

Birmingham City PLC

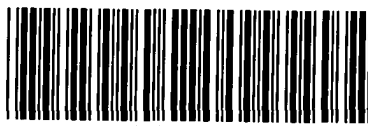
Annual report

For the year ended

30 June 2019

Company number: 03304408

TUESDAY



A8LGEYAI

A08

31/12/2019

#276

COMPANIES HOUSE

Birmingham City PLC

**Annual report and financial statements
for the year ended 30 June 2019**

Contents

Page:

1 – 3	Strategic report
4 – 5	Report of the directors'
6	Directors' responsibilities statement
7 – 9	Independent auditor's report
10	Consolidated statement of comprehensive income
11	Consolidated and company statements of financial position
12	Consolidated and company statements of changes in equity
13	Consolidated statement of cash flows
14 – 38	Notes forming part of the financial statements

Directors

Wenqing Zhao
Chun Kong Yiu

Registered office

St Andrew's Stadium, Birmingham, B9 4RL

Company number

03304408

Auditors

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

Bankers

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

Birmingham City PLC

Strategic report for the year ended 30 June 2019

The directors present the strategic report and financial statements for the year ended 30 June 2019.

The principal activity of the company is that of a holding company. The principal activity of its trading subsidiaries continue to be that of football clubs. The company and its subsidiaries as a single entity are hereafter referred to as "the group". The subsidiaries of the company are Birmingham City Football Club PLC "BCFC" and Birmingham City Women Football Club Limited "BCWFC" hereafter referred to as "the club(s)".

Financial and operating review

The loss for the year before tax decreased to £8.4m (2018 - £37.4m) primarily as a result of a profit on the sale of the stadium and a reduction in wages and salaries.

For the eighth consecutive year BCFC played in the Championship Division of the English Football League (EFL). Following a finish of 19th position in the Championship Division for the season 2017/18, the squad demonstrated stability in performance and the overall game play was well improved as compared to the previous season. The results of the Club was encouraging as it had been maintaining its position within top 10 since the start of the second half of season 2018/19. On 22 March 2019, the Club received the decision of the Disciplinary Commission in connection with breaches of the Championship Profitability and Sustainability Rules (the "P&S Rules") of the English Football League ("EFL"). The breaches of the P&S Rules are in relation to the aggregate loss of the Club in three seasons since 2015/16 which exceeded the upper loss threshold and the loss of the Club in season 2017/18 which exceeded the annual threshold. Pursuant to the decision of the Disciplinary Commission, 9 points was deducted from the points earned in the Championship Division by the Club in season 2018/19. Although the Club performed well in this season, the Club eventually finished the 2018/19 season in 17th position.

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 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 group. The main key performance indicators employed in the group are:

		2019	2018
Revenue levels (football related and other)	£'000	23,325	19,109
Loss from operations	£'000	7,966	36,495
Staff costs (player related and other)	£'000	32,750	38,558
Average attendance levels (BCFC only)	No's	22,483	21,042

The Board monitor these key performance indicators on a monthly basis. Acceptable performance and target KPI's are set by the group's budget and the group's primary internal performance measure is against budgets.

Birmingham City PLC

Strategic report (continued) for the year ended 30 June 2019

Principal risks and uncertainties

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

Funding and going concern:

The group does not have an overdraft facility and meets its day to day funding requirements with support from the parent undertaking, Birmingham Sports Holdings Limited ("BSHL").

At the balance sheet date funding of £96.9M has been provided by BSHL to the group, these amounts are shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £96.9M debt owed to BSHL will not require repayment within 12 months from the date of approval of these financial statements unless the group is able to do so.

The directors have prepared detailed cash flow forecasts for the period to 31 December 2020 as part of the longer term forecasts prepared for the company. The forecasts show that BCFC needs additional funding of around £54.2M from BSHL for the period from July 2019 to December 2020.

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.

Extracts from BSHL financial statements for the year ended 30 June 2019

The Group incurred a loss attributable to owners of the Company of HK\$360,927,000 for the year ended 30 June 2019 and as at 30 June 2019 the Group had net current liabilities of HK\$187,005,000. These conditions indicate 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 consolidated financial statements have been prepared on a going concern basis. 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 given that (i) the Company has entered into a loan facility agreement and a supplemental agreement with a controlling Shareholder, Trillion Trophy Asia Limited ("Trillion Trophy"), on 21 December 2016 and 21 December 2018 respectively, under which an unsecured revolving loan facility up to a maximum amount of HK\$250,000,000 has been granted to the Company ("Trillion Trophy Facility") ; (ii) the Company has unsecured loan facilities with aggregate amount of HK\$400,000,000 from third party lenders; and (iii) the financial support of the controlling Shareholder, at a level sufficient to finance the working capital requirements of the Group. The controlling Shareholder has agreed to provide adequate funds to the Group.

As at 30 June 2019, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$209,697,000. As at 30 June 2019, the Group had undrawn borrowing facilities of HK\$424,303,000 available to it.

