

# **Birmingham City Football Club PLC**

Annual report

For the year ended

30 June 2014

Company Number 00027318

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# **Birmingham City Football Club PLC**

## **Annual report and financial statements for the year ended 30 June 2014**

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### **Directors**

Yeung Ka Sing, Carson resigned 4 February 2014  
Peter Pannu  
Yeung Tsz Tsung, Ryan  
Ma, Shui Cheong appointed 1 January 2014  
Panagiotis Pavlakis appointed 1 January 2014

### **Registered office**

St Andrew's Stadium, Birmingham, B9 4RL

### **Company number**

00027318

### **Auditors**

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

### **Bankers**

HSBC Bank Plc, 130 New Street, Birmingham, B2 4JU

# Birmingham City Football Club PLC

## Strategic report for the year ended 30 June 2014

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The directors present the strategic report and financial statements for the year ended 30 June 2014.

The principal and continuing activity of the company is that of a Football Club, namely Birmingham City Football Club.

### Financial and operating review

The 2013/14 season overall was disappointing on the playing side with the club finishing in 21st position in the Football League Championship. The season ended with relief as the club managed to secure a draw with a 93rd minute goal in the final game, meaning relegation was avoided on goal difference, and that Championship football was confirmed for the 2014/15 season. Considering the challenging season, the fans' support was magnificent and the directors would like to thank them all for their loyalty.

It was pleasing that the Academy maintained its category 2 status under the Elite Player Performance Plan and that a number of academy developed players continue to break in to the first team.

With income reducing the club has had to further reduce its cost base. The directors would like to thank the employees for their efforts in achieving these reductions and for their understanding during this difficult trading period.

### Key performance indicators (KPIs)

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

		Year ended 30 June 2014	Year ended 30 June 2013
Revenue levels (football related and other)	£'000	20,086	24,198
Operating loss	£'000	(8,014)	(9,109)
Staff costs (player related and other)	£'000	20,058	22,914
Average attendance levels	No's	15,457	16,702

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

## Strategic report for the year ended 30 June 2014 (*continued*)

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### Principal risks and uncertainties

#### Funding and going concern:

The company does not have an overdraft facility and meets its day to day funding requirements with support from the ultimate parent company, Birmingham International Holdings Limited (BIHL). In February 2014, as part of a debt restructuring program ahead of the resumption of trading in BIHL shares on the Hong Kong stock exchange, a debt of £15.4M owed by the company to Yeung Ka Sing, Carson was novated to BIHL. As part of the debt restructuring program, BIHL simultaneously released the company from its obligations to repay the replacement debt created by the novation. This has resulted in a capital contribution from BIHL to the company of £15.4M which has been credited to reserves in the year.

At the balance sheet date funding of £6.2M has been provided by BIHL and this amount is shown as due to the ultimate parent company within one year. The directors have received written confirmation from BIHL that repayment of the £6.2M debt owed to them will not require repayment within 18 months from the date of approval of these financial statements unless the company is able to do so.

The directors have prepared detailed cashflow forecasts ('the forecasts') for the period to 30 September 2015 as part of longer term forecasts prepared for the company. The forecasts show that the company needs additional funding of around £4.4M from BIHL in the short term in order for the company to continue to operate.

In order to obtain these, and additional funds to provide general working capital and financial support to the group, BIHL has announced to the Hong Kong stock exchange that it has signed a Subscription Agreement and will seek shareholder approval in October 2014 to raise approximately £9.2M through the issue of convertible bonds. The directors of BIHL have confirmed that £4.4M of these funds will be transferred to the company as and if required.

The directors have considered the forecasts carefully and also considered, with the directors of BIHL, the company's ability to obtain the funding that is required as shown by the forecasts. The directors remain of the view that the company can obtain the required funding from BIHL 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

## Strategic report for the year ended 30 June 2014 (*continued*)

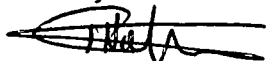
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### Principal risks and uncertainties (*continued*)

#### Deed of Novation and capital contribution

The directors note that Yeung Ka Sing, Carson, a significant shareholder in the ultimate parent company, was convicted in March 2014 of dealing with property known or believed to represent the proceeds of an indictable offence during the period 2001-2007. The directors understand that an appeal may be lodged with the Court in Hong Kong. The directors have taken legal advice on the potential impact of the conviction on the novation of loans from Yeung Ka Sing, Carson given that a restraint order was placed on the assets of Mr Yeung prior to his conviction. The Hong Kong department of justice has been kept fully informed of the debt restructuring program of BIHL and the subsequent deed of novation and capital contribution to the company. The legal advice received is that any unwinding of the deed of novation and subsequent capital contribution is unlikely. The Hong Kong department of justice have confirmed that they have no objection to the debt restructuring program subject to proper shareholder and regulatory approval.

