

**Birmingham City Football Club  
PLC**

Report and Financial Statements

Year Ended

30 June 2012

Company Number 00027318

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# **Birmingham City Football Club PLC**

## **Report and financial statements for the year ended 30 June 2012**

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### **Directors**

Yeung Ka Sing, Carson  
Peter Pannu  
Yeung Tsz Tsung, Ryan  
Hui Ho Luek, Vico resigned 10 July 2012  
Michael Wiseman resigned 11 July 2011

### **Secretary and registered office**

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

### **Company number**

00027318

### **Auditors**

Edwards Chartered Accountants, Harmony House, 34 High Street, Aldridge, Walsall, West Midlands WS9 8LZ

### **Bankers**

HSBC Bank Plc, 22-24 Colmore Row, Birmingham, B3 2QD



# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2012

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The directors present their report together with the audited financial statements for the year ended 30 June 2012

### Results and dividends

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

The 2011/12 season was an exciting season on the playing side with the Club enjoying an historic season of playing in the Europa League, and being extremely unfortunate not to qualify beyond the group stages, having accumulated a very creditable 10 points within the group. The team performed admirably and our loyal fans made many friends with their exemplary behaviour, and the directors would like to praise the fans for their magnificent support. Additionally the club reached the Championship play-offs, but narrowly missed out on reaching the final after two hard fought games against Blackpool.

Off the pitch the club had to raise funds through the sale of players, and these sales essentially led to the profit of £15.7M being achieved for the year. With the income from the Premier League parachute payments diminishing year upon year the club has continued to streamline business costs, and the directors would like to thank everyone at the club for their hard work during this difficult period.

### 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 2012	Year ended 30 June 2011
Revenue levels (football related and other)	£'000	39,086	61,453
Operating loss	£'000	(3,988)	(12,469)
Staff costs (player related and other)	£'000	25,120	45,088
Average attendance levels	No's	19,418	25,567

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.

### 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.



# **Birmingham City Football Club PLC**

## **Report of the directors for the year ended 30 June 2012 (continued)**

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### **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 2012 were 45 days (2011 - 77 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 shows 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 2012 shows net current liabilities of £16.0m (2011 - £44.7m) and net liabilities of £3.5m (2011 - £19.2m). As at 30 June 2012 the Club had received loans of £14.4m (2011 - £13.7m) 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 £7m (2011 - £7.8m) had been received from the parent company BIHL. Although the bank overdraft facility was withdrawn as part of the annual review of the club's banking facilities in August 2011, the above 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 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.

# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2012 *(continued)*

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### Principal risks and uncertainties *(continued)*

The directors have prepared detailed profit and cash flow forecasts ("the forecasts") for BCFC including for the period to 31 December 2013. These forecasts have been based on income expected to be generated during the 2012/2013 Championship season including the residual Premier League 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 31 December 2013. The directors consider that the cashflow forecasts can be achieved and that the additional funding required in the period to 31 December 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 took place in November 2012 at which an agreement was reached to adjourn the case until April 2013. 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 and forward funding arrangements). The directors note the auditor's views as to whether the use of the going concern assumption is appropriate.

The directors can confirm that the parent company has been approached by three prospective buyers to explore the possibility of purchasing the Club. Discussions are at the advanced stage with one of the parties in Hong Kong although no binding agreement had been reached at this stage. All the prospective buyers have signed confidential non-disclosure agreements and the interested parties having sought and been provided with electronic due diligence materials in relation to the Club.

