on an earned basis

(v) Revenue from the sale of branded products is recognised at the point of delivery when significant risks and rewards of ownership are deemed to have been transferred to the buyer

(vi) Sales of player's registrations are recorded at the date of signing of the contract for sale. Any costs incurred directly related to the sale are written off against profit on sale of player registrations as incurred. Contingent fees are only recognised upon the crystallisation of the contingent event

Pension costs

Eligible employees of the Club are members of the Football League Limited Pensions and Life Assurance scheme and the Club does not make contributions to this scheme. The assets and liabilities of the scheme are managed independently of the Club and do not form part of these financial statements

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

2 Exceptional items

	Year ended 30 June 2011 £	10 months ended 30 June 2010 £
Net income	-	(446,326)
PAYE / NIC provision	(1,354,556)	920,585
Impairment of player registrations	3,449,694	-
	<u>2,095,138</u>	<u>474,259</u>

The directors have impaired the carrying value of certain players that were considered as available for sale as at the year end and therefore not part of the first team squad. The impairment reflects either the transfer fee received after the year end or the transfer fee that is expected to be received upon completion of the sales.

During the previous period, the club made further provision for PAYE and NIC payable on player agent's fees, image rights and termination payments amounting to £920,585. The amounts payable were agreed with HMRC during the year and £1,354,556 of the cumulative provision was released.

During the previous period, the club received net income of £446,326 in respect of various matters associated with the purchase of the club by Birmingham International Holdings Limited (formerly Grandtop International Holdings Limited) and the removal of former shareholders and directors.

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

3 Turnover

	Year ended 30 June 2011 £	10 months ended 30 June 2010 £
Analysis by class of business		
Match receipts	9,142,297	7,403,736
Broadcasting	44,458,783	41,896,723
Other commercial income	7,851,529	7,122,207
	61,452,609	56,422,666

Turnover arises solely within the United Kingdom

4 Operating (loss)/profit

	Year ended 30 June 2011 £	10 months ended 30 June 2010 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	860,778	538,568
Amortisation of intangible fixed assets	14,275,338	12,322,063
Loss on disposal of tangible fixed assets	7,121	306
Impairment of intangible fixed assets (note 9)	3,449,694	-
Amortisation of deferred capital grants	(56,970)	(47,474)
Auditors' remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts	28,500	27,000
- other services supplied under legislation	70,000	58,000
- taxation services	4,000	4,000
Exchange differences	244,000	-
Equipment leased under operating leases	145,965	136,373
Premises leased under an operating lease	104,000	70,000

Exchange differences above are in respect of player transfer payments denominated in €

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

5 Employees

Staff costs (including directors) consist of

	Year ended 30 June 2011 £	10 months ended 30 June 2010 £
Wages and salaries	40,232,824	32,272,489
Social security costs	4,855,516	4,466,694
	<u>45,088,340</u>	<u>36,739,183</u>

The average number of employees (including directors) during the year/period was as follows

	Year ended 30 June 2011 Number	10 months ended 30 June 2010 Number
Playing staff	55	53
Training staff	32	27
Training ground staff	9	9
Commercial and fund raising staff	27	27
Shop staff	5	7
Administration and other staff	45	39
	<u>173</u>	<u>162</u>

During the year ended 30 June 2011, the company also employed approximately 596 temporary staff on match days (2010 - 510)

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

6 Directors' remuneration

	Year ended 30 June 2011 £	10 months ended 30 June 2010 £
Directors' emoluments	80,247	25,482
Compensation for loss of office	-	699,372
Settlement amounts received in respect of directors' services	-	(2,031,661)

The company has not made any contributions to directors' personal pension arrangements in the period (2010 - None)

The compensation for loss of office and settlement amounts received in respect of directors' services relate to the previous directors of the Club

7 Interest payable and similar charges

	Year ended 30 June 2011 £	10 months ended 30 June 2010 £
Bank loans and overdrafts	119,361	178,930
On finance lease agreements	27,578	4,731
Accrued interest on HMRC tax liabilities	(389,923)	671,677
Interest on other loans	704,913	234,057
	461,929	1,089,395

Following a settlement made during the year with HMRC for unpaid indirect taxes (See Note 15), over-provided amounts from the period ended 30 June 2010 have resulted in an interest credit of £389,923

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

8 Taxation on (loss)/profit on ordinary activities

As a result of the tax losses incurred there is no current or deferred taxation in 2011 or 2010. The tax assessed for the year/period differs from the standard rate of corporation tax in the UK applied to (loss)/profit before tax.

