

Reform Acquisitions Limited

Directors' report and financial statements
for the year ended 31 May 2011

Registered number 5891280

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Reform Acquisitions Limited

Directors' report and financial statements for the year ended 31 May 2011

	Page
Directors and advisors for the year ended 31 May 2011	1
Directors' report for the year ended 31 May 2011	2
Independent auditors' report to the members of Reform Acquisitions Limited	6
Consolidated profit and loss account for the year ended 31 May 2011	8
Consolidated balance sheet as at 31 May 2011	9
Company balance sheet as at 31 May 2011	10
Consolidated cash flow statement for the year ended 31 May 2011	11
Note to the consolidated cash flow statement for the year ended 31 May 2011	12
Notes to the financial statements for the year ended 31 May 2011	13

Reform Acquisitions Limited

Directors and advisors for the year ended 31 May 2011

Directors

Mr R Lerner
Mr R Russell
Mr P Faulkner

Company Secretary

Mr R Russell

Registered office

Villa Park
Birmingham
West Midlands
B6 6HE

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Tax advisors

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Bankers

HSBC Bank PLC
8 Stephenson Place
New Street
Birmingham
B2 4NH

Reform Acquisitions Limited

Directors' report for the year ended 31 May 2011

The directors present their annual report on the affairs of the Group, together with the audited consolidated financial statements of the Group for the year ended 31 May 2011

Principal activity

The principal activity of the Group is the operation of a professional football club and there has been no significant change therein during the year. The principal activity of the Company is that of a holding company.

Business review and future developments

Turnover for the year amounted to £92.0m (2010: £90.9m), representing an increase of 1.3% over that achieved in the prior year.

Operating expenses amounted to £158.7m (2010: £141.7m). This increase primarily relates to exceptional termination costs amounting to £12.0m. After the charge for amortisation of players' registrations, the Group reported an operating loss of £66.6m (2010: £50.7m). The profit on disposal of players' registrations in the year amounted to £18.8m (2010: £18.3m). The Group reported a loss on ordinary activities before taxation of £54.0m (2010: £37.6m).

The football season resulted in a final league place of 9th compared to the previous season when a 6th place finish was achieved. Average league attendances fell from 38,580 in 2009/10 to 37,220 in the season under review. The Club was involved in 8 cup competition matches (2010: 14 matches), 4 of which were staged at Villa Park. The number of Aston Villa's televised league matches decreased from 16 live broadcasts last season to 15 in 2010/11.

As well as fielding first and reserve team squads, Aston Villa Football Club operates an academy in compliance with Premier League requirements. The task of the academy is to educate, train and coach young players for eventual progress into the first team squad without incurring transfer fees.

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 directors are mindful of the pitfalls that are inherent in this area of the business. Risks are also reported on by the FA Premier League at meetings of representatives of other League clubs and Aston Villa Football Club management regularly attends meetings.

The Club is also active in the local community through a number of programmes, some of which are football oriented and others are geared towards the education and well-being of local school children and the under-privileged.

The directors consider that following significant investments in new players and the Club's infrastructure the Group has exciting growth prospects, both in its existing and new markets.

Key performance indicators

The directors consider that the important key performance indicators are the finishing position in the league, progress in cup competitions, attendance and turnover.

Reform Acquisitions Limited

Directors' report for the year ended 31 May 2011 (continued)

Key events

On 9 August 2010 Martin O'Neill resigned as manager of Aston Villa Football Club with immediate effect. His successor, Gerard Houllier, was appointed on 8 September 2010.

On 1 June 2011 Gerard Houllier stepped down as manager of Aston Villa Football Club by mutual consent and with immediate effect. The 63-year-old suffered a dissection of the descending aorta in April 2011.

He was unable to take charge of team affairs for the final five games of the season and doctors advised that he would require further time to recuperate. The Club and Gerard agreed amicably to this resolution. His successor, Alex McLeish, was appointed on 17 June 2011.

In addition, since the year-end the Club has announced a new partnership agreement with Genting Casinos, the leading international leisure and hospitality group, and the UK's largest operator of casinos. Genting have replaced FX-Pro as the main Club sponsor.

