

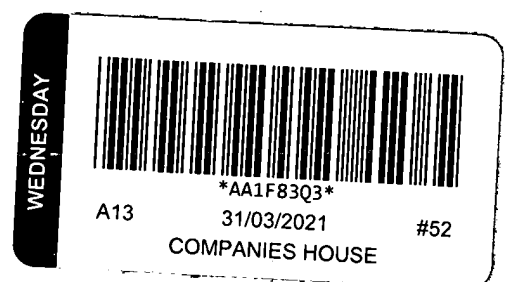
Birmingham City Football Club PLC

Annual report

For the year ended

30 June 2020

Company Number 00027318



Birmingham City Football Club PLC

**Annual report and financial statements
for the year ended 30 June 2020**

Contents

Page:

1 – 3	Strategic report
4 – 5	Report of the directors'
6	Directors' responsibilities statement
7 – 9	Independent auditor's report
10	Statement of comprehensive income
11 - 12	Statement of financial position
13	Statement of changes in equity
14	Statement of cash flows
15 – 43	Notes forming part of the financial statements

Directors

Gannan Zheng
Wenqing Zhao
Chun Kong Yiu
Yao Wang
Xuandong Ren

Registered office

St Andrew's Stadium, Birmingham, B9 4RL

Company number

00027318

Auditors

Edwards, 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 2020

The directors present the strategic report and financial statements for the year ended 30 June 2020.

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

Financial and operating review

The loss for the year before tax increased to £18.3m (2019 - £8.2m) primarily as a result of the improved result in 2019 following the sale of the company's freehold land and buildings.

At the year end the company had net liabilities of £76.2m (2019 - £57.9m). The playing squad had a carry value of £14.1m (2019 - £13.0m)

Following a finish in 17th position in the English Football League Championship Division for the season 2018/19, the Club continued to play in the highly competitive Championship Division in the season 2019/20. The Club played its 9th season in the Championship Division and finished in 20th position. The management is keen to improve the overall game play performance of the Club and will continue to provide full support to the Club with an aim to achieve higher ranking in the league in the season 2020/21.

The Birmingham City Football Academy has continued to operate at Category 2 status under the Elite Player Performance Plan. A number of Academy trained players continued to participate in the first team squad. The Academy program remains integral for the future objectives of the football club.

The players, football management team, staff and directors would like to thank the fans for their loyal and continued support.

Acquisition of players

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

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:

		2020	2019
Revenue levels (football related and other)	£'000	22,524	23,007
Loss from operations	£'000	17,467	7,684
Staff costs (player related and other)	£'000	32,418	32,151
Average attendance levels	No's	20,412*	22,483

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.

* Average attendance does not include behind closed doors fixtures.

Birmingham City Football Club PLC

Strategic report (*continued*)
for the year ended 30 June 2020

COVID-19 Impact

On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. The onset of the pandemic has caused a significant impact on the UK and global economy and until such time as either therapeutic drug treatments or a vaccine is mass produced and readily available, the uncertainty brought about by ongoing lockdown measures creates ongoing uncertainty and challenges for the UK economy. The football industry, and Birmingham City Football Club, are not immune from these issues.

The Club's revenue streams have been profoundly impacted by the temporary cessation of Football in all its forms, and subsequently during the period of phased reintroduction where football has remained behind closed doors. The Club has and continues to adapt accordingly.

To date it has been possible to significantly reduce operational costs, and advantage has been taken of government support schemes such as tax time to pay, VAT deferral and the Coronavirus Job Retention Scheme.

Government restrictions placed on elite sporting clubs, in an attempt to control the Coronavirus pandemic in the UK, has meant that it is still currently illegal to have supporters in football grounds with the restrictions expected to last until May 2021. The Club's match day income generation, which makes up a significant portion of revenues, is therefore expected to be severely impacted going forward. The Directors also expect that commercial revenues, including sponsorship income, may also be adversely affected.

Management continue to closely monitor the evolution of this pandemic, including how it may affect the Club and the football industry further into the future.

Principal risks and uncertainties

The directors of Birmingham City Football Club plc have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

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 undertaking, Birmingham Sports Holdings Limited ("BSHL").

At the balance sheet date funding of £110.3M has been provided by BSHL to Birmingham City Football Club Plc ("BCFC") and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £110.3M debt owed to BSHL will not require repayment within 12 months from the date of approval of these financial statements unless BCFC is able to do so.

The directors have prepared detailed cash flow forecasts for the period to 31 March 2022 as part of the longer term forecasts prepared for the company. The forecasts show that BCFC needs additional funding of around £38.0M from BSHL for the period from July 2020 to March 2022.

The directors of BSHL have indicated that they expect that the group will have sufficient working capital to be able to advance funds for BCFC to meet its financial obligations as and when they fall due for the next twelve months.

Birmingham City Football Club PLC

Strategic report (continued)
for the year ended 30 June 2020

Extracts from BSHL financial statements for the period ended 31 December 2020

As at 31 December 2020, the Group recorded net current liabilities of approximately HK\$558,301,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The directors of the Company (the "Directors") are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months after taking into consideration that (i) the Company has a loan facility from a substantial shareholder of the Company, Trillion Trophy Asia Limited ("Trillion Trophy") under which an unsecured revolving loan facility up to HK\$250,000,000 has been granted to the Company (the "Trillion Trophy Facility"); (ii) the Company has a loan facility from Oriental Rainbow Investments Limited ("Oriental Rainbow"), a wholly-owned subsidiary of a substantial shareholder of the Company under which an unsecured revolving loan facility up to HK\$300,000,000 has been granted to the Company (the "Oriental Rainbow Facility"); and (iii) the Company has loan facilities with aggregate amount of approximately HK\$529,788,000 from third party lenders.