	Year ended 30 June 2011 £	10 months ended 30 June 2010 £
(Loss)/profit on ordinary activities before tax	(12,342,090)	199,055
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 26% (2010 - 28%)	(3,208,943)	55,735
Effect of		
Expenses not deductible for tax purposes	778,583	216,149
Depreciation in excess of capital allowances	126,554	6,047
Creation / (utilisation) of tax losses	2,222,605	(467,301)
Interest not deductible for tax purposes	81,897	189,370
Changes in tax rates	(696)	-
Current tax charge for the year/period	-	-

At 30 June 2011, the company has trading losses of some £22,477,000 (2010 - £14,173,000) to carry forward and use against future trading profits.

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

9 Intangible fixed assets

	Players' Registrations £
<i>Cost</i>	
At 1 July 2010	51,163,719
Additions	8,065,672
Disposals	(14,630,106)
	<hr/>
At 30 June 2011	44,599,285
	<hr/>
<i>Amortisation</i>	
At 1 July 2010	23,890,770
Provided for the year	14,275,338
Disposals	(14,630,106)
Impairment adjustment	3,449,694
	<hr/>
At 30 June 2011	26,985,696
	<hr/>
<i>Net book value</i>	
At 30 June 2011	17,613,589
	<hr/>
At 30 June 2010	27,272,949
	<hr/>

Given the trading losses and financial position of BCFC the directors have formally considered the need for an impairment of the intangible and tangible fixed assets of the Club. In order to complete this assessment the directors have prepared an impairment review forecast that shows the cash flows of the Club on the basis that it is able to continue as a going concern over the short term and that costs and cash outflows are significantly reduced in order to create a sustainable position as a Championship football club. This impairment review forecast shows that there is a sufficient net present value generated by the forecast cash flows of BCFC to support the recorded value of the fixed assets of the Club without impairment. Based on this impairment review forecast and the directors' knowledge of the business they are satisfied that an impairment of intangible and tangible fixed assets is not required in the financial statements at 30 June 2011.

However there are a number of players whom the Club do not consider to be a long term part of the First Team squad and who will therefore not contribute to future cash flows earned by the Club. These players are assessed for impairment by considering the carrying value with the Club's best estimate of fair value (being post year end sales proceeds or expected sales proceeds) less costs to sell. The directors have made a provision of £3.5m against this category of players and are satisfied that this provision is adequate, even in the circumstances of the Club not having achieved promotion to the Premiership following the 2011/2012 season.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

10 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>					
At 1 July 2010	13,125,646	2,923,781	314,298	4,378,069	20,741,794
Additions	10,730	210,622	15,608	1,501,073	1,738,033
Disposals	-	-	(11,845)	-	(11,845)
At 30 June 2011	13,136,376	3,134,403	318,061	5,879,142	22,467,982
<i>Depreciation</i>					
At 1 July 2010	3,631,952	340,054	183,827	3,540,644	7,696,477
Provided for the year	262,698	61,485	51,432	485,163	860,778
Disposals	-	-	(3,106)	-	(3,106)
At 30 June 2011	3,894,650	401,539	232,153	4,025,807	8,554,149
<i>Net book value</i>					
At 30 June 2011	9,241,726	2,732,864	85,908	1,853,335	13,913,833
At 30 June 2010	9,493,694	2,583,727	130,471	837,425	13,045,317

Given the trading losses and financial position of BCFC the directors have formally considered the need for an impairment of the intangible and tangible fixed assets of the Club. In order to complete this assessment the directors have prepared an impairment review forecast that shows the cash flows of the Club on the basis that it is able to continue as a going concern over the short term and that costs and cash outflows are significantly reduced in order to create a sustainable position as a Championship football club. This impairment review forecast shows that there is a sufficient net present value generated by the forecast cash flows of BCFC to support the recorded value of the fixed assets of the Club without impairment. Based on this impairment review forecast and the directors' knowledge of the business they are satisfied that an impairment of intangible and tangible fixed assets is not required in the financial statements at 30 June 2011.

The net book value of tangible fixed assets includes an amount of £776,559 (2010 - £49,505) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £177,283 (2010 - £7,890).

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

10 Tangible fixed assets (*continued*)

The gross value of freehold land and buildings are stated at

	30 June 2011 £	30 June 2010 £
Cost and valuation 1991	1,153,807	1,153,807
Additions at cost 1991 to 2011	11,982,569	11,971,839
	<u>13,136,376</u>	<u>13,125,646</u>

The freehold buildings occupied by the company were revalued on an existing use basis by Messrs Chestertons, Chartered Surveyors

The historical cost of freehold land and buildings is

	30 June 2011 £	30 June 2010 £
Cost	12,823,650	12,812,920
Accumulated depreciation based on historical cost	3,827,669	3,571,196
	<u>8,995,981</u>	<u>9,241,724</u>

It is not the company's intention to revalue the freehold property on an ongoing basis and the existing 1991 valuation has been rolled forward as permitted under the transitional provisions of FRS15