Birmingham City PLC

**Strategic report (continued)
for the year ended 30 June 2019**

Profitability & Sustainability Rules

On 14 August 2018, BCFC, received a notification from the EFL in connection with breaches of the P&S Rules of Appendix 5 of the EFL regulations. The breaches of the P&S Rules are in relation to the aggregate loss of the Club in three seasons since 2015/16 exceeded upper loss threshold and the loss of the Club in season 2017/18 exceeded the annual threshold. As a result of the breaches, BCFC was placed under an imposed arrangement that restricts transfer market activities without the consent of the EFL and was referred to a disciplinary commission. On 22 March 2019, the Club received the decision of the Disciplinary Commission pursuant to which 9 points was deducted from the points earned in the Championship by the Club in the season 2018/19.

On 14 May 2019, BCFC, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from BCFCs 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. Up to the date of approval of these financial statements, the management of BCFC are still in negotiation with the EFL on the possible disciplinary actions that might be imposed to the company and is not in a position to estimate the impact upon the group, if any.

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

By order of the board



**Chun Kong Yiu
Director**

29 December 2019

Birmingham City PLC

Report of the directors for the year ended 30 June 2019

The directors present their report together with the audited financial statements for the year ended 30 June 2019.

Results and dividends

The consolidated statement of comprehensive income is set out on page 10 and shows the loss for the year.

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

Directors

The directors of the group during the year were:

Wenqing Zhao
Chun Kong Yiu

Financial instruments

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

The group's principal financial instruments comprise sterling cash and bank deposits and bank loans together with trade receivables and trade payables that arise directly from its operations.

The main risks arising from the group's financial instruments can be analysed as follows:

Credit risk

The group's principal financial assets are bank balances, cash and trade receivables. The group'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 group's management based on prior experience and their assessment of the current economic environment.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparts and customers.

Liquidity risk

The group's policy has been to ensure continuity of funding through operating within its banking facilities and to match borrowing against the useful life of assets purchased.

Foreign currency risk

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

Employee involvement

The group 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 group's goals through an annual performance review process that is carried out with all employees.

Birmingham City PLC

Report of the directors (continued) for the year ended 30 June 2019

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 group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Environment

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

Events after the statement of financial position date

On 14 May 2019, BCFC, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from BCFC'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. Up to the date of approval of these financial statements, the management of BCFC are still in negotiation with the EFL on the possible disciplinary actions that might be imposed to the company and is not in a position to estimate the impact upon the group.

Transfers of player registrations subsequent to 30 June 2019, taking into account applicable costs, resulted in a net £5,560,000 (2018 - £2,428,000 payable by the group) payable to the group.

Additional costs subsequent to 30 June 2019 in respect of players impaired during the year have resulted in a net £Nil (2018 - £225,000) payable by the group.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group'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 group's auditors are aware of that information.

Auditors

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

By order of the board



Chun Kong Yiu
Director

29 December 2019

Birmingham City PLC

Directors' responsibilities statement for the year ended 30 June 2019

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 PLC

Independent auditor's report to the members of Birmingham City PLC

Opinion

We have audited the financial statements of Birmingham City Plc ("the parent company") and its subsidiaries ("the group") for the year ended 30 June 2019 which comprise the primary statements such as the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity and the Consolidated Cash Flow Statement 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 Related to Going Concern

We draw attention to note 1 in the financial statements, which indicates that the group incurred a net loss of £8.4m during the year ended 30 June 2019 and, as of that date, the group's current liabilities exceeded the total assets by £62.3m and its total liabilities exceeded total assets by £63.6m. As stated in note 1 funding of £54.2m 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 group's ability to continue as a going concern. We also draw your attention to note 25 in the financial statements, in relation to a notification from the EFL in connection with breaches of the Championship Profitability and Sustainability Rules. Our opinion is not modified in respect of these matters.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters below to be the key audit matters communicated in our report.

Profitability & Sustainability Rules

Through discussion with the directors and review of correspondence with the English Football League ("EFL") we are aware of the breach of the rules for the 2017/18 season. We have carried out additional audit procedures to fully understand the circumstances surrounding the breach, the potential sanctions available to the EFL, and the response submitted by the Club, in order to confirm the appropriateness of the disclosures in the financial statements.

Birmingham City PLC

Independent auditor's report to the members of Birmingham City PLC

Key audit matters (continued)

Sale of freehold land and buildings

Note 3 of the financial statements provides details of the sale of freehold land & buildings to a fellow subsidiary of the Birmingham Sports Holdings group of companies. This transaction is significant to the carrying value of fixed assets and to the operating loss reported in the year. Our audit work in respect of this transaction included a review of the sale & purchase agreement alongside the valuation advice received from the independent third party. We consider the disclosures in respect of this transaction are appropriate

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.

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

Birmingham City PLC

Independent auditor's report (*continued*) to the members of Birmingham City PLC

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 group'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 group or to cease operations, or have no realistic alternative but to do so.

