

# **Birmingham City Football Club PLC**

Annual report

For the year ended

30 June 2015

Company Number 00027318

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# **Birmingham City Football Club PLC**

## **Annual report and financial statements for the year ended 30 June 2015**

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### **Directors**

Peter Pannu - resigned 12 December 2014  
Yeung Tsz Tsung, Ryan - resigned 11 August 2015  
Ma, Shui Cheong  
Panagiotis Pavlakis

### **Registered office**

St Andrew's Stadium, Birmingham, B9 4RL

### **Company number**

00027318

### **Auditors**

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

### **Bankers**

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

# Birmingham City Football Club PLC

## Strategic report for the year ended 30 June 2015

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The directors present the strategic report and financial statements for the year ended 30 June 2015.

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

### Financial and operating review

The 2014/15 season started disappointingly with the club languishing in the bottom 3 places of the Championship. This prompted a change of manager in October 2014 with the appointment of Gary Rowett. Results and attendances immediately improved and had the new management team been in place for the full season the team would have been challenging for a playoff place. The players, football management team, staff and directors would all like to thank the fans for their loyal support.

The team finished a very creditable position of 10th in the Championship and the performances since November ensured the feel good factor returned to the Club.

It was also pleasing that the Academy maintained its category 2 status under the Elite Player Performance Plan and that a number of academy developed players continued to be involved in the first team squad. In addition, a new group of academy graduates signed on as professional contract players.

The club has further reduced its cost base which has resulted in a profit for the year. The directors would like to thank all employees for their efforts in this respect.

### Key performance indicators (KPIs)

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

		Year ended 30 June 2015	Year ended 30 June 2014
Revenue levels (football related and other)	£'000	<b>21,049</b>	20,086
Operating loss	£'000	<b>(543)</b>	(8,014)
Staff costs (player related and other)	£'000	<b>14,114</b>	20,058
Average attendance levels	No's	<b>16,111</b>	15,457

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

# Birmingham City Football Club PLC

## Strategic report for the year ended 30 June 2015 (*continued*)

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### Principal risks and uncertainties

#### Funding and going concern:

The company does not have an overdraft facility and meets its day to day funding requirements with support from the ultimate parent undertaking, Birmingham International Holdings Limited ("BIHL"). BIHL voluntarily applied for the appointment of Receivers on 16 February 2015 and three managing directors of Ernst & Young Transactions Limited were duly appointed at the same date.

At the balance sheet, date funding of £10.1M has been provided by BIHL and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from the receivers of BIHL that repayment of the £10.1M debt owed to BIHL will not require repayment within 12 months from the date of approval of these financial statements unless the company is able to do so.

The directors have prepared detailed cashflow forecasts for the period to 30 November 2016 as part of the longer term forecasts prepared for the company. The forecasts show that the company needs additional funding of around £3.9M in addition to the funding of £7.2M already committed by BIHL for the period from July 2015 to June 2016.

The Receivers of BIHL have indicated they expect that the group will have sufficient working capital to be able to advance funds for the company to meet its financial obligations as and when they fall due for the next twelve months. Further to this BIHL has on 26 June 2015 entered into a loan facility agreement with Trillion Trophy Asia Limited ("Trillion Trophy"), the ultimate beneficial owners of which are third parties independent of and not connected with either BIHL or the connected persons of BIHL.

As detailed in the announcement of BIHL dated 30 June 2015, Trillion Trophy agreed to grant a secured loan facility of up to a maximum amount of HK\$153m to BIHL for funding BIHL's operations and the operations of both Birmingham City Plc ("BCP") and Birmingham City Football Club Plc ("BCFC") pursuant to the loan facility agreement for a term of 18 months from the date of the agreement. The Receivers are of the opinion that the liquidity and the financial resources of the group are significantly enhanced since the loan facility has become available.

Reference is also made to the announcements of BIHL dated 8 April 2015, 8 May 2015, 8 June 2015, 25 June 2015, 30 June 2015, 30 July 2015 and 31 August 2015 in relation to the possible restructuring and continuous suspension of trading.

On 19 June 2015, the receivers executed an exclusivity agreement with Trillion Trophy. As at the date of the issue of the financial statements, the Receivers are negotiating with Trillion Trophy as a potential offeror of BIHL on its possible subscription and/or purchase of shares in BIHL and/or BCP, a 96.64% owned subsidiary of BIHL which owns the entire share capital of BCFC which in turn operates the professional football club in the UK.