By order of the board



P Pavlakis  
Director

29 September 2014

# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2014

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The directors present their report together with the audited financial statements for the year ended 30 June 2014.

### Results and dividends

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

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

### Directors

The directors of the company during the year were:

Yeung Ka Sing, Carson resigned 4 February 2014

Peter Pannu

Yeung Tsz Tsung, Ryan

Ma, Shui Cheong appointed 1 January 2014

Panagiotis Pavlakis appointed 1 January 2014

### 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.

# **Birmingham City Football Club PLC**

## **Report of the directors for the year ended 30 June 2014 (*continued*)**

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### **Financial instruments (*continued*)**

#### *Foreign currency risk*

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

### **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.

### **Environment**

The company'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 company has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

### **Political contributions**

During the year the company made political contributions of £Nil (2013 - £Nil).

### **Statement of disclosure to auditors**

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

### **Auditors**

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

# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2014 (*continued*)

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### Directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

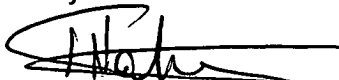
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

By order of the board



P Pavlakis  
Director

29 September 2014



# Birmingham City Football Club PLC

## Independent auditor's report

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

We have audited the financial statements of Birmingham City Football Club Plc for the year ended 30 June 2014 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 in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give us 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Basis of qualified opinion on financial statements

The directors have prepared the financial statements on the basis that the company is a going concern. In arriving at this conclusion the directors have received assurances from the ultimate parent undertaking that funds will be made available as and if the company requires them, based on cash flow forecasts prepared by the directors. The assurances received from the ultimate parent undertaking are subject to future events such as shareholder approval and availability of funds from third parties. We have been unable to obtain sufficient appropriate audit evidence to confirm that these events will take place or if the funds will be available in due course.

### Qualified opinion on financial statements

In our opinion, except for the possible effects of the matter described in the Basis of qualified opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014, and of its loss 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.

# Birmingham City Football Club PLC

## Independent auditor's report (continued)

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

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

### Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements, described above, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit

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



Adrian Stevens FCCA (Senior Statutory Auditor)

For and on behalf of  
Edwards,  
34 High Street,  
Aldridge  
Walsall,  
West Midlands  
WS9 8LZ

29 September 2014

# Birmingham City Football Club PLC

## Profit and loss account for the year ended 30 June 2014

	Note	Club operations Year ended 30 June 2014 £	Player amortisation, impairment and trading costs Year ended 30 June 2014 £	Total Year ended 30 June 2014 £	Total Year ended 30 June 2013 £
Turnover	2	20,085,748	-	20,085,748	24,198,019
Other operating income		490,000	-	490,000	480,000
Operating expenses - excluding exceptional items		28,210,277	379,644	28,589,921	33,786,661
Exceptional items		-	-	-	-
Operating expenses		28,210,277	379,644	28,589,921	33,786,661
Operating loss	3	(7,634,529)	(379,644)	(8,014,173)	(9,108,642)
Net profit on sale of players' registrations				3,391,500	6,094,113
Loss on ordinary activities before interest and other income				(4,622,673)	(3,014,529)
Interest receivable				11,233	18,471
Interest payable and similar charges	6			(888,964)	(1,049,602)
Loss on ordinary activities before taxation for the financial year				(5,500,404)	(4,045,660)
Taxation	7			(1,800,000)	-
Loss on ordinary activities after taxation for the financial year				(7,300,404)	(4,045,660)

All activities are derived from continuing operations.

The notes on pages 12 to 29 form part of these financial statements.