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 parent 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 parent 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 parent company and the parent 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)

Date 30 DECEMBER 2019

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

Birmingham City PLC

Consolidated statement of comprehensive income for the year ended 30 June 2019

	Note	Club operations 2019 £'000	Player amortisation, impairment and trading costs 2019 £'000	Total 2019 £'000	Total 2018 £'000
Continuing operations					
Revenue	2	23,325	-	23,325	19,109
Operating expenses		(45,980)	(7,562)	(53,542)	(58,398)
Other operating income		690	-	690	730
Operating loss	4	(21,965)	(7,562)	(29,527)	(38,559)
Profit on disposal of tangible fixed assets	3			17,189	3
Net profit on sale of players' registrations				4,372	2,061
Loss from operations				(7,966)	(36,495)
Finance income	6			71	181
Finance costs	7			(549)	(1,059)
Loss before taxation				(8,444)	(37,373)
Taxation	8			-	-
Total comprehensive loss attributable to equity shareholders				(8,444)	(37,373)

All activities are derived from continuing activities.

The notes on pages 14 to 38 form part of these financial statements.

Birmingham City PLC

Consolidated and Company statements of financial position As at 30 June 2019

Company no: 03304408		Group		Company	
	Note	2019 £000	2018 £000	2019 £000	2018 £000
Assets					
Non-current assets					
Intangible assets	9	13,038	16,393	-	-
Property, plant and equipment	10	3,608	11,132	-	-
Investments	11	-	-	9,018	3,518
Trade and other receivables	13	821	2,108	-	-
		<u>17,467</u>	<u>29,633</u>	<u>9,018</u>	<u>3,518</u>
Current assets					
Inventories	12	348	630	-	-
Trade and other receivables	13	30,487	8,633	-	-
Cash and cash equivalents		2,865	3,579	-	-
		<u>33,700</u>	<u>12,842</u>	<u>-</u>	<u>-</u>
Total assets		<u>51,167</u>	<u>42,475</u>	<u>9,018</u>	<u>3,518</u>
Liabilities					
Non-current liabilities					
Financial liabilities	15	18	18	18	18
Capital grants (deferred income)	16	-	1,462	-	-
Trade and other payables	14	1,235	4,488	-	-
		<u>1,253</u>	<u>5,968</u>	<u>18</u>	<u>18</u>
Current liabilities					
Financial liabilities	15	96,919	73,083	5,500	-
Trade and other payables	14	12,991	15,058	-	-
Deferred income		-	3,480	-	-
Contract liabilities		3,599	-	-	-
Capital grants (deferred income)	16	-	57	-	-
		<u>113,509</u>	<u>91,658</u>	<u>5,500</u>	<u>-</u>
Total liabilities		<u>114,762</u>	<u>97,626</u>	<u>5,518</u>	<u>18</u>
Net (liabilities)/assets		<u>(63,595)</u>	<u>(55,151)</u>	<u>3,500</u>	<u>3,500</u>
Capital and reserves					
Issued share capital	19	8,150	8,150	8,150	8,150
Share premium		10,081	10,081	10,081	10,081
Other reserves		(2,539)	(2,337)	-	-
Accumulated deficit		(79,287)	(71,045)	(14,731)	(14,731)
Total (deficit)/surplus		<u>(63,595)</u>	<u>(55,151)</u>	<u>3,500</u>	<u>3,500</u>

The financial statements were approved and authorised for issue by the Board of Directors on 29 December 2019



Chun Kong Yiu
Director

The notes on pages 14 to 38 form part of these financial statements.

Birmingham City PLC

Consolidated and Company statements of changes in equity for the year ended 30 June 2019

	Share capital and share premium £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total £000
Group					
At 1 July 2017	18,231	208	(2,539)	(33,678)	(17,778)
Total comprehensive loss for the year	-	-	-	(37,373)	(37,373)
Depreciation transfer	-	(6)	-	6	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 July 2018	18,231	202	(2,539)	(71,045)	(55,151)
Total comprehensive loss for the year	-	-	-	(8,444)	(8,444)
Depreciation transfer	-	(6)	-	6	-
Transfer*	-	(196)	-	196	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2019	18,231	-	(2,539)	(79,287)	(63,595)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

* 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.

	Share capital and share premium £000	Profit and loss account £000	Total £000
Company			
At 1 July 2017	18,231	(14,731)	3,500
Total comprehensive profit/(loss) for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 July 2018	18,231	(14,731)	3,500
Total comprehensive profit/(loss) for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 June 2019	18,231	(14,731)	3,500
	<hr/>	<hr/>	<hr/>

The notes on pages 14 to 38 form part of these financial statements.