### 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 2012 (continued)

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### Sponsorship contract

Following the departure of Mr Vico Hui from BIHL (effective from 1 July 2012) and BCFC (effective from 10 July 2012), the current directors have a better understanding of the Xtep deal

The deal was procured, negotiated and settled by Mr Vico Hui with the assistance of Mr Li Yiu Tung and Miss Pauline Wong, two other directors of BIHL. The original deal, signed between Birmingham (HK) Ltd ("BHK"), a subsidiary of BIHL, was entered into by Mr Vico Hui with Xtep's subsidiary, Xtep (HK) Ltd, with the terms different from the second deal entered into by Mr Li Yiu Tung. It is understood that the original figures were different from the subsequent arrangement. The second arrangement procured by Mr Hui with Xtep supported an arrangement whereby annual sponsorship payments from Xtep of HKD 16M, 17M, 18M, 19M and 20M (total of HKD 90M over five years) to be received. However, a so called unannounced and undeclared counter sponsorship arrangement was also made where by an annual figure of HKD 10M was to be repaid to Xtep, purportedly to support advertisements and promotion of BCFC/BIHL in China. The terms of the contract also states that the annual receivables were to come down by 50% in the event of a relegation to the championship, nevertheless, the counter sponsorship repayment to Xtep is to remain at 10M per year, making the out flow larger than the sponsorship fee. The current directors do not see any commercial sense in such an arrangement and the need for the counter payments of 10M on an annual basis, particularly when the club is in the Championship which would produce negative return on an annual basis.

Furthermore, it is understood that no formal board resolutions from BCFC existed to transfer such rights to BIHL nor any formal rights were licensed to Xtep for mass production of BCFC merchandises for sale in China. There is evidence that BCFC's logos were modified and merchandises were sold at the Xtep stores. Attempts by BCFC to stop or pursue Xtep from breaching BCFC's IP rights in China were impeded by the same common director who procured the deal and was then in charge of both BIHL and BCFC. Following the departure of Mr Hui, BCFC shall re visit the legal issues created under the previous scheme.

These matters were brought to the attention of BDO LLP, the auditor who conducted the last audit of BCFC, and BDO HK, the group's auditors. The current directors are of the view that insufficient efforts were placed in the last audit to identify the core problems surrounding the deal. The former auditors, BDO, instead advised those concerned to rely on the exemption conferred by the UK Financial Reporting Standard 8 on 'Related party disclosures' not to disclose any details of this transaction or contract terms within the financial statements. The current directors disagree and are of the view that the terms and the arrangements are to be disclosed in full. The net income of HKD 6M from the sponsorship was transferred to BHK by the previous directors for use at the group level.

The Xtep deal ended on 18 June 2012 with Xtep pulling out following the issues being raised during the last audit. Diadora is the new kit sponsor for the current season and all receivables are now booked into BCFC's accounts. Previous auditors, BDO LLP and BDO HK, had both resigned following the departure of Mr Vico Hui and a full review will be conducted on the Xtep deal by an independent consultant at BIHL level.



# **Birmingham City Football Club PLC**

## **Report of the directors for the year ended 30 June 2012 (continued)**

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### **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 and bank loans 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 is at market rate. The company's policy is to keep 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 was repaid in full in 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 £Nil (2011 - £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 resigned 10 July 2012  
Michael Wiseman resigned 11 July 2011  
Peter Pannu appointed 11 July 2011  
Yeung Tsz Tsung, Ryan appointed 11 July 2011

# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2012 (*continued*)

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### 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, BDO LLP resigned as auditors and Edwards were appointed.

### By order of the board

  
Peter Pannu

### Director

30 November 2012

# Birmingham City Football Club PLC

## Independent auditor's report

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### To the members of Birmingham City Football Club PLC

We have audited the financial statements of Birmingham City Football Club Plc for the year ended 30 June 2012 which comprise of the primary statements such as the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of movements in Shareholders' Funds 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.

### 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 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 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 financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The balance sheet at 30 June 2012 shows net current liabilities of £16.0m (2011 - £44.7m) and net liabilities of £3.5m (2011 - £19.2m). As at 30 June 2012 the Club had received loans of £14.4m (2011 - £13.7m) 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 £7m (2011 - £7.8m) had been received from the parent company BIHL. Although the bank overdraft facility was withdrawn as part of the annual review of the club's banking facilities in August 2011, the above 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.

