

Birmingham City Football Club PLC

Report and Financial Statements

Year Ended

30 June 2013

Company Number 00027318

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Birmingham City Football Club PLC

Report and financial statements for the year ended 30 June 2013

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Directors

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

Registered office

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, 130 New Street, Birmingham, B2 4JU

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2013

The directors present their report together with the audited financial statements for the year ended 30 June 2013

Results and dividends

The profit and loss account is set out on page 8 and shows the result 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

2012/13 was a mixed season on the playing side with the Club finishing the season strongly in 12th place in the Championship. Under challenging circumstances, the team performed admirably and the directors would like to take this opportunity to praise the fans for their continued loyal support.

Off the pitch the club had to raise funds through the sale of players, and these sales contributed a profit of £6.1m to the result 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.

The directors are pleased to announce that during the year the club's academy was awarded category 2 status under the new Elite Player Performance Plan initiative. This is a great achievement which will hopefully see the continued production of quality young players from our academy. In establishing the category 2 status, the club has continued to invest in the infrastructure at the training ground with the construction of a brand new synthetic pitch having recently been completed.

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 2013	Year ended 30 June 2012 <i>Restated</i>
Revenue levels (football related and other)	£'000	24,198	39,086
Operating loss	£'000	(9,109)	(3,710)
Staff costs (player related and other)	£'000	22,914	25,120
Average attendance levels	No's	16,702	19,127

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.

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2013 (continued)

Environment

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

Employee involvement

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

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

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

Payment of suppliers

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

Transfer fees and similar transactions are such that any calculation of the number of creditor days inclusive of these balances would prove meaningless. However, creditor days excluding transfer fees for the company at 30 June 2013 were 39 days (2012 - 46 days).

Principal risks and uncertainties

Funding and going concern:

The relegation of the Club to the Championship at the end of the 2010/11 season significantly reduced the income available 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 the Club has been able to mitigate its exposure to significant losses.

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2013 (*continued*)

Principal risks and uncertainties (*continued*)

The balance sheet at 30 June 2013 shows net current liabilities of £18.6m (2012 - £16.0m) and net liabilities of £7.6m (2012 - £3.5m). Included within creditors, were loans of £15.0m (2012 - £14.4m) 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 £3.8m (2012 - £7m) from the parent company BIHL. 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 substantially 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 30 June 2015. These forecasts have been based on income expected to be generated during the 2013/2014 and 2014/2015 Championship seasons 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.

In order to meet this funding shortfall the company will raise loan finance secured on future income streams. Funding of £5.4m (before costs) will be available when this is approved. In addition to this, the directors of BIHL are applying for the resumption of trading in its shares on the Hong Kong stock exchange in order to facilitate a fully underwritten share placement. The share placing agreement is expected to realise between £6m and £7m (before costs). The share placing agreement is subject to Hong Kong stock exchange approval for the resumption of trading in the shares of BIHL. BIHL have confirmed that funds will then be made available to BCFC as an interest free Group loan. The directors of BCFC and BIHL acknowledge that further funding will be required in addition to the amounts stated above and are therefore taking steps to secure additional external funding. These steps include convertible instrument arrangements that the BIHL will shortly enter with an independent subscriber to the tune of HK\$300m (equivalent to GBP 24m). These will require shareholders' approval and the approval of the Hong Kong Stock Exchange.

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 October 2013. Proceedings have now recommenced. 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 have any connection with the five charges that he faces. The directors also take comfort from written confirmations from legal experts that Yeung Ka Sing's criminal charges have no connection with the accounts or any operations of the group and/or the club. 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.

We have considered the forecasts carefully and also considered, with the directors of the parent company, our ability to obtain the funding that is required as shown by the forecasts. We remain of the view that we can obtain the required funding (through a mixture of player sales, forward funding arrangements and share placements) and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2013 (continued)

Financial instruments

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

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

The company's principal financial instruments comprise sterling cash and bank deposits, bank loans and forward financing of income 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 company'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 and political contributions of £Nil (2012 - £Nil)

Birmingham City Football Club PLC

Report of the directors for the year ended 30 June 2013 (continued)

Directors

The directors of the company during the year were

Yeung Ka Sing, Carson
Peter Pannu
Yeung Tsz Tsung
Hui Ho Luek, Vico resigned 10 July 2012

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.