# Birmingham City Football Club PLC

## Balance sheet at 30 June 2014

<i>Company number 00027318</i>	Note	30 June 2014	30 June 2014	30 June 2013	30 June 2013
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	8		244,316		151,667
Tangible assets	9		12,447,908		12,800,928
			<u>12,692,224</u>		<u>12,952,595</u>
<b>Current assets</b>					
Stocks	10	126,333		188,608	
Debtors - due within one year	11	3,155,616		8,539,831	
Debtors - due after more than one year	11	101,064		6,889	
			<u>3,256,680</u>	<u>8,546,720</u>	
Total debtors					
			3,256,680	8,546,720	
Cash at bank and in hand			4,604,406	3,909,227	
			<u>7,987,419</u>	<u>12,644,555</u>	
<b>Creditors: amounts falling due within one year</b>	12	(18,299,074)		(31,254,897)	
			<u>(10,311,655)</u>	<u>(18,610,342)</u>	
<b>Net current liabilities</b>					
			(10,311,655)	(18,610,342)	
<b>Total assets less current liabilities</b>			2,380,569	(5,657,747)	
<b>Creditors: amounts falling due after more than one year</b>	13		(1,845,524)	(1,918,097)	
			<u>535,045</u>	<u>(7,575,844)</u>	
<b>Net assets/(liabilities)</b>					
			535,045	(7,575,844)	

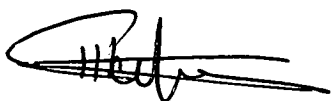
The notes on pages 12 to 29 form part of these financial statements.

# Birmingham City Football Club PLC

## Balance sheet at 30 June 2014 (*continued*)

	Note	30 June 2014 £	30 June 2014 £	30 June 2013 £	30 June 2013 £
<b>Capital and reserves</b>					
Called up share capital	15		752,838		752,838
Share premium account	16		207,096		207,096
Revaluation reserve	16		226,980		233,235
Capital redemption reserve	16		750		750
Other reserves	16		14,731,066		14,731,066
Profit and loss account	16		(15,383,685)		(23,500,829)
<b>Shareholders' funds/(deficit)</b>	17		<b>535,045</b>		<b>(7,575,844)</b>

The financial statements were approved by the board of directors and authorised for issue on 29 September 2014



P Pavlakis  
Director

The notes on pages 12 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 2014

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### 1 Accounting policies

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

#### *Basis of preparation: going concern*

The company does not have an overdraft facility and meets its day to day funding requirements with support from the ultimate parent company, Birmingham International Holdings Limited (BIHL). In February 2014, as part of a debt restructuring program ahead of the resumption of trading in BIHL shares on the Hong Kong stock exchange, a debt of £15.4M owed by the company to Yeung Ka Sing, Carson was novated to BIHL. As part of the debt restructuring program, BIHL simultaneously released the company from its obligations to repay the replacement debt created by the novation. This has resulted in a capital contribution from BIHL to the company of £15.4M which has been credited to reserves in the year.

At the balance sheet date funding of £6.2M has been provided by BIHL and this amount is shown as due to the ultimate parent company within one year. The directors have received written confirmation from BIHL that repayment of the £6.2M debt owed to them will not require repayment within 18 months from the date of approval of these financial statements unless the company is able to do so.

The directors have prepared detailed cashflow forecasts ('the forecasts') for the period to 30 September 2015 as part of longer term forecasts prepared for the company. The forecasts show that the company needs additional funding of around £4.4M from BIHL in the short term in order for the company to continue to operate.

In order to obtain these, and additional funds to provide general working capital and financial support to the group, BIHL has announced to the Hong Kong stock exchange that it has signed a Subscription Agreement and will seek shareholder approval in October 2014 to raise approximately £9.2M through the issue of convertible bonds. The directors of BIHL have confirmed that £4.4M of these funds will be transferred to the company as and if required.

The directors have considered the forecasts carefully and also considered, with the directors of BIHL, the company's ability to obtain the funding that is required as shown by the forecasts. The directors remain of the view that the company can obtain the required funding from BIHL 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

## Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Financial statement exemptions: cash flow statement*

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

#### *Financial statement exemptions: related party disclosures*

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

*The following principal accounting policies have been applied:*

#### *Fixed assets: land and buildings*

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

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

#### *Fixed assets: depreciation*

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

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

Freehold land 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 2014 (*continued*)

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### 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 18). 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.



# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

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### 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 2014 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Turnover*

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

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

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

(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.

#### *Loyalty and other incentives*

The cost of loyalty and other incentives is part of the fair value of the consideration received and is deferred and subsequently recognised over the period that the awards are redeemed. The deferral is treated as a deduction from revenue. The fair value of the points awarded is determined with reference to the fair value to the customer.