Financial risk management

The Group's financial instruments comprise bank balances and cash, as well as various net working capital items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to transact and to raise finance for the Group's operations.

The Group's credit risk is primarily attributable to its trade debtors which are specifically referred to in note 14. The Group maintains rigorous credit control procedures and a credit control department to mitigate credit risk.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency translation risk. The board reviews and agrees policies for managing these risks as summarised below.

Interest rate risk

The Group has interest bearing loans and borrowings at variable rates which are monitored by the board.

Liquidity risk

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs while investing cash assets safely and profitably. The Group's overdraft facility is technically repayable on demand, however the directors consider that there is no evidence to suggest that the facility will not continue to be made available for the foreseeable future. Accordingly, based both on the continuing financial support committed to by the owner and the availability of the overdraft, as incorporated in the directors' cash flow forecasts, the directors consider it appropriate to prepare the accounts on a going concern basis. The directors have received confirmation that the owner intends to support the Group and Company for at least one year after these financial statements are signed.

Foreign currency translation risk

The majority of the Group's business is transacted in sterling. The Group seeks to ensure that, in cases where other currencies are applicable, risks are appropriately considered.

Financial results and dividend

The results for the financial year are set out in the consolidated profit and loss on page 8. Group losses after tax amount to £53.9m (2010: £37.6m). This loss has been deducted from reserves.

The directors do not recommend the payment of a final dividend which results in no dividend being paid for the year (2010: £nil).

Reform Acquisitions Limited

Directors' report for the year ended 31 May 2011 (continued)

Directors

The directors of the Company who held office during the year and up to the date of signing the financial statements, unless stated, are given below

Mr R Lerner
Mr R Russell
Mr P Faulkner

Directors' indemnities

The Company has in place an appropriate level of directors' and officers' third party insurance cover in respect of legal action against its directors and officers

Policy on payment to suppliers

The Group 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 suppliers at that date. The Group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders. At 31 May 2011 the number of days purchases by the Group outstanding was 21 (2010: 28). The Company's creditor days are nil (2010: nil).

Employment policies

The Group's employment policies are designed to retain and motivate employees at all levels. Employees are, within the bounds of commercial confidentiality, kept informed of matters that affect the current performance and future prospects of the Group and are of interest to them as employees.

The Group promotes and operates an equal opportunities policy to ensure that no member of staff or job applicant receives less favourable treatment on the grounds of gender, race, ethnic origin, age or disability. Every possible step is taken to ensure that individuals are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective, job-related criteria.

When recruiting and retaining disabled employees, the Group is guided by the principles and duties set out in the Disability Discrimination Act and its associated Codes of Practice. The services of existing employees who are or who become disabled are retained wherever practicable and the company is committed to applying the provisions of the Disability Discriminations Act 1995.

Charitable and political donations

All fund raising events are dealt with by the Aston Villa Charitable Trust which is registered with the Charities Commission. There were no political contributions (2010: £nil).

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

Reform Acquisitions Limited

Directors' report for the year ended 31 May 2011 (continued)

Statement of directors' responsibilities (continued)

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the Board of Directors on 13 February 2012, and signed on their behalf by



Mr R Russell
Director

Independent auditors' report to the members of Reform Acquisitions Limited

We have audited the group and parent company financial statements (the "financial statements") of Reform Acquisitions Limited for the year ended 31 May 2011 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2011 and of the group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

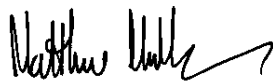
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Reform Acquisitions Limited (continued)

Matters on which we are required to report by exception

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

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



Matthew Mullins (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
17 February 2012

Reform Acquisitions Limited

Registered number 5891280

Consolidated profit and loss account for the year ended 31 May 2011

	Note	2011			2010		
		Operations excluding player trading	Player transac- tions	Total	Operations excluding player trading	Player transac- tions	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2	92,028	-	92,028	90,866	-	90,866
Operating expenses		(126,269)	(32,390)	(158,659)	(111,157)	(30,556)	(141,713)
Other operating income		-	-	-	113	-	113
Operating loss		(34,241)	(32,390)	(66,631)	(20,178)	(30,556)	(50,734)
Profit/(loss) on sale of tangible fixed assets		6	-	6	(227)	-	(227)
Profit on disposal of players' registrations	4	-	18,832	18,832	-	18,285	18,285
Loss on ordinary activities before interest and taxation		(34,235)	(13,558)	(47,793)	(20,405)	(12,271)	(32,676)
Interest receivable and similar income	6			74			164
Interest payable and similar charges	7			(6,294)			(5,079)
Loss on ordinary activities before taxation	3			(54,013)			(37,591)
Tax on loss on ordinary activities	8			110			19
Loss for the financial year	20			(53,903)			(37,572)