Taking into consideration the funding needs of the group, the obligation to meet requirements of the English Football League and in order to maintain the operation of BCFC, the Receivers are considering raising additional funds by entering into further agreements with Trillion Trophy and/or by other means of fund-raising exercises. BIHL will issue further announcements setting out the progress of the possible restructuring as and when appropriate and necessary.

The directors have considered the forecasts of BCFC carefully and also considered, with the Receivers of BIHL, the company's ability to obtain the funding that is required as shown by the forecasts. The directors remain of the view that the company can obtain the required funding from BIHL and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

# Birmingham City Football Club PLC

## Strategic report for the year ended 30 June 2015 (*continued*)

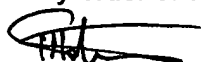
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### Principal risks and uncertainties (*continued*)

#### Deed of Novation and capital contribution

The directors note that Yeung Ka Sing, Carson, a significant shareholder in the ultimate parent company, was convicted in March 2014 of dealing with property known or believed to represent the proceeds of an indictable offence during the period 2001-2007. An approval was subsequently lodged with the Hong Kong Court of Appeal and while this was dismissed in May 2015, the Hong Kong Court of final Appeal granted Mr Yeung leave to appeal his conviction and released him on bail in August 2015. The directors have taken legal advice on the potential impact of the conviction on the novation of loans from Yeung Ka Sing, Carson given that a restraint order was placed on the assets of Mr Yeung prior to his conviction. The Hong Kong department of justice has been kept fully informed of the debt restructuring program of BIHL and the subsequent deed of novation and capital contribution to the company. The legal advice received is that any unwinding of the deed of novation and subsequent capital contribution is unlikely. The Hong Kong department of justice have confirmed that they have no objection to the debt restructuring program subject to proper shareholder and regulatory approval.

By order of the board



P Pavlakis  
Director

26 November 2015

# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2015

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The directors present their report together with the audited financial statements for the year ended 30 June 2015.

### Results and dividends

The profit and loss account is set out on page 9 and shows the profit 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:

Peter Pannu - resigned 12 December 2014  
Yeung Tsz Tsung, Ryan - resigned 11 August 2015  
Ma, Shui Cheong  
Panagiotis Pavlakis

### Financial instruments

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

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

The company's principal financial instruments comprise sterling cash and bank deposits, bank loans together with trade debtors and trade creditors that arise directly from its operations.

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

#### *Credit risk*

The company's principal financial assets are bank balances, cash, and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

#### *Liquidity risk*

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

#### *Interest rate risk*

The interest on bank loans is at market rate. The company's policy is to keep loans within defined limits, such that the risk that could arise from a change in interest rates would not have a significant impact on cash flows. Bank loans were repaid in full in June 2015.

# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2015 (*continued*)

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### Financial instruments (*continued*)

#### *Foreign currency risk*

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

### Employee involvement

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

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

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

### Environment

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

### Political contributions

During the year the company made political contributions of £Nil (2014 - £Nil).

### Statement of disclosure to auditors

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

### Auditors

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

# Birmingham City Football Club PLC

## Report of the directors for the year ended 30 June 2015 *(continued)*

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### Directors' responsibilities

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

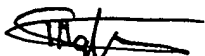
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By order of the board**



P Pavlakis  
**Director**

26 November 2015



# Birmingham City Football Club PLC

## Independent auditor's report

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

We have audited the financial statements of Birmingham City Football Club Plc for the year ended 30 June 2015 which comprise the primary statements such as the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### Respective responsibilities of directors and auditors

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

### Scope of the audit of the financial statements

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

### Basis of qualified opinion on financial statements

The directors have prepared the financial statements on the basis that the company is a going concern. In arriving at this conclusion the directors have received assurances from the ultimate parent undertaking that funds will be made available as and if the company requires them, based on cash flow forecasts prepared by the directors. The assurances received from the ultimate parent undertaking are subject to future events such as the resumption of trading of the ultimate parent's shares and availability of funds from third parties all of which is subject to shareholder approval. These conditions indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern

We have been unable to obtain sufficient appropriate audit evidence to confirm that these events will take place or if the funds will be available in due course

We consider that the material uncertainty has been adequately disclosed in the financial statements. However, in view of the extent of the uncertainty relating to the availability of future funding, we have qualified our opinion in respect of the material uncertainty relating to the going concern basis