As at 31 December 2020, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$224,660,000. As at 31 December 2020, the Group had approximately HK\$855,128,000 undrawn borrowing facilities available.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Profitability & Sustainability Rules

On 14 May 2019, the Club received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from the club's failure to comply with a previous EFL imposed business plan as a result of a 2018 breach in the Championship Profitability and Sustainability Rules of Appendix 5 of the EFL regulations. In November 2019, EFL referred the claim to an independent disciplinary commission. The hearing was held on 12 February 2020 and the charges against the club were dismissed. The EFL notified the club of its intention to appeal the decision. On 10 June 2020, the League Arbitration Panel determined that a reprimand is the appropriate sanction.

Save for the breaches of the EFL regulations, as far as the Board and management are aware, during the year under review, the Club has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Club, and there was no material breach of or noncompliance with the applicable laws and regulations by the Club.

By order of the board



Xuandong Ren
Director

31 March 2021

Birmingham City Football Club PLC

Report of the directors' for the year ended 30 June 2020

The directors present their report together with the audited financial statements for the year ended 30 June 2020.

Results and dividends

The statement of comprehensive income is set out on page 10 and shows the loss 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:

Gannan Zheng
Wenqing Zhao
Chun Kong Yiu
Yao Wang
Xuandong Ren

Financial instruments

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

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

The company's principal financial instruments comprise sterling cash and bank deposits and loans together with trade receivables and trade payables 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 receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position 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.

Foreign currency risk

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

Birmingham City Football Club PLC

Report of the directors' (continued) for the year ended 30 June 2020

Employee involvement

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

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.

Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other 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.

Events after the statement of financial position date

Transfers of player registrations subsequent to 30 June 2020, taking into account applicable costs, resulted in a net £27,771,256 (2019 - £5,559,968) payable to the Club.


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.

By order of the board



Xuandong Ren
Director

31 March 2021

Birmingham City Football Club PLC

Directors' responsibilities statement for the year ended 30 June 2020

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 International Financial Reporting Standards (IFRSs) as adopted by the EU 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 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.

They are further responsible for ensuring that the strategic report, report of the directors and other information included in the annual report and financial statements is prepared in accordance with applicable law in the United Kingdom.

Birmingham City Football Club PLC

Independent auditor's report to the members of Birmingham City Football Club Plc

Opinion

We have audited the financial statements of Birmingham City Football Club Plc ("the company") for the year ended 30 June 2020 which comprise the primary statements such as the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020, and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements, which indicates that the company incurred a net loss of £18.3m during the year ended 30 June 2020 and, as of that date, the company's current liabilities exceeded the total assets by £61.1m and its total liabilities exceeded total assets by £76.2m. As stated in note 1 funding of £38.0m is required from the immediate parent company BSHL. These events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of the commitments they have received from BSHL.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Birmingham City Football Club PLC

Independent auditor's report (*continued*) to the members of Birmingham City Football Club Plc

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Birmingham City Football Club PLC

Independent auditor's report (*continued*) to the members of Birmingham City Football Club Plc

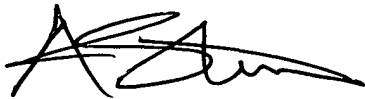
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

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.



Adrian Stevens FCCA (Senior Statutory Auditor)

31 March 2021

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

Birmingham City Football Club PLC

Statement of comprehensive income for the year ended 30 June 2020

	Note	Club operations 2020	Player amortisation impairment and trading costs 2020	Total 2020	Total 2019
		£	£	£	£
Continuing operations					
Revenue	2	22,523,769	-	22,523,769	23,006,730
Operating expenses		(44,627,636)	(8,388,718)	(53,016,354)	(52,932,968)
Other operating income		1,543,075	-	1,543,075	690,000
Operating loss	4	(20,560,792)	(8,388,718)	(28,949,510)	(29,236,238)
Profit on disposal of tangible fixed assets	3			-	17,188,766
Net profit on sale of players' registrations				11,482,484	4,363,629
Loss from operations				(17,467,026)	(7,683,843)
Finance income	6			792,722	71,176
Finance costs	7			(1,661,155)	(548,511)
Loss before taxation				(18,335,459)	(8,161,178)
Taxation	8			-	-
Total comprehensive loss attributable to equity shareholders				(18,335,459)	(8,161,178)

All activities are derived from continuing operations.

The notes on pages 15 to 43 form part of these financial statements.

Birmingham City Football Club PLC

Statement of financial position at 30 June 2020

Company number 00027318

	Note	2020 £	2019 £
Assets			
Non-current assets			
Investments	9	1	1
Intangible assets	10	14,072,666	13,023,952
Property, plant and equipment	11	14,205,461	3,606,485
Trade and other receivables	13	7,025,959	821,011
		<u>35,304,087</u>	<u>17,451,449</u>
Current assets			
Inventories	12	89,658	347,067
Trade and other receivables	13	30,890,515	30,442,230
Cash at bank and in hand		1,580,848	2,816,367
		<u>32,561,021</u>	<u>33,605,664</u>
Total assets		<u>67,865,108</u>	<u>51,057,113</u>
Liabilities			
Non-current liabilities			
Financial liabilities	15	505,200	18,500
Trade and other payables	14	3,513,261	1,234,612
Lease liabilities	23	11,187,603	-
		<u>15,206,064</u>	<u>1,253,112</u>
Current liabilities			
Financial liabilities	15	110,407,924	91,419,333
Trade and other payables	14	16,594,551	12,685,879
Contract liabilities		1,616,783	3,599,295
Lease liabilities	23	275,751	-
		<u>128,895,009</u>	<u>107,704,507</u>
Total liabilities		<u>144,101,073</u>	<u>108,957,619</u>
Net liabilities		<u>(76,235,965)</u>	<u>(57,900,506)</u>

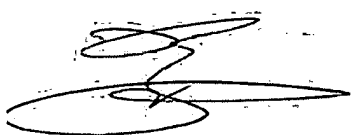
Birmingham City Football Club PLC

Statement of financial position (continued) at 30 June 2020

Company number 00027318

	Note	2020 £	2019 £
Capital and reserves			
Issued share capital	19	6,252,838	6,252,838
Share premium		207,096	207,096
Revaluation reserve		-	-
Capital redemption reserve		750	750
Other reserves		14,731,066	14,731,066
Accumulated deficit		(97,427,715)	(79,092,256)
Total deficit		(76,235,965)	(57,900,506)

The financial statements were approved by the board of directors and authorised for issue on 31 March 2021.