The results derive wholly from continuing operations of the Group

There is no material difference between the loss disclosed in the profit and loss account and the loss on an unmodified historical cost basis

There are no recognised gains and losses other than the loss for the current and previous financial year. Accordingly, no statement of total recognised gains and losses is given

Reform Acquisitions Limited

Registered number 5891280

Consolidated balance sheet as at 31 May 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	10	67,127	68,498
Tangible assets	11	107,789	112,102
		174,916	180,600
Current assets			
Stocks	13	639	560
Debtors	14	20,434	11,332
Cash at bank and in hand		598	625
		21,671	12,517
Creditors: amounts falling due within one year	15	(85,826)	(60,312)
Net current liabilities		(64,155)	(47,795)
Total assets less current liabilities		110,761	132,805
Creditors, amounts falling due after more than one year	16	(129,883)	(110,414)
Provisions for liabilities	18	(590)	(700)
Net (liabilities)/assets		(19,712)	21,691
Capital and reserves			
Called up share capital	19	128,118	115,618
Profit and loss account	20	(147,830)	(93,927)
Total shareholders' (deficit)/funds	21	(19,712)	21,691

The financial statements on pages 8 to 31 were approved by the board of directors on 13 February 2012

Signed on behalf of the board of directors



Mr R Russell
Director

Reform Acquisitions Limited

Registered number 5891280

Company balance sheet as at 31 May 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	12	208,449	204,219
Current assets			
Cash at bank and in hand		551	551
Creditors: amounts falling due within one year	15	(32,585)	(12,627)
Net current liabilities		(32,034)	(12,076)
Total assets less current liabilities		176,415	192,143
Creditors: amounts falling due after more than one year	16	(116,339)	(99,551)
Net assets		60,076	92,592
Capital and reserves			
Called up share capital	19	128,118	115,618
Profit and loss account	20	(68,042)	(23,026)
Total shareholders' funds	21	60,076	92,592

The financial statements on pages 8 to 31 were approved by the Board of Directors on 13 February 2012

Signed on behalf of the Board of Directors



Mr R Russell
Director

Reform Acquisitions Limited

Registered number 5891280

Consolidated cash flow statement for the year ended 31 May 2011

		2011	2010
	Note	£'000	£'000
Net cash inflow/(outflow) from operating activities	22	4,051	(17,533)
Returns on investments and servicing of finance	23	(665)	(830)
Capital expenditure and financial investments	23	(20,090)	(25,884)
Cash outflow before use of liquid resources and financing		(16,704)	(44,247)
Financing	23	20,294	25,000
Increase/(decrease) in cash in the year		3,590	(19,247)

Reform Acquisitions Limited

Registered number 5891280

Note to the consolidated cash flow statement

Reconciliation of net cash flow to movement in net debt for the year ended 31 May 2011:

		2011	2010
	Note	£'000	£'000
Increase/(decrease) in cash in the year		3,590	(19,247)
Non-cash movements		-	7,368
Movement in borrowings		4,682	-
Movement in finance leases		24	-
Funds from loan notes		(12,500)	(12,500)
Movement in net debt in the year	24	(4,204)	(24,379)
Net debt at 1 June		(109,541)	(85,162)
Net debt at 31 May	24	(113,745)	(109,541)

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The Group's overdraft facility is technically repayable on demand, however the directors consider that there is no evidence to suggest that the facility will not continue to be made available for the foreseeable future. Accordingly, based both on the continuing financial support committed to by the owner and the availability of the overdraft, as incorporated in the directors' cash flow forecasts, the directors consider it appropriate to prepare the accounts on a going concern basis.