# Birmingham City Football Club PLC

## Independent auditor's report (continued)

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### Qualified opinion on financial statements

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

- give a true and fair view of the state of the company's affairs as at 30 June 2015, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

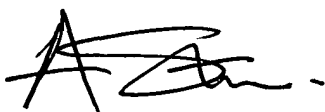
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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



Adrian Stevens FCCA (Senior Statutory Auditor)

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

26 November 2015

# Birmingham City Football Club PLC

## Profit and loss account for the year ended 30 June 2015

	Note	Club operations Year ended 30 June 2015 £	Player amortisation, impairment and trading costs Year ended 30 June 2015 £	Total Year ended 30 June 2015 £	Total Year ended 30 June 2014 £
<b>Turnover</b>	2	21,048,525	-	21,048,525	20,085,748
Other operating income	3	1,415,000	-	1,415,000	490,000
Operating expenses		(22,593,670)	(413,316)	(23,006,986)	(28,589,921)
<b>Operating loss</b>	3	(130,145)	(413,316)	(543,461)	(8,014,173)
Net profit on sale of players' registrations				1,879,833	3,391,500
<b>Profit/(loss) on ordinary activities before interest</b>				1,336,372	(4,622,673)
Interest receivable				11,052	11,233
Interest payable and similar charges	6			(4,488)	(888,964)
<b>Profit/(loss) on ordinary activities before taxation for the financial year</b>				1,342,936	(5,500,404)
Taxation	7			(4,457)	(1,800,000)
<b>Profit/(loss) on ordinary activities after taxation for the financial year</b>				1,338,479	(7,300,404)

All activities are derived from continuing operations.

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

# Birmingham City Football Club PLC

## Balance sheet at 30 June 2015

Company number 00027318

	Note	30 June 2015	30 June 2015	30 June 2014	30 June 2014
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	8		376,098		244,316
Tangible assets	9		11,638,414		12,447,908
			<u>12,014,512</u>		<u>12,692,224</u>
<b>Current assets</b>					
Stocks	10	131,481		126,333	
Debtors - due within one year	11	3,857,901		3,155,616	
Debtors - due after more than one year	11	51,122		101,064	
		<u>3,909,023</u>		<u>3,256,680</u>	
Total debtors					
Cash at bank and in hand		4,551,341		4,604,406	
		<u>8,591,845</u>		<u>7,987,419</u>	
<b>Creditors: amounts falling due within one year</b>	12	(17,030,509)		(18,299,074)	
		<u></u>		<u></u>	
<b>Net current liabilities</b>			(8,438,664)		(10,311,655)
			<u></u>		<u></u>
<b>Total assets less current liabilities</b>			3,575,848		2,380,569
			<u></u>		<u></u>
<b>Creditors: amounts falling due after more than one year</b>	13		(1,702,324)		(1,845,524)
			<u></u>		<u></u>
<b>Net assets</b>			1,873,524		535,045
			<u></u>		<u></u>

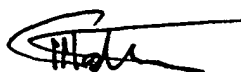
The notes on pages 12 to 29 form part of these financial statements.

# Birmingham City Football Club PLC

## Balance sheet at 30 June 2015 (*continued*)

	Note	30 June 2015 £	30 June 2015 £	30 June 2014 £	30 June 2014 £
<b>Capital and reserves</b>					
Called up share capital	15		752,838		752,838
Share premium account	16		207,096		207,096
Revaluation reserve	16		220,725		226,980
Capital redemption reserve	16		750		750
Other reserves	16		14,731,066		14,731,066
Profit and loss account	16		(14,038,951)		(15,383,685)
<b>Shareholders' funds</b>	17		<b>1,873,524</b>		<b>535,045</b>

The financial statements were approved by the board of directors and authorised for issue on 26 November 2015



P Pavlakis  
Director

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

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015

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### 1 Accounting policies

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

*Basis of preparation: going concern*

The company does not have an overdraft facility and meets its day to day funding requirements with support from the ultimate parent undertaking, Birmingham International Holdings Limited ("BIHL"). BIHL voluntarily applied for the appointment of Receivers on 16 February 2015 and three managing directors of Ernst & Young Transactions Limited were duly appointed at the same date.

At the balance sheet date, funding of £10.1M has been provided by BIHL and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from the receivers of BIHL that repayment of the £10.1M debt owed to BIHL will not require repayment within 12 months from the date of approval of these financial statements unless the company is able to do so.