Birmingham City PLC

Consolidated statement of cash flows for the year ended 30 June 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Loss for the year before taxation	(8,444)	(37,373)
Amortisation of intangible assets	7,562	7,639
Impairment of intangible assets	-	440
Profit on sale of players' registrations	(4,372)	(2,061)
Profit on disposal of property, plant and equipment	(17,189)	(3)
Depreciation on property, plant and equipment	888	882
Finance costs	549	1,059
Finance income	(71)	(181)
Amortisation of deferred grant	(52)	(57)
Decrease/(increase) in inventories	282	(107)
Decrease/(increase) in receivables	2,655	(1,259)
Increase in payables	1,327	2,248
Cash used in operations	(16,865)	(28,773)
Interest paid	(549)	(1,059)
Interest received	71	181
Cash used in operating activities	(17,343)	(29,651)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(402)	(562)
Proceeds from sale of property, plant and equipment	-	5
Acquisition of players registrations	(13,956)	(12,141)
Proceeds from sale of players registrations	7,151	2,926
Net cash used in investing activities	(7,207)	(9,772)
Cash flows from financing activities		
New loans	23,836	39,705
Capital repayment of finance leases	-	(2)
Net cash received from financing activities	23,836	39,703
Net (decrease)/increase in cash and cash equivalents	(714)	280
Cash and cash equivalents at the beginning of the year	3,579	3,299
Cash and cash equivalents at the end of the year	2,865	3,579

The company has had no transactions during the year and does not have its own bank account and as such no company cash flow statement is presented within these financial statements.

The notes on pages 14 to 38 form part of these financial statements.

Birmingham City PLC

Notes to the financial statements for the year ended 30 June 2019

1 Accounting policies

Background information

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

Basis of preparation

The financial statements of the group 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 group has prepared the financial statements on a going concern basis and the detailed going concern policy has been set out below.

The group financial statements consolidate those of the company and its subsidiaries. As permitted by the Companies Act 2006, the company statement of comprehensive income of Birmingham City Plc has not been presented in the financial statements. Its result for the year ended 30 June 2019 is £Nil (2018 - £Nil).

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £'000.

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.

Basis of preparation: going concern

The group 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 £96.9M has been provided by BSHL to the group, these amounts are shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £96.9M 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 December 2020 as part of the longer term forecasts prepared for the group. The forecasts show that BCFC needs additional funding of around £54.2M from BSHL for the period from July 2019 to December 2020.

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 PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

1 Accounting policies (continued)

Extracts from BSHL financial statements for the year ended 30 June 2019

The Group incurred a loss attributable to owners of the Company of HK\$360,927,000 for the year ended 30 June 2019 and as at 30 June 2019 the Group had net current liabilities of HK\$187,005,000. These conditions indicate 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 consolidated financial statements have been prepared on a going concern basis. 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 given that (i) the Company has entered into a loan facility agreement and a supplemental agreement with a controlling Shareholder, Trillion Trophy Asia Limited ("Trillion Trophy"), on 21 December 2016 and 21 December 2018 respectively, under which an unsecured revolving loan facility up to a maximum amount of HK\$250,000,000 has been granted to the Company ("Trillion Trophy Facility") ; (ii) the Company has unsecured loan facilities with aggregate amount of HK\$400,000,000 from third party lenders; and (iii) the financial support of the controlling Shareholder, at a level sufficient to finance the working capital requirements of the Group. The controlling Shareholder has agreed to provide adequate funds to the Group.

As at 30 June 2019, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$209,697,000. As at 30 June 2019, the Group had undrawn borrowing facilities of HK\$424,303,000 available to it.

On 14 May 2019, BCFC, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from BCFCs 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. Up to the date of approval of these financial statements, the management of BCFC are still in negotiation with the EFL on the possible disciplinary actions that might be imposed to the company and is not in a position to estimate the impact upon the group.

The group recorded a loss of approximately £8.4m for the year ended 30 June 2019, and net liabilities of approximately £63.6m as at 30 June 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group'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 group. The directors have considered the forecasts of the group carefully and also considered, with the directors of BSHL, the group's ability to obtain the funding that is required as shown by the forecasts. The directors do however remain in the view that the group 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 PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2019

1 Accounting policies (*continued*)

Accounting standards

Adoption of new and revised IFRSs

In the current year, the group 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 2018. The adoption of these new and revised IFRSs did not result in significant changes to the group's accounting policies.

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. No adjustment has been required from adopting IFRS 9.

In the current year, the group has applied IFRS 15 Revenue from contracts with customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the company's consolidated financial statements are described below. The group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 July 2018. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The group has not adopted the terminology used in IFRS 15 to describe such balances. The group's accounting policies for its revenue streams are disclosed in detail in note 1 below. Apart from providing more extensive disclosures for the company's revenue transactions, the application of IFRS 15 has not impacted on the financial position and/or financial performance of the group except as below:

Decrease in deferred income	(3,599,000)
Increase in contract liabilities	3,599,000

Standards that have been issued, but are not yet effective for the year ended 30 June 2019 include:

International Financial Reporting Standard issued but not yet EU approved –	Effective date (periods beginning on or after)
IFRS 9 Financial Instruments (2014)	None yet stated
IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9 & 7)	None yet stated
IFRS 16 Leases	1 Jan 2019
IFRS 17 Insurance Contracts	1 Jan 2021

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Directors anticipate that the application of IFRS 16 in the future may have an impact on the disclosures made in the company's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the company performs a detailed review.