The principal accounting policies adopted, which have been applied consistently in dealing with items which are considered material, are set out below.

Basis of preparation and consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 May each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intercompany transactions and balances are eliminated on consolidation. Uniform accounting policies have been applied across the Group. Certain balances have been represented to enable consistent disclosure with the current year. The loss for the financial year dealt with in the financial statements of the parent company was £45.0m including intercompany debtor write-offs of £18.6m (2010: loss of £4.9m). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

Turnover

Turnover represents amounts receivable for goods and services, excluding transfer fees receivable in respect of the disposal of players' registrations, in the normal course of the Group's business. It is stated net of discounts and value added tax.

Match ticket turnover is recognised over the period of the English football season, covering the period from August to May each year, as home matches are played. Fixed elements of broadcasting contracts are taken in proportion to the number of league matches played, home and away. Broadcasting facility fees are accounted for when earned. The merit award is taken when final league position is known at the end of the financial year. Merchandising, travel and catering turnover are recognised on an earned basis. Turnover from royalties, executive box rentals and sponsorships are recognised over the duration of their respective contracts.

Grants and donations

Grants and donations received in respect of safety work and other stadium improvements are credited to deferred grant income and are released to the consolidated profit and loss account over the anticipated useful life of the assets to which they relate.

Fixed asset investments

The company's investments in subsidiaries are stated at cost less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs directly attributable with the purchase of the asset. Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over the anticipated useful lives, which are re-assessed on a periodic basis, at the following annual rates

Freehold land	Nil
Long leasehold property	1%
Short leasehold property	10%
Freehold buildings	2-8%
Plant and equipment	10-33%
Motor vehicles	25%

No depreciation is provided on assets in the course of construction

Intangible fixed assets – players' registrations

The costs associated with the acquisition of players' registrations are capitalised as an intangible fixed asset at the date of acquisition, and are amortised over the period of the respective players' contract, including extensions thereto

Liability in respect of contingent appearance fees is recognised where the directors consider the likelihood of a player meeting future appearance criteria, laid down in the transfer agreement of that player, to be probable

Internally generated intangible assets are held at £nil value. Any external costs incurred in extensions to a player's original contract are capitalised and amortised over the period of the player's extended contract

The profit or loss arising out of the disposal of players' registrations represent the difference between the consideration receivable, net of any transaction costs and signing-on fees in respect of future periods, and the amortised cost of the intangible asset

In accordance with FRS 26 "Financial Instruments: recognition and measurement", the Group's players' registrations acquired on deferred terms are recorded at the discounted present value at the date of acquisition. The associated creditor is then increased to the settlement value over the period of deferral, with this value being charged as notional interest through the profit and loss account

Impairment of tangible and intangible fixed assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment loss is recognised immediately as an expense

Players' signing-on fees and loyalty payments

Signing-on fees payable to players are recognised in operating expenses as incurred. Where a player's registration is transferred, any signing-on fee payable in respect of future periods is charged against profit or loss on disposal

Loyalty payments, which are payable only if the player is still in employment with the Group, are accrued, as part of operating expenses, over the period to which they relate

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in marketing and selling. Provision is made for obsolete or slow-moving items where appropriate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities held at the balance sheet date are revalued using the rate at that date.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at constant rates on the carrying amounts.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis to the consolidated profit and loss account.

Leases

Assets acquired under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible assets and are depreciated over their useful lives. The capital element of future lease obligations are recorded as liabilities with the interest element being charged to the profit and loss account at a constant rate over the period of the lease.

Taxation

The taxation expense represents the sum of tax currently payable or recoverable and deferred taxation and takes into account adjustments for prior periods.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is measured on an undiscounted basis.

Pensions

Payments to various defined contribution retirement schemes are charged as an expense as they fall due.

Payments made to the Football League Limited Pension and Life Assurance Scheme (FLLPLAS) are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

2 Turnover

The Group's turnover is analysed into its three main components as follows:

	2011 £'000	2010 £'000
Matchday	21,449	24,363
Media	53,880	52,092
Commercial	16,699	14,411
	92,028	90,866

Turnover streams are analysed into three main components and the constituents of these components are as follows:

Matchday - Match tickets, executive box rentals, programme sales, matchday sponsorship and hospitality.