# Birmingham City Football Club PLC

## Independent auditor's report (*continued*)

### **Emphasis of matter – Going concern (*continued*)**

The directors have prepared detailed profit and cash flow forecasts ("the forecasts") for BCFC including for the period to 31 December 2013. These forecasts have been based on income expected to be generated during the 2012/2013 Championship season including the residual Premier League 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 31 December 2013. The directors consider that the cashflow forecasts can be achieved and that the additional funding required in the period to 31 December 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 on 27 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 and forward funding arrangements). 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **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 returns have not been kept, or 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, or
- we have not received all of the information and explanations we require for our audit



Adrian Stevens (Senior Statutory Auditor)  
For and on behalf of Edwards Chartered Accountants, Statutory Auditor  
34 High Street, Aldridge  
Walsall, West Midlands  
WS9 8LZ

30 November 2012

# Birmingham City Football Club PLC

## Profit and loss account for the year ended 30 June 2012

	Note	Club operations Year ended 30 June 2012 £	Player amortisation, impairment and trading costs Year ended 30 June 2012 £	Total Year ended 30 June 2012 £	Total Year ended 30 June 2011 £
<b>Turnover</b>	3	39,085,870	-	39,085,870	61,452,609
Operating expenses - excluding exceptional items	2	35,498,023	5,747,685	41,245,708	71,826,280
Exceptional items		-	1,828,527	1,828,527	2,095,138
<b>Operating expenses</b>		<b>35,498,023</b>	<b>7,576,212</b>	<b>43,074,235</b>	<b>73,921,418</b>
<b>Operating loss</b>	4	<b>3,587,847</b>	<b>(7,576,212)</b>	<b>(3,988,365)</b>	<b>(12,468,809)</b>
Net profit on sale of players' registrations		-	20,393,945	20,393,945	585,970
<b>Profit/(loss) on ordinary activities before interest and other income</b>		<b>3,587,847</b>	<b>12,817,733</b>	<b>16,405,580</b>	<b>(11,882,839)</b>
Interest receivable				5,135	2,678
Interest payable and similar charges	7			(697,128)	(461,929)
<b>Profit/(loss) on ordinary activities before and after taxation for the financial year</b>				<b>15,713,587</b>	<b>(12,342,090)</b>
Taxation	8			(1,027)	-
<b>Profit/(loss) on ordinary activities before and after taxation for the financial year</b>				<b>15,712,560</b>	<b>(12,342,090)</b>

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 2012

<i>Company number 00027318</i>	Note	30 June 2012	30 June 2012	30 June 2011	30 June 2011
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9		2,790,031		17,613,589
Tangible assets	10		13,032,943		13,913,833
			<u>15,822,974</u>		<u>31,527,422</u>
<b>Current assets</b>					
Stocks	11	195,669		186,717	
Debtors - due within one year	12	9,865,774		2,800,584	
Debtors - due after more than one year	12	2,019,428		1,291,725	
		<u>11,885,202</u>		<u>4,092,309</u>	
Cash at bank and in hand		5,915,641		550,602	
		<u>17,996,512</u>		<u>4,829,628</u>	
<b>Creditors amounts falling due within one year</b>	13	<u>(33,969,007)</u>		<u>(49,547,765)</u>	
<b>Net current liabilities</b>			<u>(15,972,495)</u>		<u>(44,718,137)</u>
<b>Total assets less current liabilities</b>			<u>(149,521)</u>		<u>(13,190,715)</u>
<b>Creditors amounts falling due after more than one year</b>	14		<u>(3,380,663)</u>		<u>(6,052,029)</u>
<b>Net liabilities</b>			<u>(3,530,184)</u>		<u>(19,242,744)</u>