The auditors, Edwards, have indicated their willingness to continue in office.

By order of the board



Peter Pannu
Director

5 November 2013

Birmingham City Football Club PLC

Independent auditor's report

To the members of Birmingham City Football Club PLC

We were engaged to audit the financial statements of Birmingham City Football Club Plc for the year ended 30 June 2013 which comprise the primary statements such as the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements based on conducting the audit in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. Because of the matters described in the Basis for disclaimer of opinion paragraph however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Scope of the audit of the financial statements

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.

Basis for disclaimer of opinion on the financial statements

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

The directors have prepared detailed profit and cash flow forecasts ("the forecasts") for BCFC including for the period to 30 June 2015. These forecasts have been based on income expected to be generated during the 2013/2014 and 2014/2015 Championship seasons 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.

In order to meet this funding shortfall the company will raise loan finance secured on future income streams. Funding of £5.4m (before costs) will be available when this is approved. In addition to this, the directors of BIHL are applying for the resumption of trading in its shares on the Hong Kong stock exchange in order to facilitate a fully underwritten share placement. The share placing agreement is expected to realise between £6m and £7m (before costs). The share placing agreement is subject to Hong Kong stock exchange approval for the resumption of trading in the shares of BIHL. BIHL have confirmed that funds will then be made available to BCFC as an interest free Group loan. The directors of BCFC and BIHL acknowledge that further funding will be required in addition to the amounts stated above and are therefore taking steps to secure additional external funding. These steps include convertible instrument arrangements that the BIHL will shortly enter with an independent subscriber to the tune of HK\$300m (equivalent to GBP 24m). These will require shareholders' approval and the approval of the Hong Kong Stock Exchange.

Birmingham City Football Club PLC

Independent auditor's report

Basis for disclaimer of opinion on the financial statements (*continued*)

During our evaluation of the company's ability to continue as a going concern we have considered the evidence available to us to support the directors view that the cash flow forecasts can be achieved and that the required funds can be obtained from existing or new funding sources. Our conclusion from our evaluation is that that we do not have sufficient appropriate audit evidence to conclude whether the directors' use of the going concern assumption is appropriate in the circumstances

Disclaimer of opinion on financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

5 November 2013

Birmingham City Football Club PLC

Profit and loss account for the year ended 30 June 2013

	Note	Club operations Year ended 30 June 2013 £	Player amortisation, impairment and trading costs Year ended 30 June 2013 £	Total Year ended 30 June 2013 £	Total Year ended 30 June 2012 <i>Restated</i> £
Turnover	3	24,198,019	-	24,198,019	39,085,870
Other operating income		480,000	-	480,000	-
Operating expenses - excluding exceptional items		31,738,201	2,048,460	33,786,661	40,967,020
Exceptional items	2	-	-	-	1,828,527
Operating expenses		31,738,201	2,048,460	33,786,661	42,795,547
Operating loss	4	(7,060,182)	(2,048,460)	(9,108,642)	(3,709,677)
Net profit on sale of players' registrations		-	6,094,113	6,094,113	20,393,945
(Loss)/profit on ordinary activities before interest and other income		(7,060,182)	4,045,653	(3,014,529)	16,684,268
Interest receivable				18,471	5,135
Interest payable and similar charges	7			(1,049,602)	(975,816)
(Loss)/profit on ordinary activities before taxation for the financial year				(4,045,660)	15,713,587
Taxation	8			-	(1,027)
(Loss)/profit on ordinary activities after taxation for the financial year				(4,045,660)	15,712,560

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 11 to 29 form part of these financial statements