Media - Distributions from the FA Premier League broadcasting agreements, including the merit award, cup competition broadcasting rights and local radio broadcasting.

Commercial - Major sponsorship contracts, merchandising, royalties, conference and banqueting and all other revenue sources.

The Group has one main business segment, that of professional football operations, and one main geographical segment, which is the United Kingdom, accordingly no further segmental information is provided.

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

3 Loss on ordinary activities before taxation

The Group's operating loss for the year has been arrived at after charging / (crediting)

	2011 £'000	2010 £'000
Depreciation of owned tangible fixed assets	6,113	6,004
Profit/(loss) on disposal of tangible fixed assets	6	(227)
Amortisation of players' registrations	32,390	30,556
Deferred grant income	(140)	(140)
Staff costs excluding termination costs (note 5)	83,395	79,974
Termination costs - exceptional item	12,036	-
Auditors' remuneration for audit services	85	78

The audit fee for the company was borne by another Group company in both financial years
Termination costs were incurred in relation to manager changes

4 Exceptional items reported after operating loss

The profit on disposal of players' registration in the year amounted to £18,832,354 (2010 £18,284,719)

5 Staff costs

	2011 Number	2010 Number
Average monthly number of employees by activity		
Players, football management and coaches	151	149
Commercial, merchandising and operations	295	264
Maintenance and administration	105	102
Full-time employees	551	515
Part-time employees on matchdays and other events	1,165	1,039
	1,716	1,554

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

5 Staff costs (continued)

	2011	2010
Remuneration	£'000	£'000
Wages and salaries	74,047	70,957
Social security costs	9,127	8,785
Other pension costs (note 26)	221	232
	83,395	79,974

The Company does not have any employees (2010 none) In addition to the above are exceptional staff costs of £11.4m (2010 £nil)

	2011	2010
	£	£
Directors' remuneration		
Aggregate emoluments	407,212	457,253
Company contribution to money purchase schemes	6,600	10,725
	413,812	467,978

Company contribution to money purchase schemes relate to one director (2010 one)

	2011	2010
	£	£
Remuneration of the highest paid director		
Aggregate emoluments	242,912	226,730
Company contribution to money purchase schemes	6,600	10,725
	249,512	237,455

All of the directors are remunerated in relation to their services to the Group by a subsidiary company and one of the directors received remuneration in relation to their services to the Company (2010 £nil)

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

6 Interest receivable and similar income

	2011	2010
	£'000	£'000
Interest receivable	74	164

7 Interest payable and similar charges

	2011	2010
	£'000	£'000
Interest on bank overdrafts and loans	675	829
Amortisation of discount on long term liabilities	-	114
Interest on loan notes	5,616	4,132
Other interest payable	3	4
	6,294	5,079

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

8 Tax on loss on ordinary activities

		2011 £'000	2010 £'000
Current tax			
UK corporation tax	Current year	-	-
	Prior year	-	-
		-	-
Deferred tax:			
UK	Current year	(110)	(19)
	Prior year	-	-
Tax on loss on ordinary activities		(110)	(19)

Corporation tax is calculated at 27.66% (2010: 28%) of the estimated assessable profit for the year. The tax assessed for the year is higher (2010: higher) than the standard rate of corporation tax in the UK (27.66%) (2010: 28%). The differences are explained below.

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	(54,013)	(37,591)
Tax at the UK corporation tax rate of 27.66% (2010: 28%)	(14,940)	(10,525)
Expenses not deductible for tax purposes	1,653	827
Capital allowances in excess of depreciation	494	985
Unrelieved tax losses carried forward	11,254	7,566
Other timing differences	1,539	1,147
Current tax charge for the year	-	-

Factors that may affect future tax charges

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

9 Dividends

The directors do not recommend the payment of a final dividend which results in no dividend being paid for the year (2010 £nil)

10 Intangible fixed assets

Group	Players' registrations £'000
Cost	
At 1 June 2010	137,542
Additions	41,099
Disposals	(39,195)
At 31 May 2011	139,446
Accumulated amortisation	
At 1 June 2010	69,044
Charge for the year	32,390
Disposals	(29,115)
At 31 May 2011	72,319
Net book value	
At 31 May 2011	67,127
At 31 May 2010	68,498