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

## 2 Turnover

	Year Ended 30 June 2014 £	Year Ended 30 June 2013 £
Analysis by class of business:		
Match receipts	3,591,096	4,201,504
Broadcasting	11,982,515	14,776,785
Other commercial income	4,512,137	5,219,730
	<hr/>	<hr/>
	20,085,748	24,198,019
	<hr/>	<hr/>

Turnover arises solely within the United Kingdom.

## 3 Operating loss

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	827,696	847,840
Amortisation of intangible fixed assets	379,644	2,048,460
Profit on disposal of tangible fixed assets	(18,215)	(7,086)
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	35,000	35,000
- taxation services	5,000	5,000
Exchange differences	-	1,199
Equipment leased under operating leases	222,352	121,701
Premises leased under operating leases	119,000	144,000
Grant income received	(490,000)	(480,000)
	<hr/>	<hr/>

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 2014 (*continued*)

## 4 Employees

Staff costs (including directors) consist of:

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Wages and salaries	18,030,361	20,470,137
Social security costs	2,027,221	2,443,785
	<u>20,057,582</u>	<u>22,913,922</u>

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

	Year ended 30 June 2014 Number	Year ended 30 June 2013 Number
Playing staff	50	51
Training staff	45	36
Training ground staff	10	10
Commercial and fund raising staff	23	21
Shop staff	4	3
Administration and other staff	37	36
	<u>169</u>	<u>157</u>

During the year ended 30 June 2014, the company also employed approximately 505 temporary staff on match days (2013 - 499).

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

## 5 Directors' remuneration

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Directors' emoluments	223,721	389,620

The company has not made any contributions to directors' personal pension arrangements in the year (2013 - None).

The highest paid director received remuneration of £223,721 (2013 - £389,620).

## 6 Interest payable and similar charges

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Bank loans	4,232	6,377
On finance lease agreements	4,578	27,625
Other interest payable	620	8
Interest on other loans	879,534	1,015,592
	888,964	1,049,602

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

## 7 Taxation on loss on ordinary activities

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
<b>Domestic current year tax</b>		
UK corporation tax	1,800,000	-
<b>Deferred tax</b>		
Deferred tax	-	-
<b>Total taxation on loss on ordinary activities</b>	<b>1,800,000</b>	<b>-</b>

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to loss before tax.

	Year ended 30 June 2014 £	Year ended 30 June 2013 £
Loss on ordinary activities before tax	(5,500,404)	(4,045,660)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013 - 24%)	(1,265,093)	(970,958)
Effect of:		
Expenses not deductible for tax purposes	10,859	10,575
Depreciation in excess of capital allowances	19,194	46,738
Creation of tax losses	-	759,928
Interest not deductible for tax purposes	88,791	153,717
Accrued interest written back not taxable	(598,348)	-
Capital contribution	3,544,597	-
Current tax charge for the year	<b>1,800,000</b>	<b>-</b>

At 30 June 2014, the company has trading losses of some £11,626,774 (2013 - £11,626,774) to carry forward and use against future trading profits.

### Factors affecting future tax charges

During the year, the UK Chancellor of the Exchequer announced a number of reforms, one that is expected to have an impact on the Club in future is an increase in the annual investment allowance, on which companies can obtain a 100% write off on most plant and machinery costs, to £500,000 from 1 April 2014 to 31 December 2015.

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

## 8 Intangible fixed assets

	Players' Registrations £
<i>Cost</i>	
At 1 July 2013	10,005,299
Additions	507,295
Disposals	(9,994,229)
	<hr/>
At 30 June 2014	<b>518,365</b>
	<hr/>
<i>Amortisation</i>	
At 1 July 2013	9,853,632
Provided for the year	379,644
Disposals	(9,959,227)
	<hr/>
At 30 June 2014	<b>274,049</b>
	<hr/>
<i>Net book value</i>	
At 30 June 2014	<b>244,316</b>
	<hr/>
At 30 June 2013	151,667
	<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 are satisfied that no provision is required, even in the circumstances of the Club remaining in the Football League Championship for the 2014/2015 season.