Birmingham City Football Club PLC

Balance sheet at 30 June 2013

<i>Company number 00027318</i>	Note	30 June 2013	30 June 2013	30 June 2012	30 June 2012
		£	£	£	£
Fixed assets					
Intangible assets	9		151,667		2,790,031
Tangible assets	10		12,800,928		13,032,943
			<u>12,952,595</u>		<u>15,822,974</u>
Current assets					
Stocks	11	188,608		195,669	
Debtors - due within one year	12	8,539,831		9,865,774	
Debtors - due after more than one year	12	6,889		2,019,428	
		<u>8,546,720</u>		<u>11,885,202</u>	
Total debtors					
Cash at bank and in hand		3,909,227		5,915,641	
		<u>12,644,555</u>		<u>17,996,512</u>	
Creditors amounts falling due within one year	13	(31,254,897)		(33,969,007)	
		<u></u>		<u></u>	
Net current liabilities			(18,610,342)		(15,972,495)
			<u></u>		<u></u>
Total assets less current liabilities			(5,657,747)		(149,521)
			<u></u>		<u></u>
Creditors: amounts falling due after more than one year	14		(1,918,097)		(3,380,663)
			<u></u>		<u></u>
Net liabilities			(7,575,844)		(3,530,184)
			<u></u>		<u></u>

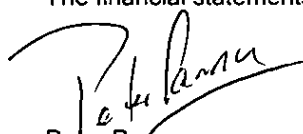
The notes on pages 11 to 29 form part of these financial statements

Birmingham City Football Club PLC

Balance sheet at 30 June 2013 (continued)

	Note	30 June 2013 £	30 June 2013 £	30 June 2012 £	30 June 2012 £
Capital and reserves					
Called up share capital	16		752,838		752,838
Share premium account	17		207,096		207,096
Revaluation reserve	17		233,235		239,490
Capital redemption reserve	17		750		750
Other reserves	17		14,731,066		14,731,066
Profit and loss account	17		(23,500,829)		(19,461,424)
Shareholders' deficit	18		(7,575,844)		(3,530,184)

The financial statements were approved by the board of directors and authorised for issue on 5 November 2013


Peter Pannu
Director

The notes on pages 11 to 29 form part of these financial statements

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2013

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 2013 shows net current liabilities of £18.6m (2012 - £16.0m) and net liabilities of £7.6m (2012 - £3.5m). Included within creditors, were loans of £15.0m (2012 - £14.4m) 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 £3.8m (2012 - £7m) from the parent company BIHL. 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 substantially 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 30 June 2015. These forecasts have been based on income expected to be generated during the 2013/2014 and 2014/2015 Championship seasons 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.

In order to meet this funding shortfall the company will raise loan finance secured on future income streams. Funding of £5.4m (before costs) will be available when this is approved. In addition to this, the directors of BIHL are applying for the resumption of trading in its shares on the Hong Kong stock exchange in order to facilitate a fully underwritten share placement. The share placing agreement is expected to realise between £6m and £7m (before costs). The share placing agreement is subject to Hong Kong stock exchange approval for the resumption of trading in the shares of BIHL. BIHL have confirmed that funds will then be made available to BCFC as an interest free Group loan. The directors of BCFC and BIHL acknowledge that further funding will be required in addition to the amounts stated above and are therefore taking steps to secure additional external funding. These steps include convertible instrument arrangements that the BIHL will shortly enter with an independent subscriber to the tune of HK\$300m (equivalent to GBP 24m). These will require shareholders' approval and the approval of the Hong Kong Stock Exchange.

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 October 2013. Proceedings have now recommenced. 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 have any connection with the five charges that he faces. The directors also take comfort from written confirmations from legal experts that Yeung Ka Sing's criminal charges have no connection with the accounts or any operations of the group and/or the club. 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.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2013 (*continued*)

1 Accounting policies (*continued*)

We have considered the forecasts carefully and also considered, with the directors of the parent company, our ability to obtain the funding that is required as shown by the forecasts. We remain of the view that we can obtain the required funding (through a mixture of player sales, forward funding arrangements and share placements) and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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 and assets under the course of construction are not depreciated.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

1 Accounting policies (continued)

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.

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.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2013 (*continued*)

1 Accounting policies (*continued*)

Signing on fees

Signing on fees are not recorded within the costs of acquired players registrations but are held within prepayments on the balance sheet and charged to results on a straight line basis over the period of each player's contract

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.

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 2013 *(continued)*

1 Accounting policies *(continued)*

Turnover

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

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

(ii) Fixed elements of FA central broadcasting contracts are recognised over the duration of the football season on a time basis Appearance fees are accounted for as earned

(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

Corresponding amounts

Payments of £278,688 made in respect of financing arrangements had been reported within operating expenses in 2012 This amount is now disclosed under interest payable and similar charges to make the profit and loss account more meaningful

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

2 Exceptional items

	Year ended 30 June 2013 £	Year ended 30 June 2012 £
Impairment of player registrations	-	1,828,527

In the previous year, the directors 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 the transfer fee that is expected to be received upon completion of the sales or a reduction in net book value commensurate with the player's perceived value.