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

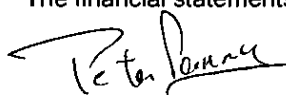


# Birmingham City Football Club PLC

## Balance sheet at 30 June 2012 (continued)

	Note	30 June 2012 £	30 June 2012 £	30 June 2011 £	30 June 2011 £
<b>Capital and reserves</b>					
Called up share capital	16		752,838		752,838
Share premium account	17		207,096		207,096
Revaluation reserve	17		239,490		245,745
Capital redemption reserve	17		750		750
Other reserves	17		14,731,066		14,731,066
Profit and loss account	17		(19,461,424)		(35,180,239)
<b>Shareholders' deficit</b>	18		(3,530,184)		(19,242,744)

The financial statements were approved by the board of directors and authorised for issue on 30 November 2012



Peter Pannu  
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 2012

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### 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 2012 shows net current liabilities of £16.0m (2011 - £44.7m) and net liabilities of £3.5m (2011 - £19.2m). As at 30 June 2012 the Club had received loans of £14.4m (2011 - £13.7m) 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 £7m (2011 - £7.8m) had been received from the parent company BIHL. Although the bank overdraft facility was withdrawn as part of the annual review of the club's banking facilities in August 2011, the above 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 directors have prepared detailed profit and cash flow forecasts ("the forecasts") for BCFC including for the period to 31 December 2013. These forecasts have been based on income expected to be generated during the 2012/2013 Championship season including the residual Premier League 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 31 December 2013. The directors consider that the cashflow forecasts can be achieved and that the additional funding required in the period to 31 December 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 on 27 November 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 and forward funding arrangements). 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 2012 (continued)

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### 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 City PLC 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

#### *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 19). Agent fees incurred relating to services provided to the Club are capitalised as part of intangible assets.

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.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2012 (continued)

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### 1 Accounting policies (continued)

#### *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 a 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 income-generating unit to contain all first team players, the stadium and the training facilities.

The Club calculates the value in use of this income-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 exceptional 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 income-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 income-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 2010 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 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.



# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2012 *(continued)*

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### 1 Accounting policies *(continued)*

#### *Leased assets (continued)*

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 2012 (*continued*)

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### 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 2012 (*continued*)

## 2 Exceptional items

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
PAYE/NIC provision	-	(1,354,556)
Impairment of player registrations	1,828,527	3,449,694
	<u>1,828,527</u>	<u>2,095,138</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.

In previous years, the club had made provision for PAYE and NIC payable on player's agent fees, image rights, and other employment matters. The amounts payable were agreed with HMRC during the year ended 30 June 2011 and such settlement resulted in £1,354,556 of the cumulative provision being released.



# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2012 (continued)

## 3 Turnover

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Analysis by class of business		
Match receipts	9,276,165	9,142,297
Broadcasting	21,031,038	44,458,783
Other commercial income	8,778,667	7,851,529
	<u>39,085,870</u>	<u>61,452,609</u>

Turnover arises solely within the United Kingdom

## 4 Operating loss

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	915,261	860,778
Amortisation of intangible fixed assets	5,747,685	14,275,338
Loss on disposal of tangible fixed assets	187	7,121
Impairment of intangible fixed assets (note 9)	1,828,527	3,449,694
Amortisation of deferred capital grants	(56,969)	(56,970)
Auditors' remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts		
- Edwards	30,000	-
- BDO LLP	71,450	28,500
- other services supplied under legislation	25,000	70,000
- taxation services	2,000	4,000
Exchange differences	(187,895)	244,000
Equipment leased under operating leases	77,876	145,965
Premises leased under operating leases	144,000	104,000
	<u></u>	<u></u>

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 2012 (*continued*)

## 5 Employees

Staff costs (including directors) consist of

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Wages and salaries	22,204,002	40,232,824
Social security costs	2,916,364	4,855,516
	<b>25,120,366</b>	<b>45,088,340</b>

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

	Year ended 30 June 2012 Number	Year ended 30 June 2011 Number
Playing staff	51	55
Training staff	29	32
Training ground staff	10	9
Commercial and fund raising staff	24	27
Shop staff	4	5
Administration and other staff	39	45
	<b>157</b>	<b>173</b>