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

## 9 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 2013	144,293	13,136,376	3,538,383	321,156	5,942,066	23,082,274
Additions	-	-	375,410	47,961	57,305	480,676
Transfer of assets	(144,293)	-	144,293	-	-	-
Disposals	-	-	-	(47,220)	(1,283)	(48,503)
At 30 June 2014	-	13,136,376	4,058,086	321,897	5,998,088	23,514,447
<i>Depreciation</i>						
At 1 July 2013	-	4,420,105	531,487	289,911	5,039,843	10,281,346
Provided for the year	-	262,728	84,035	14,469	466,464	827,696
Disposals	-	-	-	(41,220)	(1,283)	(42,503)
At 30 June 2014	-	4,682,833	615,522	263,160	5,505,024	11,066,539
<i>Net book value</i>						
At 30 June 2014	-	8,453,543	3,442,564	58,737	493,064	12,447,908
At 30 June 2013	144,293	8,716,271	3,006,896	31,245	902,223	12,800,928

The net book value of tangible fixed assets includes an amount of £Nil (2013 – £376,582) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £30,127 (2013 - £180,760).



# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

## 9 Tangible fixed assets (*continued*)

The gross value of freehold land and buildings are stated at:

	30 June 2014 £	30 June 2013 £
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 2014 £	30 June 2013 £
Cost	12,823,650	12,823,650
Accumulated depreciation based on historical cost	(4,597,087)	(4,340,614)
	<u>8,226,563</u>	<u>8,483,036</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.

## 10 Stocks

	30 June 2014 £	30 June 2013 £
Goods for resale	126,333	188,608

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 2014 (*continued*)

## 11 Debtors

	30 June 2014	30 June 2013
	£	£
<b>Amounts receivable within one year</b>		
Trade debtors	807,192	7,222,152
Other debtors	1,438,712	2,897
Prepayments and accrued income	909,712	1,314,782
	<b>3,155,616</b>	<b>8,539,831</b>
<b>Amounts receivable after more than one year</b>		
Prepayments and accrued income	101,064	6,889
	<b>3,256,680</b>	<b>8,546,720</b>

Included within trade debtors is £300,000 (2013 - £6,680,000) in respect of transfer fees receivable, of which £Nil (2013 - £Nil) is receivable after more than one year. Included within prepayments is £341,808 (2013 - £510,621) in respect of agent fees and signing on fees, of which £101,064 (2013 - £6,889) is receivable after more than one year.

## 12 Creditors: amounts falling due within one year

	30 June 2014	30 June 2013
	£	£
Bank loans and overdrafts (secured)	112,692	112,692
Other loans	5,384,658	20,523,547
Amounts owed to parent company	6,175,918	3,846,954
Trade creditors	1,515,918	2,298,123
Taxation and social security	1,048,799	1,750,943
Corporation tax	1,800,000	1,027
Obligations under finance lease and hire purchase contracts	-	36,322
Other creditors	5,073	2,186
Accruals	494,235	610,917
Deferred income	1,704,812	2,015,217
Grants	56,969	56,969
	<b>18,299,074</b>	<b>31,254,897</b>

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2014 (continued)

### 12 Creditors: amounts falling due within one year (continued)

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

As at 30 June 2013 other loans included 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 the ultimate parent company are interest free. The Yeung Ka Sing, Carson loans were novated to Birmingham International Holdings Limited in February 2014 and subsequently waived.

The directors have received formal confirmation from the ultimate parent company that, given the financial position of the Club, the amounts due (or at least a significant element of the amounts due) to the ultimate 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 the ultimate parent company were advanced without formal documentation and there are no written terms for 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 should be recorded as being due in less than one year.

Included in other loans is £Nil (2013 - £235,699) in respect of an interest free loan and £5,384,658 (2013 - £5,262,603) in respect of a receivables discounting arrangement. 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 £288,077 (2013 - £714,487) in respect of transfer fees payable and agent's fees payable, of which £53,355 (2013 - £Nil) is payable after more than one year. Included within accruals is £176,000 (2013 - £345,833) in respect of signing on fees payable, of which £39,500 (2013 - Nil) is payable after more than one year.

### 13 Creditors: amounts falling due after more than one year

	30 June 2014 £	30 June 2013 £
Bank loans (secured) (note 12)	44,680	153,139
Trade creditors (note 12)	53,355	-
Preference shares	18,500	18,500
Accruals	39,500	-
Grants	1,689,489	1,746,458
	<hr/>	<hr/>
	1,845,524	1,918,097
	<hr/>	<hr/>

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

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

Maturity of debt:

	Loans and overdrafts 30 June 2014 £	Loans and overdrafts 30 June 2013 £	Finance leases 30 June 2014 £	Finance leases 30 June 2013 £
In one year or less, or on demand	11,673,268	24,483,193	-	36,322
In more than one year but not more than two years	44,680	153,139	-	-
In more than two years but not more than five years	-	-	-	-
	44,680	153,139	-	-

The loans and overdrafts above include the amounts payable to the parent company.