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

3 Turnover

	Year Ended 30 June 2013 £	Year Ended 30 June 2012 £
Analysis by class of business		
Match receipts	4,201,504	9,276,165
Broadcasting	14,776,785	21,031,038
Other commercial income	5,219,730	8,778,667
	<u>24,198,019</u>	<u>39,085,870</u>

Turnover arises solely within the United Kingdom

4 Operating loss

	Year ended 30 June 2013 £	Year ended 30 June 2012 <i>Restated</i> £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	847,840	915,261
Amortisation of intangible fixed assets	2,048,460	5,747,685
(Profit)/loss on disposal of tangible fixed assets	(7,086)	187
Impairment of intangible fixed assets (note 9)	-	1,828,527
Amortisation of deferred capital grants	(56,969)	(56,969)
Auditors' remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts		
- Edwards	35,000	30,000
- BDO LLP	-	71,450
- other services supplied under legislation	-	25,000
- taxation services	5,000	2,000
Exchange differences	1,199	(187,895)
Equipment leased under operating leases	121,701	77,876
Premises leased under operating leases	144,000	144,000

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

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

5 Employees

Staff costs (including directors) consist of

	Year ended 30 June 2013 £	Year ended 30 June 2012 £
Wages and salaries	20,470,137	22,204,002
Social security costs	2,443,785	2,916,364
	<u>22,913,922</u>	<u>25,120,366</u>

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

	Year ended 30 June 2013 Number	Year ended 30 June 2012 Number
Playing staff	51	51
Training staff	36	29
Training ground staff	10	10
Commercial and fund raising staff	21	24
Shop staff	3	4
Administration and other staff	36	39
	<u>157</u>	<u>157</u>

During the year ended 30 June 2013, the company also employed approximately 499 temporary staff on match days (2012 - 641)

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

6 Directors' remuneration

	Year ended 30 June 2013 £	Year ended 30 June 2012 £
Directors' emoluments	389,620	687,611

The company has not made any contributions to directors' personal pension arrangements in the year (2012 - None)

The highest paid director received remuneration of £389,620 (2012 - £687,611)

7 Interest payable and similar charges

	Year ended 30 June 2013 £	Year ended 30 June 2012 <i>Restated</i> £
Bank loans	6,377	29,707
On finance lease agreements	27,625	29,619
Other interest payable	8	1,796
Interest on other loans	1,015,592	914,694
	1,049,602	975,816

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

8 Taxation on (loss)/profit on ordinary activities

	Year ended 30 June 2013 £	Year ended 30 June 2012 £
Domestic current year tax		
UK corporation tax	-	1,027
Deferred tax		
Deferred tax	-	-
Total taxation on (loss)/profit on ordinary activities	-	1,027

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

	Year ended 30 June 2013 £	Year ended 30 June 2012 £
(Loss)/profit on ordinary activities before tax	(4,045,660)	15,713,587
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 24% (2012 - 26%)	(970,958)	4,085,533
Effect of		
Expenses not deductible for tax purposes	10,575	(4,601)
Depreciation in excess of capital allowances	46,738	45,079
Creation / (utilisation) of tax losses	759,928	(4,290,714)
Interest not deductible for tax purposes	153,717	166,039
Changes in tax rates	-	(309)
Current tax charge for the year	-	1,027

At 30 June 2013, the company has trading losses of some £11,626,774 (2012 - £8,460,409) 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 2013 (*continued*)

9 Intangible fixed assets

	Players' Registrations £
<i>Cost</i>	
At 1 July 2012	14,823,715
Additions	287,844
Disposals	(5,106,260)
	<hr/>
At 30 June 2013	10,005,299
	<hr/>
<i>Amortisation</i>	
At 1 July 2012	12,033,684
Provided for the year	2,048,460
Disposals	(4,228,512)
	<hr/>
At 30 June 2013	9,853,632
	<hr/>
<i>Net book value</i>	
At 30 June 2013	151,667
	<hr/>
At 30 June 2012	2,790,031
	<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 made a provision in the previous year of £1.8m against this category of playing staff and are satisfied that this provision is adequate, even in the circumstances of the Club remaining in the Football League Championship for the 2013/2014 season.