The remaining IFRSs issued but not yet effective are not expected to have a significant impact upon the financial statements of the company.

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2019

1 Accounting policies (*continued*)

Basis of consolidation

Control exists where the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra group balances and intra group transactions are eliminated in preparing the consolidated financial statements.

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 Premier League broadcasting contracts are recognised on a time basis over the duration of the football season. 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 players' 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.

Property, plant and equipment

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

Depreciation is charged to the consolidated 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:

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 PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2019

1 Accounting policies (*continued*)

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.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

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 group are members of the Football League Limited Pensions and Life Assurance Scheme. The group does not make any contributions to this scheme. The assets and liabilities of the scheme are managed independently of the group 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.

Goodwill

Goodwill arising on acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is capitalised and amortised through the statement of comprehensive income over the directors estimate of its useful economic life.

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.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2019

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 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 consolidated 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.

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 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 9.

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 inventories 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.

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2019

1 Accounting policies *(continued)*

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 consolidated statement of financial position.

Contract liabilities/Deferred income

Contract liabilities/deferred income represented mainly the unrecognised income in relation to sponsorship and match receipts. During the year, the Group adopted IFRS 15 pursuant to which the deferred income as presented in prior year was reclassified as contract liabilities as at 1 July 2018.

Financial instruments

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

Financial assets

The group'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 consolidated statement of comprehensive income. There are no financial assets classified as fair value through statement of comprehensive income or as held to maturity or available for sale.

All financial assets are assessed for indicators of impairment at each consolidated 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 group'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 consolidated statement of comprehensive income using the effective interest method.

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 consolidated statement of comprehensive income.

Investments – interests in subsidiary undertakings

Investments in subsidiaries are shown at cost, less provision for impairment.

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2019

1 Accounting policies *(continued)*

Grants

Grants and donations received in respect of safety work and ground developments are credited to deferred capital grants and are released to the consolidated 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 consolidated statement of comprehensive income as the related expenditure is incurred.

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 consolidated 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 21 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 PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2019

2 Revenues

The group 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.

	2019 £000	2018 £000
Match receipts	5,160	5,057
Broadcasting	7,987	7,570
Other commercial income	10,178	6,482
	<u>23,325</u>	<u>19,109</u>

Revenue from contracts with customers recognised at a point in time

	2019 £000	2018 £000
Match receipts	2,336	2,259
Other commercial income	4,560	4,296
	<u>6,896</u>	<u>6,555</u>

Revenue from contracts with customers recognised over time

	2019 £000	2018 £000
Match receipts	2,824	2,798
Broadcasting	7,987	7,570
Other commercial income	3,975	630
	<u>14,786</u>	<u>10,998</u>

Revenue from other sources

	2019 £000	2018 £000
Other commercial income	<u>1,643</u>	<u>1,556</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 PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

3 Disposal of tangible fixed assets

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

	2019 £000	2018 £000
Proceeds	22,760	-
Net book value	(7,037)	-
Release of deferred capital grant	1,466	-
Profit on other disposals	-	3
	<u>17,189</u>	<u>3</u>

4 Operating loss

Operating loss is stated after charging/(crediting) the following:

	2019 £000	2018 £000
Amortisation of deferred capital grants	(52)	(57)
Depreciation of property, plant and equipment	888	882
Amortisation of intangible assets	7,562	7,639
Impairment loss on intangible assets	-	440
Profit on disposal of tangible fixed assets	(17,189)	(3)
Premises leased under operating leases	84	114
Equipment leased under operating leases	231	246
Grant income received	(690)	(730)
Gain on foreign exchange retranslation	(30)	-
	<u>3</u>	<u>3</u>
Audit of consolidated financial statements and parent company	3	3
Fees receivable by the auditors in respect of other services:		
Audit of subsidiaries pursuant to legislation	58	41
Other fees relating to taxation	4	4
Other non-audit services	15	-
	<u>80</u>	<u>48</u>

5 Staff costs

	2019 £000	2018 £000
Wages and salaries	29,000	34,750
Social security costs	3,663	3,733
Pension costs	87	75
	<u>32,750</u>	<u>38,558</u>

During the year the group also employed approximately 522 temporary staff on match days (2018 - 549), the cost of which is included in the staff costs above. The company has no employees or staff costs.

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2019

5 Staff costs *(continued)*

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

	2019	2018
Playing staff	92	107
Training staff	63	55
Training ground staff	10	11
Commercial and fund raising	35	35
Shop staff	5	6
Administration and other staff	47	43
	<u>252</u>	<u>257</u>

Key management compensation

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

	2019 £000	2018 £000
Remuneration for qualifying services	928	672
Pension costs	4	8
	<u>932</u>	<u>680</u>

The company has not paid any remuneration to directors or made any contributions to the directors personal pension arrangements in the current year (2018 - £Nil).