## 14 Deferred taxation

	Provided 2014 £	Provided 2013 £	Unprovided 2014 £	Unprovided 2013 £
Excess of depreciation over capital allowances	-	-	226,517	306,846
Losses	-	-	2,441,623	2,674,158

The potential asset and provision are based on a corporation tax rate of 21% (2013 - 23%). No deferred tax asset has been recognised at 30 June 2014 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 2014 (*continued*)

## 15 Share capital

	30 June 2014 £	30 June 2013 £
<i>Allotted, called up and fully paid</i>		
1,505,676 Ordinary shares of 50p each	<b>752,838</b>	752,838

## 16 Reserves

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss account £
At 1 July 2013	207,096	233,235	750	14,731,066	(23,500,829)
Loss for the year	-	-	-	-	(7,300,404)
Capital contribution	-	-	-	-	15,411,293
Depreciation transfer	-	(6,255)	-	-	6,255
At 30 June 2014	<b>207,096</b>	<b>226,980</b>	<b>750</b>	<b>14,731,066</b>	<b>(15,383,685)</b>

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

## 17 Reconciliation of movements in shareholders' deficit

	30 June 2014 £	30 June 2013 £
Loss for the year	<b>(7,300,404)</b>	(4,045,660)
Capital contribution	<b>15,411,293</b>	-
Opening shareholders' deficit	<b>(7,575,844)</b>	(3,530,184)
Closing shareholders' funds/(deficit)	<b>535,045</b>	(7,575,844)

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2014 (*continued*)

## 18 Contingent liabilities

Under the terms of certain contracts with players and other football clubs, additional amounts would become payable if certain specific conditions arise after 30 June 2014. 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 these items is £1,185,000 (2013 - £1,177,000). Since the year end and to the date of approval of these financial statements, £399,000 of these amounts have crystallised.

## 19 Commitments under operating leases

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

	Land and buildings 30 June 2014 £	Other 30 June 2014 £	Land and buildings 30 June 2013 £	Other 30 June 2013 £
Operating leases which expire:				
Within one year	-	30,535	40,000	44,473
In two to five years	-	134,436	-	83,637
After five years	84,000	-	84,000	-
	<u>84,000</u>	<u>164,971</u>	<u>124,000</u>	<u>128,110</u>

## 20 Capital commitments

	30 June 2014 £	30 June 2013 £
At 30 June 2014 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	-	437,888
	<u>-</u>	<u>437,888</u>

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

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### 21 Related party disclosures

The Club has received loan funding from Yeung Ka Sing, Carson a former director of the company and a substantial shareholder in the ultimate parent company. The loan carries interest at 5% and had no fixed repayment date. Interest of £386,048 has been charged on the loan for the period from July 2013 to February 2014. In February 2014, as part of a debt restructuring program ahead of the resumption of trading in BIHL shares on the Hong Kong stock exchange, a debt (including accrued interest) of £15.4M owed by the company to Yeung Ka Sing, Carson was novated to BIHL. As part of the debt restructuring program, BIHL simultaneously released the company from its obligations to repay the replacement debt created by the novation. This has resulted in a capital contribution from BIHL to the company of £15.4M which has been credited to reserves in the year

Asia Rays Limited, a company of which Mr Pannu is the director and shareholder, received rental payments of £35,000 (2013 - £60,000) in respect of premises the club and holding company uses for its business. The lease agreement, which expired in February 2014, represented a commercial transaction made at arm's length. At the balance sheet date there were no amounts payable to Asia Rays Limited.

Mr Pannu is 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 £113,207 (2013 - £37,256). The Club has agreed to an annual commitment up to £150,000 in the 2014 ladies season. At the balance sheet date there were no amounts payable to, or receivable from, Birmingham City Ladies Football Club Limited.

### 22 Post balance sheet events

Transfers of player registrations subsequent to 30 June 2014 resulted in a net £1,251,500 (2013 - £2,591,500) receivable to the Club.

### 23 Ultimate parent company and parent undertaking of larger group

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