Xuandong Ren
Director

The notes on pages 15 to 43 form part of these financial statements.

Birmingham City Football Club PLC

Statement of changes in equity for the year ended 30 June 2020

	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 July 2018	752,838	207,096	201,960	750	14,731,066	(71,133,038)	(55,239,328)
Total comprehensive loss for the year	-	-	-	-	-	(8,161,178)	(8,161,178)
Depreciation transfer	-	-	(5,734)	-	-	5,734	-
Transfer*	-	-	(196,226)	-	-	196,226	-
Issue of share capital	5,500,000	-	-	-	-	-	5,500,000
At 1 July 2019	6,252,838	207,096	-	750	14,731,066	(79,092,256)	(57,900,506)
Total comprehensive loss for the year	-	-	-	-	-	(18,335,459)	(18,335,459)
At 30 June 2020	6,252,838	207,096	-	750	14,731,066	(97,427,715)	(76,235,965)

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

* This represents the transfer of the revaluation reserve to the profit and loss account due to the sale of the company's freehold land and buildings.

The notes on pages 15 to 43 form part of these financial statements.

Birmingham City Football Club PLC

Statement of cash flows for the year ended 30 June 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the year before taxation	(18,335,459)	(8,161,178)
Amortisation of intangible assets	8,388,718	7,548,605
Profit on sale of players' registrations	(11,482,484)	(4,363,629)
Profit on disposal of property, plant and equipment	-	(17,188,766)
Depreciation on property, plant and equipment	1,319,455	884,414
Finance costs	1,661,155	548,511
Finance income	(792,722)	(71,176)
Amortisation of deferred grant	-	(52,223)
Decrease in inventories	257,409	283,412
Decrease in receivables	495,833	2,624,045
Increase in payables	1,952,138	1,091,611
Cash used in operations	(16,535,957)	(16,856,374)
Interest paid	(1,661,155)	(548,511)
Interest received	792,722	71,176
Cash used in operating activities	(17,404,390)	(17,333,709)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(114,032)	(402,045)
Acquisition of players' registrations	(8,256,174)	(13,931,742)
Proceeds from sale of players' registrations	5,404,831	7,082,464
Net cash used in investing activities	(2,965,375)	(7,251,323)
Cash flows from financing activities		
New loans	19,475,291	23,836,247
Repayment of leasing liabilities	(341,045)	-
Net cash received from financing activities	19,134,246	23,836,247
Net decrease in cash and cash equivalents	(1,235,519)	(748,785)
Cash and cash equivalents at the beginning of the year	2,816,367	3,565,152
Cash and cash equivalents at the end of the year	1,580,848	2,816,367

The notes on pages 15 to 43 form part of these financial statements.

Birmingham City Football Club PLC

Notes forming part of the financial statements for the year ended 30 June 2020

1 Accounting policies

Background information

Birmingham City Football Club Plc is a public company, limited by shares, incorporated and domiciled in England and Wales. The address of Birmingham City Football Club Plc's registered office is St Andrews Stadium, Birmingham, B9 4RL which is also the company's principal place of business.

Basis of preparation

The financial statements of the company and parent entity have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, subject to fair value adjustments. The company has prepared the financial statements on a going concern basis and the detailed going concern policy has been set out below.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The company has taken advantage of the exemption under IFRS 10 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Birmingham City Football Club Plc is a wholly owned subsidiary of Birmingham City Plc and the results of Birmingham City Football Club Plc are included in the consolidated financial statements of Birmingham City Plc which are available from Companies House.

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 undertaking, Birmingham Sports Holdings Limited ("BSHL").

At the balance sheet date funding of £110.3M has been provided by BSHL to Birmingham City Football Club Plc ("BCFC") and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £110.3M debt owed to BSHL will not require repayment within 12 months from the date of approval of these financial statements unless BCFC is able to do so.

The directors have prepared detailed cash flow forecasts for the period to 31 March 2022 as part of the longer term forecasts prepared for the company. The forecasts show that BCFC needs additional funding of around £38.0M from BSHL for the period from July 2020 to March 2022.

The directors of BSHL have indicated that they expect that the group will have sufficient working capital to be able to advance funds for BCFC to meet its financial obligations as and when they fall due for the next twelve months.

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

1 Accounting policies *(continued)*

Basis of preparation: going concern (continued)

Extracts from BSHL financial statements for the period ended 31 December 2020

As at 31 December 2020, the Group recorded net current liabilities of approximately HK\$558,301,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The directors of the Company (the "Directors") are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months after taking into consideration that (i) the Company has a loan facility from a substantial shareholder of the Company, Trillion Trophy Asia Limited ("Trillion Trophy") under which an unsecured revolving loan facility up to HK\$250,000,000 has been granted to the Company (the "Trillion Trophy Facility"); (ii) the Company has a loan facility from Oriental Rainbow Investments Limited ("Oriental Rainbow"), a wholly-owned subsidiary of a substantial shareholder of the Company under which an unsecured revolving loan facility up to HK\$300,000,000 has been granted to the Company (the "Oriental Rainbow Facility"); and (iii) the Company has loan facilities with aggregate amount of approximately HK\$529,788,000 from third party lenders.