6 Finance income

	2019 £000	2018 £000
Bank interest receivable	-	11
Notional interest on transfer fee receivables due after one year	71	170
	<u>71</u>	<u>181</u>

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2019

7 Finance costs

	2019 £000	2018 £000
Other interest payable	3	-
Notional interest on transfer fee liabilities due after one year	546	1,059
	<u>549</u>	<u>1,059</u>

8 Taxation

	2019 £000	2018 £000
Corporation tax charge/(credit)	-	-
Total tax charge/(credit)	<u>-</u>	<u>-</u>

Factors affecting the tax charge/(credit) for the year:-

	2019 £000	2018 £000
<i>Tax reconciliation</i>		
Loss before taxation	(8,444)	(37,373)
Loss before taxation at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(1,604)	(7,101)
Expenses not deductible for tax purposes	4	8
Income not taxable	(289)	(11)
Depreciation in excess of capital allowances	69	64
Tax losses brought forward and used in the year	-	-
Tax losses carried forward	4,807	7,040
Profit on disposal not taxable	(2,987)	-
Total tax credit	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

As at 30 June 2019, the group has trading losses of £85,493,000 (2018 - £60,194,000) to carry forward and use against future trading profits. No deferred tax asset has been recognised in relation to these losses on the basis of uncertainty about future taxable profits.

The Finance Act 2016, which was passed on 15 September 2016, provided that the main UK corporation tax rate will be reduced to 17% from 1 April 2020.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

9 Intangible assets

	Goodwill £000	Players' registration £000	Total £000
<i>Cost</i>			
At 1 July 2017	35	14,900	14,935
Additions	-	15,413	15,413
Disposals	-	(4,185)	(4,185)
At 1 July 2018	35	26,128	26,163
Additions	-	7,448	7,448
Disposals	-	(8,186)	(8,186)
At 30 June 2019	35	25,390	25,425
<i>Amortisation/impairment</i>			
At 1 July 2017	35	3,783	3,818
Charge for the year	-	7,639	7,639
Impairment	-	440	440
Disposals	-	(2,127)	(2,127)
At 1 July 2018	35	9,735	9,770
Charge for the year	-	7,562	7,562
Disposals	-	(4,945)	(4,945)
At 30 June 2019	35	12,352	12,387
<i>Net book value</i>			
At 30 June 2019	-	13,038	13,038
At 30 June 2018	-	16,393	16,393

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 further provision is required, even in the circumstances of the clubs remaining in the same divisions for the 2020/2021 season.

The company has no intangible assets.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

10 Property, plant and equipment

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
<i>Cost</i>					
At 1 July 2017	13,137	4,173	7,190	404	24,904
Additions	-	-	501	61	562
Disposals	-	-	-	(23)	(23)
At 1 July 2018	13,137	4,173	7,691	442	25,443
Additions	-	17	357	28	402
Disposals	(13,137)	-	-	-	(13,137)
At 30 June 2019	-	4,190	8,048	470	12,708
<i>Depreciation</i>					
At 1 July 2017	5,572	1,366	6,214	298	13,450
Charge for the year	275	163	371	73	882
Disposals	-	-	-	(21)	(21)
At 1 July 2018	5,847	1,529	6,585	350	14,311
Charge for the year	252	164	403	69	888
Disposals	(6,099)	-	-	-	(6,099)
At 30 June 2019	-	1,693	6,988	419	9,100
<i>Net book value</i>					
At 30 June 2019	-	2,497	1,060	51	3,608
At 30 June 2018	7,290	2,644	1,106	92	11,132

The net book value of property, plant and equipment includes an amount of £Nil (2018 - £Nil) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £Nil (2018 - £Nil).

The company has no property, plant and equipment.

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2019

11 Investment in subsidiary undertaking

The company owns 100% of the preference and ordinary share capital of Birmingham City Football Club Plc, a company registered in England and Wales. The principal activity of the company continued to be that of a football club.

	£000
<i>Cost</i>	
As at 1 July 2018	3,518
Additions	5,500
	<hr/>
At 30 June 2019	9,018
	<hr/>

During the year the company subscribed to an additional 11,000,000 ordinary shares at par amounting to £5,500,000.

The directors note the circumstances detailed in note 1 but consider that it is appropriate to maintain the investment at the above value given their confidence in the continued operations of the football club and that the investment would have a realisable market value in excess of recorded cost in the event of a sale.

12 Inventories

	Group	
	2019 £000	2018 £000
Goods for resale	348	630
	<hr/>	<hr/>

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 £666,000 (2018 - £770,000).

The company has no inventory.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

13 Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
<i>Current assets</i>				
Trade receivables	5,251	3,454	-	-
Amounts owed by fellow group undertakings	22,760	-	-	-
Other receivables	1,024	1,409	-	-
Prepayments	1,452	3,770	-	-
	<u>30,487</u>	<u>8,633</u>	<u>-</u>	<u>-</u>
<i>Non-current assets</i>				
Trade receivables	-	461	-	-
Prepayments	821	1,647	-	-
	<u>821</u>	<u>2,108</u>	<u>-</u>	<u>-</u>

Included within trade receivables is £2,904,000 (2018 - £2,442,000) in respect of transfer fees receivable, of which £Nil (2018 - £461,000) is receivable after more than one year. Included within prepayments is £1,839,000 (2018 - £4,231,000) in respect of agent fees and signing on fees, of which £821,000 (2018 - £1,647,000) 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 44 days (2018 - 40 days).