During the year ended 30 June 2012, the company also employed approximately 641 temporary staff on match days (2011 - 596)

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2012 (*continued*)

## 6 Directors' remuneration

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Directors' emoluments	<b>687,611</b>	80,247

The company has not made any contributions to directors' personal pension arrangements in the year (2011 - None)

The highest paid director received remuneration of £687,611

## 7 Interest payable and similar charges

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Bank loans and overdrafts	<b>29,707</b>	119,361
On finance lease agreements	<b>29,619</b>	27,578
Accrued interest on HMRC tax liabilities	<b>1,796</b>	(389,923)
Interest on other loans	<b>636,006</b>	704,913
	<b>697,128</b>	461,929

Following a settlement made during the year ended 30 June 2011 with HMRC for unpaid indirect taxes, over-provided amounts from the period ended 30 June 2010 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 2012 (continued)

## 8 Taxation on profit/(loss) on ordinary activities

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
<b>Domestic current year tax</b>		
UK corporation tax	1,027	-
<b>Deferred tax</b>		
Deferred tax	-	-
<b>Total taxation on profit/(loss) on ordinary activities</b>	<b>1,027</b>	<b>-</b>

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to profit/(loss) before tax

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Profit/(loss) on ordinary activities before tax	15,713,587	(12,342,090)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011 - 26%)	4,085,533	(3,208,943)
Effect of		
Expenses not deductible for tax purposes	(4,601)	778,583
Depreciation in excess of capital allowances	45,079	126,554
Creation / (utilisation) of tax losses	(4,290,714)	2,222,605
Interest not deductible for tax purposes	166,039	81,897
Changes in tax rates	(309)	(696)
<b>Current tax charge for the year</b>	<b>1,027</b>	<b>-</b>

At 30 June 2012, the company has trading losses of some £8,460,409 (2011 - £24,963,157) 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 2012 (*continued*)

## 9 Intangible fixed assets

	Players' Registrations £
<i>Cost</i>	
At 1 July 2011	44,599,285
Additions	1,733,480
Disposals	(31,509,050)
	<hr/>
At 30 June 2012	14,823,715
	<hr/>
<i>Amortisation</i>	
At 1 July 2011	26,985,696
Provided for the year	5,747,685
Disposals	(22,528,224)
Impairment adjustment	1,828,527
	<hr/>
At 30 June 2012	12,033,684
	<hr/>
<i>Net book value</i>	
At 30 June 2012	2,790,031
	<hr/>
At 30 June 2011	17,613,589
	<hr/>

Any 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 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 £1.8m against this category of playing staff and are satisfied that this provision is adequate, even in the circumstances of the Club not having achieved promotion to the Premier League following the 2011/2012 season.

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2012 (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 2011	13,136,376	3,134,403	318,061	5,879,142	22,467,982
Additions	-	14,203	-	20,418	34,621
Disposals	-	-	(1,000)	-	(1,000)
At 30 June 2012	<b>13,136,376</b>	<b>3,148,606</b>	<b>317,061</b>	<b>5,899,560</b>	<b>22,501,603</b>
<i>Depreciation</i>					
At 1 July 2011	3,894,650	401,539	232,153	4,025,807	8,554,149
Provided for the year	262,728	62,778	54,512	535,243	915,261
Disposals	-	-	(750)	-	(750)
At 30 June 2012	<b>4,157,378</b>	<b>464,317</b>	<b>285,915</b>	<b>4,561,050</b>	<b>9,468,660</b>
<i>Net book value</i>					
At 30 June 2012	<b>8,978,998</b>	<b>2,684,289</b>	<b>31,146</b>	<b>1,338,510</b>	<b>13,032,943</b>
At 30 June 2011	9,241,726	2,732,864	85,908	1,853,335	13,913,833

The net book value of tangible fixed assets includes an amount of £584,213 (2011 - £776,559) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £192,346 (2011 - £177,283).