The Company does not have any intangible fixed assets (2010 £nil)

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

11 Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 June 2010	106,165	201	20,248	126,614
Additions	598	-	1,329	1,927
Disposals	-	-	(284)	(284)
At 31 May 2011	106,763	201	21,293	128,257
Accumulated depreciation				
At 1 June 2010	8,615	16	5,881	14,512
Charge for the year	2,663	2	3,448	6,113
Disposals	-	-	(157)	(157)
At 31 May 2011	11,278	18	9,172	20,468
Net book value				
At 31 May 2011	95,485	183	12,121	107,789
At 1 June 2010	97,550	185	14,367	112,102

Freehold land and buildings includes freehold land amounting to £7,931,524 (2010 £7,931,524) which has not been depreciated

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

12 Fixed asset investments

	£'000
At 1 June 2010 at cost	204,219
Additional investment in Aston Villa Limited	25,000
At 31 May 2011 at cost	229,219
Impairment of fixed asset investments	(20,770)
At 31 May 2011	208,449

The parent company and the Group have investments in the following subsidiary undertakings
The instrument has been written down to its estimated net book value

Company	Principal activity	Holding	
Aston Villa Limited	Property investment	3,271,731,045 ordinary 5p shares	100%
Aston Villa Football Club Limited*	Commercial and retail operations	1 ordinary £1 shares	100%
Aston Villa FC Limited*	Professional football club	2,000,000 ordinary £1 shares	100%
Aston Villa Indoor Cricket Centres Limited*	Operator of indoor sports facility	100 ordinary £1 shares	100%
The Villan Radio Limited*	Digital radio station	3 ordinary £1 shares	100%

All of the subsidiary undertakings are incorporated in England and Wales. The results of the subsidiary undertakings have been consolidated in the Group financial statements.

All of the above subsidiaries are owned directly by Reform Acquisitions Limited unless marked by an asterisk.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

13 Stocks

Group	2011 £'000	2010 £'000
Goods held for resale	639	560

The Company did not have any stock (2010: £nil)

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

14 Debtors

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Trade debtors	16,419	-	8,856	-
Other debtors	2,048	-	547	-
Prepayments and accrued income	1,967	-	1,929	-
	20,434	-	11,332	-

Trade debtors due in over one year of £1,000,000 (2010 £1,200,000) have been included in the above. The company had no debtors (2010 £nil)

15 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 17)	10,644	-	14,457	195
Trade creditors	20,332	-	23,821	-
Amounts owed to parent undertakings	25,217	25,217	827	-
Amounts owed to subsidiary undertakings	-	7,368	-	12,432
Finance leases and hire purchase (note 17)	-	-	24	-
Taxation and social security costs	8,786	-	8,599	-
Other creditors	379	-	434	-
Accruals and deferred income	20,468	-	12,150	-
	85,826	32,585	60,312	12,627

Amounts owed to parent and subsidiary undertakings are unsecured, bear no interest and are repayable on demand

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

16 Creditors: amounts falling due after more than one year

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Bank loans (note 17)	1,567	-	6,053	1,267
Loan notes payable to parent undertaking (note 17)	102,132	102,132	89,632	89,632
Trade creditors	8,646	-	2,606	-
Grants and donations	3,331	-	3,471	-
Accrued interest	14,207	14,207	8,652	8,652
	129,883	116,339	110,414	99,551

Grants and donations

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
At 1 June	3,471	-	3,611	-
Credit to loss from operations in the year	(140)	-	(140)	-
At 31 May	3,331	-	3,471	-

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

17 Loans and other borrowings

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Bank loans and overdrafts	12,211	-	20,510	1,462
Finance leases and hire purchase	-	-	24	-
Loan notes	102,132	102,132	89,632	89,632
	114,343	102,132	110,166	91,094
Maturity of financial liabilities				
Due in one year or less, or on demand	10,644	-	14,481	195
Due in more than one year but less than two years	727	-	3,421	195
Due in more than two years but less than five years	840	-	2,145	585
Due in more than 5 years	102,132	102,132	90,119	90,119
	114,343	102,132	110,166	91,094