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

	Group	
	2019 £000	2018 £000
30 – 90 days	370	213
90 – 120 days	107	55
120 – 180 days	172	53
180 days +	386	357
	<u>1,035</u>	<u>678</u>
Total	1,035	678

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

13 Trade and other receivables (continued)

Movement in bad and doubtful debt provisions

	Group	
	2019 £000	2018 £000
Balance brought forward	103	61
Amounts recovered	(5)	(11)
Written off	(28)	(31)
Amounts provided	97	84
	<hr/>	<hr/>
Balance carried forward	167	103
	<hr/>	<hr/>

The group 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 2019	Current	Less than 90 days past due	Over 90 days past due	Total
	£000	£000	£000	£000
Expected loss rate	-	-	20%	
Receivables amount	4,216	370	832	5,418
Loss allowance	-	-	(167)	(167)
Total	<hr/> 4,216	<hr/> 370	<hr/> 665	<hr/> 5,251
At 30 June 2018	Current	Less than 90 days past due	Over 90 days past due	Total
	£	£	£	£
Expected loss rate	-	-	18.1%	
Receivables amount	2,776	213	568	3,557
Loss allowance	-	-	(103)	(103)
	<hr/> 2,776	<hr/> 213	<hr/> 465	<hr/> 3,454

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

The company has no trade receivables.

Birmingham City PLC

Notes to the financial statements (*continued*)
for the year ended 30 June 2019

14 Trade and other payables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
<i>Current liabilities</i>				
Trade payables	7,373	11,027	-	-
Other payables	84	56	-	-
Taxation and social security	3,383	1,305	-	-
Accruals	2,151	2,670	-	-
	<u>12,991</u>	<u>15,058</u>	<u>-</u>	<u>-</u>
<i>Non-current liabilities</i>				
Trade payables	918	3,763	-	-
Accruals	317	725	-	-
	<u>1,235</u>	<u>4,488</u>	<u>-</u>	<u>-</u>

Included within total trade payables is £4,640,000 (2018 - £11,148,000) in respect of actual and probable transfer fees payable and agents fees payable of which £918,000 (2018 - £3,763,000) is due after more than one year. Included within accruals is £745,000 (2018 - £2,497,000) in respect of signing on fees payable, of which £317,000 (2018 - £725,000) is payable after more than one year.

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

	Group	
	2019 £000	2018 £000
0 – 30 days	2,886	3,517
30 – 90 days	3,173	998
90 - 180 days	253	141
180 days +	1,061	6,371
	<u>7,373</u>	<u>11,027</u>

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 76 days (2018 - 83 days).

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

15 Financial liabilities

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
<i>Current liabilities</i>				
Due to ultimate parent company	96,919	73,083	5,500	-
Total current liabilities	96,919	73,083	5,500	-
<i>Non-current liabilities</i>				
Preference shares (note 19)	18	18	18	18
	18	18	18	18
<i>Borrowings maturity:</i>				
Within one year	96,919	73,083	5,500	-
More than one year but not more than two years	-	-	-	-
More than two years but not more than five years	-	-	-	-
After five years	18	18	18	18
Total borrowings	96,937	73,101	5,518	18

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.

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 balance sheet date was £800,000 (2018 - £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 PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

16 Deferred capital grant

Included within liabilities is £Nil (2018 - £1,519,000) relating to a deferred capital grant of which £Nil (2018 - £1,462,000) is due after more than one year.

The grant is in respect of the substantial redevelopment of the stadium. The grant has been treated as a deferred capital grant and has been released due to the sale of the asset to which it relates.

17 Deferred taxation

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
At 1 July	-	-	-	-
Amount (charged)/credited to consolidated statement of comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Deferred taxation comprises:				
Depreciation in excess of capital allowances	45	54	-	-
Losses	16,045	11,451	-	-
Asset not recognised	(16,090)	(11,505)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The potential asset is based on a corporation tax rate of 19% (2018 - 19%). No deferred tax asset has been recognised at 30 June 2019 on the basis that future recoverability of such an asset is uncertain.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

18 Financial instruments

Capital risk management

The group manages its capital to ensure that the group will be able to continue as a going concern through the optimisation of the debt and equity balance. The capital structure of the group 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 group 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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
<i>Financial assets</i>				
Loans and receivables				
- cash and cash equivalents	2,816	3,579	-	-
- trade and other receivables (note 13)	31,308	10,741	-	-
	<u>34,124</u>	<u>14,320</u>	<u>-</u>	<u>-</u>
<i>Financial liabilities</i>				
Trade and other payables held at amortised cost	11,758	16,151	-	-
Borrowings at amortised cost (note 15)	96,937	73,101	5,518	18
	<u>108,695</u>	<u>89,252</u>	<u>5,518</u>	<u>18</u>

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

Financial risk management objectives

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

Where the group considers the impact arising from one or more of these risks to be potentially material to the group'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 group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Price risk

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

Foreign currency risk

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2019

18 Financial instruments (*continued*)

Credit risk

The group's principal financial assets are bank balances, cash and trade receivables. The group'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 group'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 group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The group's policy has been to ensure continuity of funding through operating within its banking facilities and to match borrowing against the useful life of assets purchased. 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 December 2020.