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (continued)

10 Tangible fixed assets

	Assets under construction £	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>						
At 1 July 2012	-	13,136,376	3,148,606	317,061	5,899,560	22,501,603
Additions	144,293	-	389,777	21,341	66,636	622,047
Disposals	-	-	-	(17,246)	(24,130)	(41,376)
At 30 June 2013	144,293	13,136,376	3,538,383	321,156	5,942,066	23,082,274
<i>Depreciation</i>						
At 1 July 2012	-	4,157,378	464,317	285,915	4,561,050	9,468,660
Provided for the year	-	262,727	67,170	16,613	501,330	847,840
Disposals	-	-	-	(12,617)	(22,537)	(35,154)
At 30 June 2013	-	4,420,105	531,487	289,911	5,039,843	10,281,346
<i>Net book value</i>						
At 30 June 2013	144,293	8,716,271	3,006,896	31,245	902,223	12,800,928
At 30 June 2012	-	8,978,998	2,684,289	31,146	1,338,510	13,032,943

The net book value of tangible fixed assets includes an amount of £376,582 (2012 - £584,213) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £180,760 (2012 - £192,346).

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

10 Tangible fixed assets (*continued*)

The gross value of freehold land and buildings are stated at

	30 June 2013 £	30 June 2012 £
Cost and valuation 1991	1,153,807	1,153,807
Additions at cost 1991 to 2013	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 2013 £	30 June 2012 £
Cost	12,823,650	12,823,650
Accumulated depreciation based on historical cost	(4,340,614)	(4,084,142)
	<u>8,483,036</u>	<u>8,739,508</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 2013 £	30 June 2012 £
Goods for resale	<u>188,608</u>	<u>195,669</u>

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

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (continued)

12 Debtors

	30 June 2013	30 June 2012
	£	£
Amounts receivable within one year		
Trade debtors	7,222,152	8,455,806
Other debtors	2,897	8,568
Prepayments and accrued income	1,314,782	1,401,400
	8,539,831	9,865,774
Amounts receivable after more than one year		
Trade debtors	-	1,500,000
Prepayments and accrued income	6,889	519,428
	8,546,720	11,885,202

Included within trade debtors is £6,680,000 (2012 - £8,740,000) in respect of transfer fees receivable, of which £Nil (2012 - £1,500,000) is receivable after more than one year. Included within prepayments is £510,261 (2012 - £1,189,674) in respect of agent fees and signing on fees, of which £6,889 (2012 - £519,428) is receivable after more than one year.

13 Creditors: amounts falling due within one year

	30 June 2013	30 June 2012
	£	£
Bank loans and overdrafts (secured)	112,692	112,692
Other loans	20,523,547	14,903,293
Amounts owed to parent company	3,846,954	6,987,670
Trade creditors	2,298,123	4,570,341
Taxation and social security	1,750,943	3,554,338
Corporation tax	1,027	1,027
Obligations under finance lease and hire purchase contracts	36,322	233,481
Other creditors	2,186	134,577
Accruals	610,917	1,073,884
Deferred income	2,015,217	2,340,735
Grants	56,969	56,969
	31,254,897	33,969,007

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

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

The bank loan is secured on the land and buildings of the Club

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 £235,699 (2012 - £801,375) in respect of an interest free loan and £5,262,603 (2012 - £Nil) in respect of a receivables discounting arrangement, of which £Nil (2012 - £282,838) is payable after more than one year. Both the loan and discounting arrangement are secured by way of specific charges against the Club's future income streams.

Included within trade creditors is £714,487 (2012 - £3,798,192) in respect of transfer fees payable and agent's fees payable, of which £Nil (2012 - £604,287) is payable after more than one year. Included within accruals is £345,833 (2012 - £818,667) in respect of signing on fees payable, of which £Nil (2012 - £375,834) is payable after more than one year.