Bank loans and overdrafts

The bank loan and overdraft, which are secured on the Group's land and property assets, bear interest on margins above Bank of England Base Rate £2,500,000 of the bank term loan is repayable by 3 payments each year over the period to July 2012 £720,000 of the bank term loan is repayable by 12 payments each year over the period to July 2014

The bank overdraft is renewable annually and repayable on demand At the balance sheet date, the Group had undrawn overdraft borrowing facilities of £15,074,322 (2010 £11,457,032)

Loan notes

On 24 November 2010 the company issued £5,000,000 discounted unsecured redeemable loan notes Notes are repayable in full on 24 November 2020 On 20 January 2011 the company issued £7,500,000 discounted unsecured redeemable loan notes Notes are repayable in full on 20 January 2021

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

18 Provisions for liabilities

Deferred tax

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current year and prior year

	Capital allowances £'000	Short-term timing differences £'000	Losses £'000	Total £'000
At 1 June 2010	700	-	-	700
Credit to profit and loss account for the year	(110)	-	-	(110)
At 31 May 2011	590	-	-	590

There is an unprovided deferred tax asset of £45.9 million (2010 £35.8 million) in respect of tax losses carried forward in the Group, and an unprovided deferred tax asset of £7.7 million (2010 £6.4 million) in the company. No deferred tax asset will be recognised until these losses can be utilised.

19 Called up share capital

	Number	2011 £'000	Number	2010 £'000
Authorised – ordinary shares of £1 each	200,000,000	200,000	200,000,000	200,000
Allotted and fully paid – ordinary shares of £1 each	128,117,792	128,118	115,617,792	115,618

On 24 November 2010 the nominal capital of the company was increased by £5,000,000 by the creation of 5,000,000 ordinary shares of £1 each ranking pari passu in all respects with existing ordinary shares. On 20 January 2011 the nominal capital of the company was increased by £7,500,000 by the creation of 7,500,000 ordinary shares of £1 each ranking pari passu in all respects with existing ordinary shares.

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

20 Profit and loss account

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
At 1 June	(93,927)	(23,026)	(56,355)	(18,103)
Loss for the financial year	(53,903)	(45,016)	(37,572)	(4,923)
At 31 May	(147,830)	(68,042)	(93,927)	(23,026)

21 Reconciliation of movements in shareholders' (deficit)/funds

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Loss for the financial year	(53,903)	(45,016)	(37,572)	(4,923)
Net proceeds of issue of ordinary shares	12,500	12,500	20,118	20,118
Opening shareholders' funds	21,691	92,592	39,145	77,397
Closing shareholders' (deficit)/funds	(19,712)	60,076	21,691	92,592

22 Net cash flow from operating activities

	2011	2010
	£'000	£'000
Operating loss	(66,631)	(50,734)
Amortisation of players' registrations	32,390	30,556
Depreciation of tangible fixed assets	6,113	6,004
Amortisation of grant income	(140)	(140)
(Increase)/decrease in stocks	(79)	203
(Increase) in debtors	(2,245)	(786)
Increase/(decrease) in creditors	34,643	(2,636)
Net cash inflow/(outflow) from operating activities	4,051	(17,533)

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

23 Analysis of cash flows netted in cash flow statement

	2011 £'000	2010 £'000
Returns on investments and servicing of finance		
Interest received	74	3
Interest paid	(739)	(833)
Net cash outflow from returns on investments and servicing of finance	(665)	(830)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,927)	(7,057)
Purchase of intangible fixed assets	(40,353)	(40,512)
Proceeds from disposal of tangible fixed assets	132	50
Proceeds from disposal of intangible fixed assets	22,058	21,635
Net cash outflow from capital expenditure and financial investment	(20,090)	(25,884)
Financing		
Funds from loan notes	12,500	12,500
Issue of ordinary shares	12,500	12,500
Decrease in borrowings	(4,682)	-
Capital element of finance lease payments	(24)	-
Net cash inflow from financing	20,294	25,000