As at 31 December 2020, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$224,660,000. As at 31 December 2020, the Group had approximately HK\$855,128,000 undrawn borrowing facilities available.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The Club recorded a loss of approximately £18.3m for the year ended 30 June 2020, and net liabilities of approximately £76.2m as at 30 June 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the company. The directors have considered the forecasts of BCFC carefully and also considered, with the directors of BSHL, the company's ability to obtain funding that is required as shown by the forecasts. The directors do however remain in the view that the company can obtain the required funding from BSHL 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 *(continued)*
for the year ended 30 June 2020

1 Accounting policies *(continued)*

Accounting standards

Adoption of new and revised IFRSs

In the current year, the company has adopted all the new and revised IFRSs issued that are relevant to its operations and effective for its accounting year beginning on 1 July 2019. The adoption of these new and revised IFRSs did not result in significant changes to the company's accounting policies.

In the current year, the company has applied IFRS 16 Leases which is effective for an annual period that begins on or after 1 January 2019.

The company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019.

Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of the statement of financial position on 1 July 2019, and the comparative information was not restated and continues to be reported under IAS 17.

More information can be found in note 23.

New and revised IFRSs not yet adopted

The Company has not yet applied the new IFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results and financial position.

The accounting policies set out below have, unless otherwise stated, been applied consistently for the company to all periods presented in these financial statements.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*) for the year ended 30 June 2020

1 Accounting policies (*continued*)

Revenue recognition

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

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time.

(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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statement of comprehensive income, to write off the cost of the property, plant and equipment less estimated residual value, on a straight-line basis, over their estimated useful lives as follows:

Right of use – leasehold property	-	Over the term of the lease
Right of use – fixtures and equipment	-	Over the term of the lease
Right of use – motor vehicles	-	Over the term of the lease
Freehold land	-	Not depreciated
Freehold buildings	-	Between 10 and 50 years
Long leasehold property improvements	-	Shorter of lease or between 10 and 50 years
Fixtures and equipment	-	Between 3 and 5 years
Motor vehicles	-	5 years

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

1 Accounting policies (*continued*)

Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

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 statement of comprehensive income 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 statement of comprehensive income 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.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

1 Accounting policies (*continued*)

Net financing costs

Net financing costs comprise interest payable on borrowings, calculated using the effective interest rate method and interest receivable on funds invested. The discounting of the deferred payments for the purchase of players' registrations produces a notional interest payable amount and this is charged to finance costs.

Employee benefits – Pensions

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

Loyalty and other incentives

The cost of loyalty and other incentives is part of the fair value of the consideration received, is recognised in the period that the awards are earned and 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.

Taxation

Tax on the result for each period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable/income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax is not discounted.

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 22). 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 statement of comprehensive income rather than to player amortisation.

Amortisation of the costs of player registrations is charged to the statement of comprehensive income on a straight-line basis over the contract life of each individual player.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

1 Accounting policies (*continued*)

Impairment of intangible and tangible fixed assets

An impairment review on the intangible assets is undertaken if events or changes in circumstances indicate that the carrying amount of the player may not be recoverable. The club compares the carrying amount of the asset with its recoverable amount. The club does not consider that it is possible to determine the value in use of an individual football player in isolation as that player (unless via a sale or insurance recovery) cannot generate cash flows on his own. Furthermore, the club also considers that all of the players are unable to generate cash flows even when considered together. Accordingly, the club considers the smallest cash-generating unit to contain all first team players, the stadium and the training facilities.

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

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

Further details on impairment are given in note 10.

Investments

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less impairment. The investments are assessed for impairment at each reporting date.

Signing on fees

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

Inventories

Inventories 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.

Grants

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

Other grants are credited to the income statement as the related expenditure is incurred.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

1 Accounting policies (*continued*)

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 statement of financial position date. Any differences are taken to the statement of comprehensive income.

Cash and equivalents

Cash and equivalents comprise cash balances and call deposits and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Contract liabilities/deferred income

Contract liabilities/deferred income represent the unrecognised income in relation to match receipts.

Financial instruments

Financial assets and liabilities are recognised on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets

The company's financial assets relate to trade and other receivables and cash and cash equivalents. Trade and other receivables are classified as loans and receivables and are measured initially at fair value plus transaction costs and are carried subsequently at amortised cost under the effective interest method, less provision for any expected credit loss. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income. There are no financial assets classified as fair value through the statement of comprehensive income or as held to maturity or available for sale.

All financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is evidence that a loss has occurred and that estimated future cash flows of the financial asset have been impacted. Objective evidence of impairment for a portfolio of receivables could include a company's past experience of collecting payments, an increase in the delayed number of payments in the portfolio and the average credit period, as well as observed changes in the national or local economic conditions that correlate with default on receivables.

Financial liabilities

Financial liabilities which include bank loans, overdrafts and trade and other payables are measured initially at fair value net of transaction costs under the effective interest method and thereafter at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost. Finance charges are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

1 Accounting policies (*continued*)

Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense and which may differ from actual results. The key critical judgements are considered to be: -

1. Player transfer costs

Management have to make certain judgements as to whether a liability should be recognised under the terms of the contracts with other football clubs in respect of player transfers. These judgements include management's opinion, at the statement of financial position date, on the likely league status in the next season. It also requires certain judgements as to whether a player will continue to make the contractually agreed number of first team appearances. Based on these judgements, management decide on an individual player by player basis as to whether the liability is disclosed as a contingent liability in note 23 or whether it becomes recognised as a liability in trade payables in the statement of financial position.

2. Intangible assets, tangible assets and impairment

Management are required to test whether intangible and tangible assets have suffered any impairment. The recoverable amount of cash generating units connected to the recorded value of these assets has been determined based on value in use estimates and compared to the book value to determine if an impairment provision is needed.

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

2 Revenues

The company has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. It operates in one geographical segment, in the United Kingdom, and accordingly no additional geographical segmental information is required to be provided. A voluntary analysis of the revenue streams is given below to assist with an understanding of the business.