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2012 (continued)

## 10 Tangible fixed assets (continued)

The gross value of freehold land and buildings are stated at

	30 June 2012 £	30 June 2011 £
Cost and valuation 1991	1,153,807	1,153,807
Additions at cost 1991 to 2012	11,982,569	11,982,569
	<u>13,136,376</u>	<u>13,136,376</u>

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

The historical cost of freehold land and buildings is

	30 June 2012 £	30 June 2011 £
Cost	12,823,650	12,823,650
Accumulated depreciation based on historical cost	(4,084,142)	(3,827,669)
	<u>8,739,508</u>	<u>8,995,981</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 2012 £	30 June 2011 £
Goods for resale	195,669	186,717

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 2012 (continued)

## 12 Debtors

	30 June 2012 £	30 June 2011 £
<b>Amounts receivable within one year</b>		
Trade debtors	8,455,806	1,248,469
Other debtors	8,568	9,340
Prepayments and accrued income	1,401,400	1,542,775
	<hr/>	<hr/>
	9,865,774	2,800,584
<b>Amounts receivable after more than one year</b>		
Trade debtors	1,500,000	-
Prepayments and accrued income	519,428	1,291,725
	<hr/>	<hr/>
Total debtors	11,885,202	4,092,309
	<hr/>	<hr/>

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

## 13 Creditors: amounts falling due within one year

	30 June 2012 £	30 June 2011 £
Bank loans and overdrafts (secured)	112,692	7,002,711
Other loans	14,903,293	13,748,750
Amounts owed to parent company	6,987,670	7,828,632
Trade creditors	4,570,341	12,506,355
Taxation and social security	3,554,338	3,887,465
Corporation tax	1,027	-
Obligations under finance lease and hire purchase contracts	233,481	237,469
Other creditors	134,577	2,374
Accruals	1,073,884	1,259,077
Deferred income	2,340,735	3,017,963
Grants	56,969	56,969
	<hr/>	<hr/>
	33,969,007	49,547,765
	<hr/>	<hr/>



# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2012 (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 2012 the Club had an overdraft facility of £Nil (2011 - £7,000,000). The overdraft facility was withdrawn in August 2011.

Other loans include 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 the Club, 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.

Also included in other loans is £801,375 (2011 - £Nil) in respect of an interest free loan, of which £282,838 (2011 - £Nil) is payable after more than one year. The loan is secured by way of a specific charge against the Club's future income streams.

Included within trade creditors is £3,798,192 (2011 - £11,285,121) in respect of actual and contingent transfer fees payable and agent's fees payable, of which £604,287 (2011 - £2,113,264) is payable after more than one year. Included within accruals is £818,667 (2011 - £1,286,850) in respect of signing on fees payable, of which £375,834 (2011 - £751,667) is payable after more than one year.

### 14 Creditors amounts falling due after more than one year

	30 June 2012 £	30 June 2011 £
Bank loans (secured) (note 13)	259,455	363,644
Other loans (note 13)	282,838	-
Trade creditors (note 13)	604,287	2,113,264
Obligations under finance lease and hire purchase contracts	36,322	267,649
Taxation and social security	-	676,909
Preference shares	18,500	18,500
Accruals	375,834	751,667
Grants	1,803,427	1,860,396
	<b>3,380,663</b>	<b>6,052,029</b>

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2012 (continued)

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

Maturity of debt

	Loans and overdrafts 30 June 2012 £	Loans and overdrafts 30 June 2011 £	Finance leases 30 June 2012 £	Finance leases 30 June 2011 £
In one year or less, or on demand	<b>22,003,655</b>	28,580,093	<b>233,481</b>	237,469
In more than one year but not more than two years	<b>542,293</b>	363,644	<b>36,322</b>	233,641
In more than two years but not more than five years	-	-	-	34,008
	<b>542,293</b>	363,644	<b>36,322</b>	267,649