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

24 Analysis of net debt

	At 1 June 2010	Cash flow	Non-cash movements	At 31 May 2011
	£'000	£'000	£'000	£'000
Cash at bank and in hand	625	(27)	-	598
Debt due within 1 year - overdraft	(11,043)	3,617	-	(7,426)
Net cash	(10,418)	3,590	-	(6,828)
Debt due within 1 year – bank loan	(3,414)	3,414	(3,218)	(3,218)
Debt due after 1 year – bank loan	(6,053)	1,268	3,218	(1,567)
Debt due after 1 year – loan notes	(89,632)	(12,500)	-	(102,132)
Finance leases	(24)	24	-	-
Net debt	(109,541)	(4,204)	-	(113,745)

Non-cash movements relate to transfers between categories

25 Contingent liabilities

The terms of certain contracts with other football clubs in respect of the acquisition of players' registrations include the payment of additional amounts upon the fulfilment of specific conditions in the future. The maximum unprovided liability which may arise in respect of these players at 31 May 2011 is £4,658,597 (2010 £2,866,727)

The company has issued an indemnity in favour of HSBC Bank PLC in respect of claims against HSBC Merchant Services under section 75 of the Consumer Credit Act. The company's maximum liability under this agreement is £4.5m. The directors consider it highly unlikely that a claim under this guarantee will be made.

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

26 Retirement benefit schemes

Certain members of the Group's staff are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme (FLLPLAS), a defined benefit scheme. As the Group is one of a number of participating employers in FLLPLAS, it is not possible to accrue any actuarial surplus or deficit on a meaningful basis and consequently contributions are expensed in the consolidated profit and loss account as they become payable. The assets of the scheme are held separately from those of the Group, being invested with insurance companies. Under the provisions of Financial Reporting Standard 17 'Retirement Benefits' the scheme would be treated as a defined benefit multi-employer scheme. The scheme's actuary has advised that the participating employer's share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and accordingly no disclosures are made under the provisions of Financial Reporting Standard 17 'Retirement Benefits'. This deficit has been appropriately accounted for over the remaining service lives of the employees concerned in accordance with Financial Reporting Standard 17 'Retirement Benefits'. Where employees have left the Group, the amount was charged to the consolidated profit and loss account in the year in which the deficit was notified. At the year end, the amount outstanding in relation to the defined contribution schemes was £198,124 (£2010 £241,060).

Contributions are also paid into individuals' private pension schemes. The total contributions across all schemes during the year amounted to £220,649 (2010 £232,246).

27 Events after the balance sheet date

On 1 June 2011 Gerard Houllier stepped down as manager of Aston Villa Football Club by mutual consent and with immediate effect. The 63-year-old took charge in September 2010 but suffered a dissection of the descending aorta in April 2011.

He was unable to take charge of team affairs for the final five games of the season and doctors advised that he would require further time to recuperate. The Club and Gerard agreed amicably to this resolution. His successor, Alex McLeish, was appointed on 17 June 2011.

Since the balance sheet date various players have been bought and sold. The net income of these transfers, taking into account the applicable levies, is £35.4 million (2010 £16.3 million). The net cost of these transfers, taking into account the applicable levies, is £17.8 million (2010 £nil). These transfers will be accounted for in the year ending 31 May 2012.

On 13 December 2011, the nominal capital of the company was increased by £5,000,000 by the creation of 5,000,000 ordinary shares of £1 each ranking pari passu in all respects with existing ordinary shares. On the same date, the company created £5,000,000 unsecured redeemable discounted loan notes, issued to the parent company undertaking. Loan notes are repayable in December 2021.

28 Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures' not to disclose transactions with other entities that are wholly owned subsidiaries of Reform Acquisitions Limited.

The Company has incurred a number of costs during the year, which are incurred on behalf of Mr R Lerner, a director of the company. These costs are repayable by the director and included in his loan account balance to the company. At the year-end a balance of £1,632,093 (2010 £395,282) remained due from Mr R Lerner. This balance was settled in full after the year end date.

29 Ultimate parent undertaking and controlling party

In the opinion of the directors the ultimate holding company is Reform Acquisitions LLC, a company registered in the United States of America, and the ultimate controlling party is Mr R Lerner.