	2020 £	2019 £
Match receipts	4,569,961	5,014,513
Broadcasting	8,845,713	7,986,687
Other commercial income	9,108,095	10,005,530
	<u>22,523,769</u>	<u>23,006,730</u>

Revenue from contracts with customers recognised at a point in time

	2020 £	2019 £
Match receipts	2,106,710	2,190,126
Other commercial income	3,335,475	4,388,069
	<u>5,442,185</u>	<u>6,578,195</u>

Revenue from contracts with customers recognised over time

	2020 £	2019 £
Match receipts	2,463,251	2,824,387
Broadcasting	8,845,713	7,986,687
Other commercial income	4,387,517	3,974,813
	<u>15,696,481</u>	<u>14,785,887</u>

Revenue from other sources

	2020 £	2019 £
Other commercial income	<u>1,385,103</u>	<u>1,642,648</u>

Revenue streams comprise:-

Match receipts	Season and match day tickets.
Broadcasting	Television and broadcasting income, including distributions from the FA broadcasting agreements, cup competitions and local radio.
Other commercial income	Sponsorship income, corporate hospitality, merchandising, conference and banqueting and other sundry revenue.

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

3 Disposal of tangible fixed assets

During the prior year ended 30 June 2019 the company disposed of freehold land & buildings to a wholly owned subsidiary of Birmingham Sports Holdings Limited. The directors received independent advice on the value of the asset at the date of disposal. The profit on disposal during the year is detailed below:

	2020 £	2019 £
Proceeds	-	22,760,000
Net book value	-	(7,037,591)
Release of deferred capital grant	-	1,466,357
	-	17,188,766

4 Operating loss

	2020 £	2019 £
Operating loss is stated after charging/(crediting) the following:		
Depreciation of owned tangible fixed assets	618,162	884,414
Depreciation of leased tangible fixed assets	701,293	-
Amortisation of intangible fixed assets	8,388,718	7,548,605
Profit on disposal of tangible fixed assets	-	(17,188,766)
Amortisation of deferred capital grants	-	(52,223)
Equipment leased under operating leases	-	230,869
Premises leased under operating leases	-	84,000
Grant income received	(724,400)	(690,000)
COVID-19 grant income	(818,675)	-
Foreign exchange re-translation	5,216	(29,679)
Fees receivable by the auditors in respect of:		
Audit of the company's financial statements	36,000	54,000
Other fees relating to taxation	4,000	4,000
Other non-audit services	-	14,568
	40,000	72,568

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

5 Staff costs

	2020 £	2019 £
Wages and salaries	29,151,980	28,445,424
Social security costs	3,179,220	3,618,181
Pension costs	87,147	87,324
	<hr/>	<hr/>
	32,418,347	32,150,929
	<hr/>	<hr/>

The average monthly number of persons employed by the company, including directors was:

	2020 Number	2019 Number
Playing staff	75	75
Training staff	64	63
Training ground staff	12	10
Commercial and fund-raising staff	29	35
Shop staff	4	5
Administration and other staff	50	45
	<hr/>	<hr/>
	234	233
	<hr/>	<hr/>

During the year the company also employed approximately 467 temporary staff on match days (2019 - 522), the cost of which is included in the staff costs above.

Key management compensation

The remuneration of senior management during the year was as follows:

	2020 £	2019 £
Remuneration for qualifying services	930,555	318,900
Pension costs	34,662	4,285
	<hr/>	<hr/>
	965,217	323,185
	<hr/>	<hr/>

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

5 Staff costs *(continued)*

Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	561,005	608,866
	<u>561,005</u>	<u>608,866</u>

No directors (2019 – none) are accruing benefits under defined contribution schemes.

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	283,562	301,232
	<u>283,562</u>	<u>301,232</u>

The directors' remuneration is being recharged to the company's ultimate parent, Birmingham Sports Holdings Limited.

6 Finance income

	2020 £	2019 £
Bank interest receivable	-	2
Notional interest on transfer fee receivables due after one year	792,722	71,174
	<u>792,722</u>	<u>71,176</u>

7 Finance costs

	2020 £	2019 £
Other interest payable	-	2,351
Notional interest payable on transfer fee liabilities due after one year	378,085	546,160
Interest on lease liabilities	1,283,070	-
	<u>1,661,155</u>	<u>548,511</u>

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

8 Taxation

	2020 £	2019 £
Domestic current year tax		
UK corporation tax	-	-
Adjustment in respect of previous years	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Total tax credit	-	-
	<hr/>	<hr/>

The charge for year can be reconciled to the statement of comprehensive income as follows:

	2020 £	2019 £
Loss before taxation	(18,335,459)	(8,161,178)
	<hr/>	<hr/>
Loss before taxation at the standard rate of corporation tax in the UK of 19% (2019 – 19%)	(3,483,737)	(1,550,624)
Effect of:		
Expenses not deductible for tax purposes	131,919	2,600
Income not taxable	-	(288,530)
Depreciation in excess of capital allowances	50,407	68,250
Tax losses surrendered for group relief	236,056	-
Profit on disposal of tangible fixed assets	-	(2,987,258)
Tax losses generated	3,065,355	4,755,562
	<hr/>	<hr/>
Total tax credit	-	-
	<hr/>	<hr/>

Factors that may affect future tax charges

At 30 June 2020, the company has trading losses of £101,509,647 (2019 - £85,252,157) to carry forward and use against future trading profits. No deferred tax has been recognised in relation to these losses on the basis of uncertainty about the future taxable profits.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

9 Investments

	Shares in group undertakings £
<i>Cost</i>	
At 1 July 2019	1
Additions	-
Disposals	-
	<hr/>
At 30 June 2020	1
	<hr/>
<i>Impairment</i>	
At 1 July 2019	-
Charge for the year	-
Disposals	-
	<hr/>
At 30 June 2020	-
	<hr/>
<i>Carrying value</i>	
At 30 June 2020	1
	<hr/>
At 30 June 2019	1
	<hr/>

The company owns the whole of the issued ordinary share capital of the following company, registered in England and Wales. The results for the subsidiary are included in the consolidated financial statements of Birmingham City Plc from the date of acquisition.