14 Creditors: amounts falling due after more than one year

	30 June 2013 £	30 June 2012 £
Bank loans (secured) (note 13)	153,139	259,455
Other loans (note 13)	-	282,838
Trade creditors (note 13)	-	604,287
Obligations under finance lease and hire purchase contracts	-	36,322
Taxation and social security	-	-
Preference shares	18,500	18,500
Accruals	-	375,834
Grants	1,746,458	1,803,427
	1,918,097	3,380,663

Birmingham City Football Club PLC

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

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

Maturity of debt

	Loans and overdrafts 30 June 2013 £	Loans and overdrafts 30 June 2012 £	Finance leases 30 June 2013 £	Finance leases 30 June 2012 £
In one year or less, or on demand	<u>24,483,193</u>	<u>22,003,655</u>	<u>36,322</u>	<u>233,481</u>
In more than one year but not more than two years	153,139	542,293	-	36,322
In more than two years but not more than five years	-	-	-	-
	<u>153,139</u>	<u>542,293</u>	<u>-</u>	<u>36,322</u>

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

15 Deferred taxation

	Provided 2013 £	Provided 2012 £	Unprovided 2013 £	Unprovided 2012 £
Excess of depreciation over capital allowances	-	-	306,846	383,852
Losses	-	-	2,674,158	2,199,706
	<u>-</u>	<u>-</u>	<u>2,981,004</u>	<u>2,583,558</u>

The potential asset and provision are based on a corporation tax rate of 23% (2012 - 26%) No deferred tax asset has been recognised at 30 June 2013 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 2013 (continued)

16 Share capital

	30 June 2013 £	30 June 2012 £
<i>Allotted, called up and fully paid</i>		
1,505,676 Ordinary shares of 50p each	752,838	752,838

17 Reserves

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss account £
At 1 July 2012	207,096	239,490	750	14,731,066	(19,461,424)
Loss for the year	-	-	-	-	(4,045,660)
Depreciation transfer	-	(6,255)	-	-	6,255
At 30 June 2013	207,096	233,235	750	14,731,066	(23,500,829)

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 2013 £	30 June 2012 £
(Loss)/profit for the year	(4,045,660)	15,712,560
Opening shareholders' deficit	(3,530,184)	(19,242,744)
Closing shareholders' deficit	(7,575,844)	(3,530,184)

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2013 (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 2013 is £975,000 (2012 - £1,362,500). 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 2013 £	Other 30 June 2013 £	Land and buildings 30 June 2012 £	Other 30 June 2012 £
Operating leases which expire				
Within one year	40,000	44,473	-	24,925
In two to five years	-	83,637	60,000	43,093
After five years	84,000	-	84,000	-
	<u>124,000</u>	<u>128,110</u>	<u>144,000</u>	<u>68,018</u>

21 Capital commitments

	30 June 2013 £	30 June 2012 £
At 30 June 2013 the company had capital commitments as follows		
Contracted for but not provided in the financial statements	<u>437,888</u>	<u>310,000</u>

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

22 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 £2,215,465 (2012 - £1,574,976). At the balance sheet date, the total loan (including interest) of £15,025,244 (2012 - £14,384,756) was due to Yeung Ka Sing, Carson and is included in creditors amounts falling due within one year. The directors would like to add that the parent company is in the course of seeking shareholder approval to novate this loan to the parent company with a view to eventually capitalising the debt and to ultimately clear the club of the loan.

Asia Rays Limited, a company of which Mr Pannu is the director and shareholder, received rental payments of £60,000 (2012 - £60,000) in respect of premises the club and holding company uses for its business. The lease agreement, which expires in February 2014, represents a commercial transaction made at arm's length. At the balance sheet date there were no amounts payable to Asia Rays Limited.

On 26 November 2012, Mr Pannu, became a director and major shareholder of Birmingham City Ladies Football Club Limited given the commitments required to ensure the ladies team continues to qualify for entry into The FA Women's Super League. During the year the Club incurred costs on behalf of Birmingham City Ladies Football Club Limited amounting to £37,256. The Club has agreed to an annual commitment up to £150,000 in the 2013 ladies season. At the balance sheet date there were no amounts payable to, or receivable from, Birmingham City Ladies Football Club Limited.

23 Post balance sheet events

Transfers of player registrations subsequent to 30 June 2013 resulted in a net £2,591,500 receivable to the Club.

24 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.