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

30 June 2019	Current within 1 year £000	Non-current 1 to 5 years £000	Over 5 years £000
Preference shares	-	-	18
Due to parent company	96,919	-	-
Trade and other payables and social security and taxes	10,840	918	-
	<hr/>	<hr/>	<hr/>
At 30 June 2019	107,759	918	18
	<hr/>	<hr/>	<hr/>
30 June 2018	Current within 1 year £000	Non-current 1 to 5 years £000	Over 5 years £000
Preference shares	-	-	18
Due to parent company	73,083	-	-
Trade and other payables and social security and taxes	12,388	3,763	-
	<hr/>	<hr/>	<hr/>
At 30 June 2018	85,471	3,763	18
	<hr/>	<hr/>	<hr/>

Interest rate sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the group's result for the year ended 30 June 2019 would not be materially affected.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2019

19 Share capital

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>				
81,505,000 Ordinary shares of 10p each	8,150	8,150	8,150	8,150
37,000 42% cumulative preference shares of 50p each	18	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
Reclassification to liabilities (note 15)	8,168 (18)	8,168 (18)	8,168 (18)	8,168 (18)
	<hr/>	<hr/>	<hr/>	<hr/>
	8,150	8,150	8,150	8,150
	<hr/>	<hr/>	<hr/>	<hr/>

No options were outstanding at either 30 June 2019 or 30 June 2018.

20 Notes to 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 £000	Other borrowings £000	Total £000
At 1 July 2017	33,378	20	33,398
Changes in cash flows	39,705	(2)	39,703
	<hr/>	<hr/>	<hr/>
At 30 June 2018	73,083	18	73,101
Changes in cash flows	23,836	-	23,836
	<hr/>	<hr/>	<hr/>
At 30 June 2019	96,919	18	96,937
	<hr/>	<hr/>	<hr/>

21 Related party transactions

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.

The key management for the group consider that Birmingham City Football Club Community Trust ("BCFCCT") is a related party of the group by the virtue of the group's significant influence.

The group recharges expenses to BCFCCT in relation to various day to day running costs, amounting to £184,000 (2018 - £120,000) and also provides financial support. At 30 June 2019, included within other debtors is an amount due to the company of £316,000 (2018 - £132,000).

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2019

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 2019. 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 £4,393,000 (2018 - £6,102,000). Since the year end and to the date of approval of these financial statements £25,000 of these amounts have crystallised.

23 Capital and other financial commitments

(a) Capital commitments

	Group	
	2019 £000	2018 £000
Contracted but not provided for in the financial statements	141	-

The company has no capital commitments.

(b) Lease commitments

The group and company had commitments under operating leases for plant and equipment and leasehold land at the training ground. The total future minimum lease payments are as follows:-

	Land & buildings		Other	
	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	1,334	84	105	101
Between two and five years	5,336	336	139	46
Over five years	31,174	6,258	-	-
	<u>37,844</u>	<u>6,678</u>	<u>244</u>	<u>147</u>

During the year the BCFC disposed of freehold land & buildings to a wholly owned subsidiary of Birmingham Sports Holdings Limited as disclosed in note 3. The directors received independent advice on the value of asset at the date of disposal. BCFC then entered into a lease agreement with Birmingham City Stadium Limited, the lease agreement is for a period of 25 years and for an annual rent of £1,250,000.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2019

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.

Merger reserve –

The merger reserve records the reserve created on the consolidation of the subsidiary with the parent company.

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 balance sheet date

On 14 May 2019, BCFC, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from BCFCs 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. Up to the date of approval of these financial statements, the management of BCFC are still in negotiation with the EFL on the possible disciplinary actions that might be imposed to the company and is not in a position to estimate the impact upon the group.

Transfers of player registrations subsequent to 30 June 2019, taking into account applicable costs, resulted in a net £5,560,000 (2018 - £2,428,000 payable by the group) payable to the group.

Additional costs subsequent to 30 June 2019 in respect of players impaired during the year have resulted in a net £Nil (2018 - £225,000) payable by the group.

26 Ultimate parent company and parent undertaking of a larger group

The immediate parent company is Birmingham Sports Holdings Limited, a company incorporated in the Cayman Islands and listed in Hong Kong.

The largest group in which the results of the company are consolidated is that headed by Birmingham Sports Holdings Limited. The consolidated accounts of this company are available to the public and may be obtained from the company registrar.