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

## 15 Deferred taxation

	Provided 2012 £	Provided 2011 £	Unprovided 2012 £	Unprovided 2011 £
Excess of depreciation over capital allowances	-	-	383,852	393,445
Losses	-	-	2,199,706	5,843,962

The potential asset and provision are based on a corporation tax rate of 26% (2011 - 26%) No deferred tax asset has been recognised at 30 June 2012 on the basis that future recoverability of such an asset is uncertain

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2012 (*continued*)

## 16 Share capital

	30 June 2012 £	30 June 2011 £
<i>Allotted, called up and fully paid</i>		
1,505,676 Ordinary shares of 50p each	<u>752,838</u>	<u>752,838</u>

## 17 Reserves

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss account £
At 1 July 2011	207,096	245,745	750	14,731,066	(35,180,239)
Profit for the year	-	-	-	-	15,712,560
Depreciation transfer	-	(6,255)	-	-	6,255
	<u>207,096</u>	<u>239,490</u>	<u>750</u>	<u>14,731,066</u>	<u>(19,461,424)</u>
At 30 June 2012	<u>207,096</u>	<u>239,490</u>	<u>750</u>	<u>14,731,066</u>	<u>(19,461,424)</u>

Other reserves represent the waiver of a loan balance due to the club's immediate parent company Birmingham City PLC

## 18 Reconciliation of movements in shareholders' deficit

	30 June 2012 £	30 June 2011 £
Profit/(loss) for the year	15,712,560	(12,342,090)
Opening shareholders' deficit	<u>(19,242,744)</u>	<u>(6,900,654)</u>
Closing shareholders' deficit	<u>(3,530,184)</u>	<u>(19,242,744)</u>

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2012 (continued)

## 19 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 2012 is £1,362,500 (2011 - £1,706,000). Since the year end and to the approval of these financial statements £nil of this has crystallised.

## 20 Commitments under operating leases

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

	Land and buildings 30 June 2012 £	Other 30 June 2012 £	Land and buildings 30 June 2011 £	Other 30 June 2011 £
Operating leases which expire				
Within one year	-	24,925	-	43,200
In two to five years	60,000	43,093	60,000	60,774
After five years	84,000	-	84,000	4,152
	<b>144,000</b>	<b>68,018</b>	<b>144,000</b>	<b>108,126</b>

## 21 Related party disclosures

The Club has received loan funding 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 £1,574,976 (2011 - £938,970). At the balance sheet date, the total loan (including interest) of £14,384,756 (2011 - £13,748,750) was due to Yeung Ka Sing, Carson and is included in creditors amounts falling due within one year.

Peter Pannu, director, is also a director of Asia Rays Limited. During the year the Club made rental payments to Asia Rays Limited in respect of premises leased in Hong Kong amounting to £60,000. At the balance sheet date there were no amounts payable to Asia Rays Limited. These rental payments represent a commercial transaction, made at arm's length for property utilised for Club business.

# **Birmingham City Football Club PLC**

**Notes forming part of the financial statements  
for the year ended 30 June 2012 (*continued*)**

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## **22 Post balance sheet events**

Subsequent to the year end the football registrations of Peter Lovenkrands (Bosman), David Lucas (Bosman), Hayden Mullins (Bosman), and Darren Ambrose (from Crystal Palace FC) have been acquired. In addition pro contracts have been extended for Stephen Carr, Colin Doyle and Foday Nabay whilst short term contracts have been given to Paul Robinson and Papa Bouba Diop.

The directors can confirm that the parent company has been approached by three prospective buyers to explore the possibility of purchasing the Club. Discussions are at the advanced stage with one of the parties in Hong Kong although no binding agreement had been reached at this stage. All the prospective buyers have signed confidential non-disclosure agreements and the interested parties having sought and been provided with electronic due diligence materials in relation to the Club.

## **23 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.