Subsidiary	Registered Office	Principal activity	Holding
Birmingham City Women Football Club Limited	St Andrew's Stadium, Birmingham, United Kingdom, B9 4RL	Football club	100%

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

10 Intangible fixed assets

	Players' Registrations £
<i>Cost</i>	
At 1 July 2018	26,108,835
Additions	7,424,061
Disposals	(8,186,223)
	<hr/>
At 1 July 2019	25,346,673
Additions	10,508,845
Disposals	(8,850,959)
	<hr/>
At 30 June 2020	27,004,559
	<hr/>
<i>Amortisation</i>	
At 1 July 2018	9,718,893
Charge for the year	7,548,605
Disposals	(4,944,777)
	<hr/>
At 1 July 2019	12,322,721
Charge for the year	8,388,718
Disposals	(7,779,546)
	<hr/>
At 30 June 2020	12,931,893
	<hr/>
<i>Net book value</i>	
At 30 June 2020	14,072,666
	<hr/>
At 30 June 2019	13,023,952
	<hr/>

Any players whom the company 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 company are assessed for impairment by considering the carrying value with the company'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 further provision is required, even in the circumstances of the company remaining in the Football League Championship for the 2021/2022 season.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

11 Property, plant and equipment

	Right of use - leasehold land and buildings £	Right of use - motor vehicles £	Right of use - fixtures and equipment £	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and equipment £	Total £
<i>Cost or valuation</i>								
At 1 July 2018	-	-	-	13,136,376	4,172,971	442,174	7,681,107	25,432,628
Additions	-	-	-	-	17,501	26,788	357,756	402,045
Disposals	-	-	-	(13,136,376)	-	-	-	(13,136,376)
At 1 July 2019	-	-	-	-	4,190,472	468,962	8,038,863	12,698,297
Transition to IFRS 16	11,290,595	68,280	445,524	-	-	-	-	11,804,399
Additions	-	-	-	-	-	-	114,032	114,032
Disposals	-	-	-	-	(39,925)	(278,029)	(6,185,145)	(6,503,099)
At 30 June 2020	11,290,595	68,280	445,524	-	4,150,547	190,933	1,967,750	18,113,629

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

11 Property, plant and equipment (*continued*)

	Right of use - leasehold land and buildings £	Right of use - motor vehicles £	Right of use - fixtures and equipment £	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and equipment £	Total £
<i>Depreciation</i>								
At 1 July 2018	-	-	-	5,847,003	1,528,713	349,619	6,580,848	14,306,183
Charge for the year	-	-	-	251,782	164,323	68,935	399,374	884,414
Disposals	-	-	-	(6,098,785)	-	-	-	(6,098,785)
At 1 July 2019	-	-	-	-	1,693,036	418,554	6,980,222	9,091,812
Charge for the year	448,420	24,630	228,243	-	136,295	35,618	446,249	1,319,455
Disposals	-	-	-	-	(39,925)	(278,029)	(6,185,145)	(6,503,099)
At 30 June 2020	448,420	24,630	228,243	-	1,789,406	176,143	1,241,326	3,908,168
<i>Net book value</i>								
At 30 June 2020	10,842,175	43,650	217,281	-	2,361,141	14,790	726,424	14,205,461
At 30 June 2019	-	-	-	-	2,497,436	50,408	1,058,641	3,606,485

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

12 Inventories

	2020 £	2019 £
Goods for resale	89,658	347,067

The replacement of stocks would not be significantly different from the values stated. The amount of inventories recognised as an expense and included in operating expenses amounted to £747,070 (2019 - £664,814).

13 Trade and other receivables

	2020 £	2019 £
<i>Current assets</i>		
Trade receivables	6,671,685	5,250,987
Amounts owed by group undertakings	21,513,600	22,760,000
Other receivables	1,403,071	987,045
Prepayments	1,302,159	1,444,198
	<u>30,890,515</u>	<u>30,442,230</u>
<i>Non-current assets</i>		
Trade receivables	4,999,055	-
Prepayments	2,026,904	821,011
	<u>7,025,959</u>	<u>821,011</u>

Included within trade receivables is £10,053,196 (2019 - £2,904,130) in respect of transfer fees receivable, of which £4,999,055 (2019 - £Nil) is receivable after more than one year. Included within prepayments is £3,117,934 (2019 - £1,838,808) in respect of agent fees and signing on fees, of which £2,026,904 (2019 £821,011) is receivable after more than one year.

Trade receivables are individually assessed based on estimated recoverable amounts.

The average credit period taken on sales is 54 days (2019 - 45 days).

Birmingham City Football Club PLC

Notes forming part of the financial statements (continued)
for the year ended 30 June 2020

13 Trade and other receivables (continued)

Ageing of past due but not impaired receivables, based on normal 30-day credit terms.

	2020 £	2019 £
30 – 90 days	373,635	370,486
90 – 120 days	3,034	106,804
120 – 180 days	2,571	171,656
180 days +	524,665	386,140
Total	903,905	1,035,086

Movement in bad and doubtful debt provisions

	2020 £	2019 £
Balance brought forward	143,524	98,330
Amounts recovered	(6,122)	(4,722)
Written off	(58,567)	(27,764)
Amounts provided	290,088	77,680
Balance carried forward	368,923	143,524

The company applies the simplified approach under IFRS 9 to provide expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

At 30 June 2020	Current £	Less than 90 days past due £	Over 90 days past due £	Total £
Expected loss rate	-	-	3.3%	-
Receivables amount	11,132,760	147,090	759,813	12,039,663
Loss allowance	-	-	(368,923)	(368,923)
Total	11,132,760	147,090	390,890	11,670,740
At 30 June 2019	Current £	Less than 90 days past due £	Over 90 days past due £	Total £
Expected loss rate	-	-	17.7%	-
Receivables amount	4,215,901	370,486	808,124	5,394,511
Loss allowance	-	-	(143,524)	(143,524)
Total	4,215,901	370,486	664,600	5,250,987

The directors consider the carrying amount of trade and other receivables approximates to their fair value.