11 Stocks

	30 June 2011 £	30 June 2010 £
Goods for resale	186,717	142,843
	<u>186,717</u>	<u>142,843</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

12 Debtors

	30 June 2011 £	30 June 2010 £
Amounts receivable within one year		
Trade debtors	1,248,469	1,910,595
Amounts owed by parent company	-	2,247,199
Other debtors	9,340	2,073
Prepayments and accrued income	1,542,775	2,246,102
	2,800,584	6,405,969
Amounts receivable after more than one year		
Prepayments and accrued income	1,291,725	1,574,148
	1,291,725	1,574,148
Total debtors	4,092,309	7,980,117

Prepayments receivable after more than 1 year relate to signing on fees and player agent fees paid by the Club

13 Creditors: amounts falling due within one year

	30 June 2011 £	30 June 2010 £
Bank loans and overdrafts (secured)	7,002,711	3,029,028
Other loans	13,748,750	12,096,264
Amounts owed to parent company	7,828,632	-
Trade creditors	12,506,355	16,039,821
Taxation and social security	3,887,465	5,456,667
Obligations under finance lease and hire purchase contracts	237,469	14,624
Other creditors	2,374	89,982
Accruals	1,259,077	5,910,260
Deferred income	3,017,963	3,510,662
Grants	56,969	56,969
	49,547,765	46,204,277

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

13 Creditors: amounts falling due within one year (continued)

The bank overdraft and loan are secured on the land and buildings of the Club. At 30 June 2011 the Club had an overdraft facility of £7,000,000 (2010 - £7,000,000) which was withdrawn in August 2011.

The other loans reflect amounts received by the Club from Yeung Ka Sing, Carson and third party funders and interest charged on the loans. Yeung Ka Sing, Carson has confirmed that all funds paid into the Club by other third party funders were paid on his behalf and that he has assumed personal responsibility for any liabilities payable to the other parties who have advanced the funds. These other loans charge interest at 5% and the amounts due to parent company are interest free.

The directors have received formal confirmation from Yeung Ka Sing, Carson and the parent company that, given the financial position of BCFC, the amounts due (or at least a significant element of the amounts due) to Yeung Ka Sing, Carson and the parent company will remain in place for at least the 12 months from the date of approval of these financial statements. However as the amounts shown as payable to Yeung Ka Sing, Carson and the parent company were advanced without formal documentation and there are no written terms for interest and for the term of repayment, these amounts are considered technically repayable on demand. On this basis and given other factors connected to the funding arrangements of the Club the directors consider that these amounts payable (to Yeung Ka Sing, Carson and the parent company) should be recorded as being due in less than one year.

Included within trade creditors is £11,285,121 (2010 - £17,440,931) in respect of actual and contingent transfer fees payable and agent's fees payable, of which £2,113,264 (2010 - £4,836,648) is payable after more than one year. Included within accruals is £1,286,850 (2010 - £1,862,302) in respect of signing on fees payable, of which £751,667 (2010 - £1,087,500) is payable after more than one year.

14 Creditors: amounts falling due after more than one year

	30 June 2011 £	30 June 2010 £
Bank loans (secured) (note 13)	363,644	565,669
Trade creditors (note 13)	2,113,264	4,836,648
Obligations under finance lease and hire purchase contracts	267,649	33,152
Taxation and social security	676,909	-
Preference shares	18,500	18,500
Accruals	751,667	1,087,500
Grants	1,860,396	1,917,366
	6,052,029	8,458,835

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

14 Creditors: amounts falling due after more than one year (*continued*)

Maturity of debt

	Loans and overdrafts 30 June 2011 £	Loans and overdrafts 30 June 2010 £	Finance leases 30 June 2011 £	Finance leases 30 June 2010 £
In one year or less, or on demand	28,580,093	15,125,292	237,469	14,624
In more than one year but not more than two years	363,644	565,669	233,641	17,258
In more than two years but not more than five years	-	-	34,008	15,894
	363,644	565,669	267,649	33,152

The loans and overdrafts above include the amounts payable to Yeung Ka Sing, Carson and the parent company

15 Provisions for liabilities

	Provision £
At 1 July 2010 Settlement	2,000,000 (2,000,000)
At 30 June 2011	-

In common with many other football clubs the Club received a number of assessments from HMRC in respect of indirect taxes. In the prior year the directors assessed the potential liabilities due and made a provision of £2,000,000.