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

14 Trade and other payables

	2020 £	2019 £
<i>Current liabilities</i>		
Trade payables	8,289,117	7,090,834
Taxation and social security	4,772,044	3,383,369
Other payables	5,527	64,860
Accruals	3,527,863	2,146,816
	<hr/>	<hr/>
	16,594,551	12,685,879
	<hr/>	<hr/>
<i>Non-current liabilities</i>		
Trade payables	1,992,798	918,112
Accruals	1,520,463	316,500
	<hr/>	<hr/>
	3,513,261	1,234,612
	<hr/>	<hr/>

Included within trade payables is £6,893,000 (2019 - £4,640,329) in respect of actual and probable transfer fees payable and agent's fees payable, of which £1,992,798 (2019 - £918,112) is payable after more than one year. Included within accruals is £2,187,861 (2019 - £745,000) in respect of signing on fees payable, of which £1,520,463 (2019 - £316,500) is payable after more than one year.

The ageing of trade payables included in current liabilities is set out below:

	2020 £	2019 £
0 – 30 days	224,521	2,876,635
30 – 90 days	294,885	3,159,251
90 – 180 days	298,026	221,156
180 days +	7,471,685	833,792
	<hr/>	<hr/>
	8,289,117	7,090,834
	<hr/>	<hr/>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 2 months. The average credit period taken for trade purchases is 54 days (2019 - 81 days).

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

15 Financial liabilities

	2020 £	2019 £
<i>Current liabilities</i>		
Due to ultimate parent company	110,310,624	91,419,333
Other loans	97,300	-
	<hr/>	<hr/>
Total current liabilities	110,407,924	91,419,333
	<hr/>	<hr/>
<i>Non-current liabilities</i>		
Preference shares	18,500	18,500
Other loans	486,700	-
	<hr/>	<hr/>
Total non-current liabilities	505,200	18,500
	<hr/>	<hr/>
<i>Borrowings maturity</i>		
Within one year	110,407,924	91,419,333
More than one year but not more than two years	194,600	-
More than two years but not more than five years	292,100	-
After five years	18,500	18,500
	<hr/>	<hr/>
Total borrowings	110,913,124	91,437,833
	<hr/>	<hr/>

The preference shares are shown as debt rather than equity. The Company may redeem cumulative preference shares at par at any time upon giving not less than three months previous notice in writing to the holders of the cumulative preference shares. On an earlier winding up, the cumulative preference shares carry priority over the ordinary shares to the extent of their par value plus any arrears of dividends (which are cumulative for a period of three years). The preference shares carry no votes except on a winding up or on variations of their rights.

On 20 March 2020, the Company and the EFL entered into a loan facility agreement, pursuant to which the lender provided a loan facility of £584,000 to the Company. The loan is unsecured, and repayable in half-yearly instalments ending on 1 October 2023 and bears interest at a rate of 0% per annum. The loan becomes repayable on demand in the event of; a breach in the conditions, promotion to the Premier League or relegation to EFL Football League 2.

The club's bankers have a fixed charge over a specific deposit account held with the bank. This security is required for certain credit facilities made available to the company from time to time. The balance on this account at the statement of financial position date was £800,000 (2019 - £800,000).

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. Amounts owed to the ultimate parent company are unsecured and are interest free. 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.

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

16 Deferred taxation

	2020 £	2019 £
At 1 July	-	-
Amount (charged)/credited to statement of comprehensive income	-	-
Losses	-	-
	<hr/>	<hr/>
At 30 June	-	-
	<hr/>	<hr/>
	2020 £	2019 £
Deferred taxation comprises:		
Depreciation in excess of capital allowances	65,381	43,800
Losses carried forward	19,286,833	15,988,556
Assets not recognised	(19,352,214)	(16,032,356)
	<hr/>	<hr/>
Deferred tax asset	-	-
	<hr/>	<hr/>

The potential asset is based on a corporation tax rate of 19% (2019 - 19%). No deferred tax asset has been recognised at 30 June 2020 on the basis that future recoverability of such an asset is uncertain.

Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*
for the year ended 30 June 2020

17 Financial instruments

Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern through the optimisation of the debt and equity balance. The capital structure of the company consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

The company is not subject to externally imposed capital requirements, other than the minimum capital requirements and duties regarding reduction of capital, as imposed by the Companies Act 2006 on all public limited companies.

Categories of financial instruments

	2020 £	2019 £
<i>Financial assets</i>		
Cash and cash equivalents	1,580,848	2,816,367
Trade and other receivables (note 13)	37,916,474	31,263,241
	<u>39,497,322</u>	<u>34,079,608</u>
<i>Financial liabilities</i>		
Trade and other payables held at amortised cost	15,059,486	11,457,175
Borrowings at amortised cost (notes 14 & 15)	110,913,124	91,437,833
	<u>125,972,610</u>	<u>102,895,008</u>

The fair value of the financial instruments set out above is not different to the book value. The above financial liabilities do not include accruals.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*) for the year ended 30 June 2020

17 Financial instruments (*continued*)

Financial risk management objectives

Management monitor and manage the financial risks relating to the operations of the company through internal risk reports. These risks include currency risk, interest rate risk, credit risk, liquidity risk and cash flow interest rate risk.

Where the company considers the impact arising from one or more of these risks to be potentially material to the company's financial position, derivative financial instruments are used to reduce risk exposure. The use of financial derivatives requires the prior approval of the board. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Price risk

The company has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

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

Credit risk

The company's principal financial assets are bank balances, cash and trade receivables. The company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position 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 credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. 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. Longer term liquidity is achieved through funding provided by the ultimate holding company and the need for ongoing funding is confirmed in the Strategic Report and Accounting Policies (note 1). The directors manage liquidity risk through close and frequent discussions with the ultimate holding company and have received assurances that funding is in place at least until 31 March 2022.

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

17 Financial instruments (*continued*)

The company's financial liabilities have contractual maturities summarised below.

30 June 2020	Current within 1 year £	Non-current 1 to 5 £	Over 5 years £
Preference shares	-	-	18,500
EFL loan	97,300	486,700	-
Due to parent company	110,310,624	-	-
Trade and other payables and social security and taxes	13,066,688	1,992,798	-
At 30 June 2020	123,474,612	2,479,498	18,500
30 June 2019	Current within 1 year £	Non-current 1 to 5 £	Over 5 years £
Preference shares	-	-	18,500
Due to parent company	91,419,333	-	-
Trade and other payables and social security and taxes	10,539,063	918,112	-
At 30 June 2019	101,958,396	918,112	18,500

Interest rate sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the company's result for the year ended 30 June 2020 would not be materially affected.

18 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to the statement of comprehensive income in respect of defined contribution schemes	87,147	87,324

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
12,505,676 Ordinary shares of 50p each (2019: 12,505,676)	6,252,838	6,252,838

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)
for the year ended 30 June 2020

20 Notes to the statement of cash flows

The table below details changes in the company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the company's statement of cash flows as cash flows from financing activities.

	Loans £	Other borrowings £	Total £
At 1 July 2018	73,083,086	18,500	73,101,586
Changes in cash flows	23,836,247	-	23,836,247
Non-cash changes:			
Repayment of loan by share issue	(5,500,000)	-	(5,500,000)
At 30 June 2019	91,419,333	18,500	91,437,833
Changes in cash flows	19,475,291	-	19,475,291
At 30 June 2020	110,894,624	18,500	110,913,124

21 Related party disclosures

The company has taken advantage of the exemption conferred within IAS 24 not to disclose transactions between wholly owned members of the same group.

Any directors or senior employees who have authority and responsibility for controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is disclosed in note 5.

During the year, the company advanced £Nil (2019 - £46,649) to Xuandong Ren, a director of the company. At 30 June 2020, £Nil (2019 - £46,649) remained due to the company.

22 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 2020. 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 £5,657,290 (2019 - £4,393,167). Since the year end and to the date of approval of these financial statements £ of these amounts have crystallised.

Birmingham City Football Club PLC

Notes forming part of the financial statements (continued) for the year ended 30 June 2020

23 Capital and other financial commitments

(a) Capital commitments

	2020 £	2019 £
At 30 June, the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	-	140,611

(b) Lease commitments

On transition to IFRS 16 on 1 July 2019, the Company recognised right-of-use assets of £11,804,399 and lease liabilities of £11,804,399, with net assets therefore remaining unchanged.

The adoption of IFRS 16 from 1 July 2019 resulted in a £701,293 increase in depreciation, a £1,624,115 reduction in lease expenses and a £1,283,070 increase in finance costs recognised in the profit and loss account during the year ended 30 June 2020. At 30 June 2020, the company recognised £11,103,106 right-of-use assets and £11,463,354 lease liabilities on the balance sheet.

When measuring lease liabilities, the Company discounted lease payments using notional borrowing rates. At 1 July 2019 the notional borrowing rate ranged between 8% and 11%.

The table below reconciles the operating lease commitments disclosed in the company's financial statements at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	£
Operating lease commitments at 30 June 2019	38,088,044
Recognition exemption for short term and low value leases	(19,571)
Undiscounted IFRS 16 commitments at 30 June 2019	38,068,473
Additional lease liabilities recognised at 1 July 2019	320,356
Undiscounted IFRS 16 commitments at 1 July 2019	38,388,829
Discounting using notional borrowing-rates at 1 July 2019	(26,584,430)
Total lease liabilities at 1 July 2019	11,804,399

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	Present value £
Current liabilities	275,751
Non-current liabilities	11,187,603
Total lease liabilities	11,463,354

Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*) for the year ended 30 June 2020

24 Notes supporting the statement of changes in equity

Share capital and share premium -

Share capital records the nominal value of shares in issue and the share premium records the receipts from issue of share capital above the nominal value of the shares, net of direct issue costs.

Revaluation reserve -

The revaluation reserve records the increase in the cost of assets that have been revalued from cost, net of depreciation or amortisation.

Capital redemption reserve -

Capital redemption reserves represents a non-distributable reserve in relation to shares which have been brought back by the company.

Other reserves -

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

Profit and loss account -

The profit and loss account records the cumulative profits less losses recognised in the Statement of Comprehensive Income, net of any distributions and share-based payments made.

25 Events after the statement of financial position date

Transfers of player registrations subsequent to 30 June 2020, taking into account applicable costs, resulted in a net £26,672,241 (2019 - £5,559,968) payable to the Club.

On 9 October 2020, Oriental Rainbow Investments Limited entered into an agreement to acquire a 21.64% stake in the company's immediate parent company, Birmingham City Plc. Following completion of the share acquisition, Birmingham Sports Holding Limited's 96.64% ownership in Birmingham City Plc, has reduced to 75%.

On 9 October 2020, the company and Birmingham City Stadium Limited agreed to reduce the term of the stadium lease agreement. The lease agreement, which was previously due to expire in April 2044 will now expire in June 2023. The reduced leased term will result in a significant reduction in the right of use assets and lease liabilities included on the statement of financial position as at 30 June 2021. The value of the reduction is expected to be in the region of £8.2m.

On 1 August 2020, Aitor Karanka was appointed as the Head Coach of the Football Club, following the departure of Pep Clotet on 7 June 2020.

26 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 largest group in which the results of the company are consolidated is that headed by Birmingham Sports Holdings Limited a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange. The consolidated accounts of this company are available to the public and may be obtained from the company registrar. The smallest group accounts available is that headed by Birmingham City Plc.