The directors reached a satisfactory settlement for these liabilities during the year and therefore the residual amounts payable are now reflected within either creditors due within one year or creditors due after one year, in accordance with the terms of the settlement agreement.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

16 Deferred taxation

	Provided 2011 £	Provided 2010 £	Unprovided 2011 £	Unprovided 2010 £
Excess of depreciation over capital allowances	-	-	393,445	254,815
Losses	-	-	5,843,962	3,826,898

The potential asset and provision are based on a corporation tax rate of 26% (2010 - 28%) No deferred tax asset has been recognised at 30 June 2011 on the basis that future recoverability of such an asset is uncertain

17 Share capital

	30 June 2011 £	30 June 2010 £
<i>Allotted, called up and fully paid</i>		
1,505,676 Ordinary shares of 50p each	752,838	752,838

18 Reserves

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss account £
At 1 July 2010	207,096	312,726	750	14,731,066	(22,905,130)
Loss for the year	-	-	-	-	(12,342,090)
Depreciation transfer	-	(66,981)	-	-	66,981
At 30 June 2011	207,096	245,745	750	14,731,066	(35,180,239)

During the prior year, the club's immediate parent company, Birmingham City PLC, waived a loan of £14,731,066 previously included in creditors falling due after more than one year which is recorded as other reserves

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

19 Reconciliation of movements in shareholders' deficit

	30 June 2011 £	30 June 2010 £
(Loss)/profit for the year/period	(12,342,090)	199,055
Opening shareholders' deficit	(6,900,654)	(7,099,709)
Closing shareholders' deficit	<u>(19,242,744)</u>	<u>(6,900,654)</u>

20 Contingent liabilities

Player Transfer Costs

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The directors have taken the view that these amounts are not certain enough to be recorded as a provision but note that the maximum that could be payable in respect of the transfers to 30 June 2011 is £1,706,000 (2010 - £1,615,000). Since the year end and to the approval of these financial statements £nil of this has crystallised.

21 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 30 June 2011 £	Other 30 June 2011 £	Land and buildings 30 June 2010 £	Other 30 June 2010 £
Operating leases which expire				
Within one year	-	43,200	-	79,860
In two to five years	60,000	60,774	-	25,823
After five years	84,000	4,152	84,000	-
	<u>144,000</u>	<u>108,126</u>	<u>84,000</u>	<u>105,683</u>

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

22 Related party disclosures

During the year, the Club received further loan funding of £713,516 from Yeung Ka Sing, Carson a director of the company and a substantial shareholder in the parent company. The loan carries interest at 5% and has no fixed repayment date. The total amount of interest accrued but not paid over on the loan is £938,970 (2010 - £234,057). At the balance sheet date, the total loan (including interest) of £13,748,750 (2010 - £12,096,264) was due to Yeung Ka Sing, Carson and is included in creditors amounts payable within one year.

23 Capital commitments

	30 June 2011 £	30 June 2010 £
Contracted but not provided for Fixtures and equipment	-	54,200

24 Post balance sheet events

Subsequent to the year end the football registrations of Marlon King (Bosman), Morgaro Gomis (Bosman), Chris Burke (Bosman), Adam Rooney (Bosman), Steven Caldwell (Bosman), Jonathan Spector (Bosman), Pablo Ibáñez Tébar (from West Bromwich Albion FC), and Wade Elliot (from Burnley FC) have been acquired. In addition Nathan Redmond, Brice Ntambwe, William Packwood and Eddy Gnahore were signed on first year pro contracts from 1 July 2011 and pro contracts have been extended for Jack Butland, Ashley Sammons and Luke Hubbins. Chris Wood was signed on a youth loan and the 6 month loan of Guiranne N'Daw was extended for the season. Erik Huseklepp and Andros Townsend were taken on loan and Caleb Folan and Cian Hughton were signed on short term contracts.

The registrations of Craig Gardner (to Sunderland AFC), Roger Johnson (to Wolverhampton Wanderers FC), Barry Ferguson (to Blackpool FC), Scott Dann (to Blackburn Rovers FC), and Cameron Jerome (to Stoke City FC) were sold during the Summer transfer window, with further sales of Jean Beausejour (to Wigan Athletic FC) and Liam Ridgewell (to West Bromwich Albion FC) occurring during the January 2012 transfer window. The registration of Miguel Marcos Madera was cancelled.

The Club expects to receive guaranteed proceeds (net of finance costs) on the above player sales of approximately £22 million with further contingent fees (receipt of which is reliant on satisfying contractual conditions) of approximately £6m. Of these contingent fees £1.2M has crystallised since the year end.

Subsequent to the year-end, the Club settled its legal case with Aston Villa Football Club Limited over the resignation of Alex McLeish, the Club's previous manager and his backroom staff and received an undisclosed sum.

25 Ultimate parent company and parent undertaking of larger group

The immediate parent company of the Club is Birmingham City PLC, a company incorporated in England and Wales. The ultimate parent undertaking is Birmingham International Holdings Limited, a company incorporated in the Cayman Islands.