The directors have prepared detailed cashflow forecasts for the period to 30 November 2015 as part of the longer term forecasts prepared for the company. The forecasts show that the company needs additional funding of around £3.9M in addition to the funding of £7.2M already committed by BIHL for the period from July 2015 to June 2016.

The Receivers of BIHL have indicated they expect that the group will have sufficient working capital to be able to advance funds for the company to meet its financial obligations as and when they fall due for the next twelve months. Further to this BIHL has on 26 June 2015 entered into a loan facility agreement with Trillion Trophy Asia Limited ("Trillion Trophy"), the ultimate beneficial owners of which are third parties independent of and not connected with either BIHL or the connected persons of BIHL.

As detailed in the announcement of BIHL dated 30 June 2015, Trillion Trophy agreed to grant a secured loan facility of up to a maximum amount of HK\$153m to BIHL for funding BIHL's operations and the operations of both Birmingham City Plc ("BCP") and Birmingham City Football Club Plc ("BCFC") pursuant to the loan facility agreement for a term of 18 months from the date of the agreement. The Receivers are of the opinion that the liquidity and the financial resources of the Group are significantly enhanced since the loan facility has become available.

Reference is also made to the announcements of BIHL dated 8 April 2015, 8 May 2015, 8 June 2015, 25 June 2015, 30 June 2015, 30 July 2015 and 31 August 2015 in relation to the possible restructuring and continuous suspension of trading.

On 19 June 2015, the receivers executed an exclusivity agreement with Trillion Trophy. As at the date of the issue of the financial statements, the Receivers are negotiating with Trillion Trophy as a potential offeror of BIHL on its possible subscription and/or purchase of shares in BIHL and/or BCP, a 96.64% owned subsidiary of BIHL which owns the entire share capital of BCFC which in turn operates the professional football club in the UK.

Taking into consideration the funding needs of the Group, the obligation to meet requirements of the English Football League and in order to maintain the operation of BCFC, the Receivers are considering raising additional funds by entering into further agreements with Trillion Trophy and/or by other means of fund-raising exercises. BIHL will issue further announcements setting out the progress of the possible restructuring as and when appropriate and necessary.

The directors have considered the forecasts of BCFC carefully and also considered, with the Receivers of BIHL, the company's ability to obtain the funding that is required as shown by the forecasts. The directors remain of the view that the company can obtain the required funding from BIHL and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

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### 1 Accounting policies (continued)

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

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

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

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

*The following principal accounting policies have been applied:*

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

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

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

#### *Fixed assets: depreciation*

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

Freehold property	- between 10 and 50 years
Long leasehold property improvements	- shorter of the lease or between 10 and 50 years
Motor vehicles	- 5 years
Fixtures and equipment	- between 3 and 5 years

Freehold land and assets under the course of construction are not depreciated.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Intangible fixed assets: cost and amortisation of acquired players' registrations*

The costs associated with the acquisition of players' registrations are initially recorded at their fair value at the date of acquisition. These costs are fully amortised over the period of the respective players' contracts, being between 1 and 5 years. A provision is made in accruals, for additional payments where in management's opinion, the Club or player is likely to achieve the requirements for these additional payments. Where the outcome of these requirements is uncertain, additional payments are not made as a provision but the maximum amount payable is disclosed as a contingent liability (note 18). Agent fees incurred relating to services provided to the Club are capitalised as part of intangible assets.

Agent fees incurred in relation to services provided to the player but paid on their behalf by the Club are treated as a prepayment and unwound over a period to match the length of the player's contract. This release is to the wages and salaries cost within the profit and loss account rather than to player amortisation.

Amortisation of the costs of player registrations is charged to the profit and loss account on a straight-line basis over the contract life of each individual player.

#### *Impairment of intangible and tangible fixed assets*

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

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

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



# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Signing on fees*

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

#### *Stocks*

Stocks are recorded at the lower of cost and net realisable value. Cost is based on the expenditure incurred in acquiring the stocks and bringing them to their existing location and condition. Net realisable value is based on the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Grants*

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

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that: deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Turnover*

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

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

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

(iii) Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate, based on the terms of the contract.

(iv) Catering revenues are recognised on an earned basis.

(v) Revenue from the sale of branded products is recognised at the point of delivery when significant risks and rewards of ownership are deemed to have been transferred to the buyer.

(vi) Sales of player's registrations are recorded at the date of signing of the contract for sale. Any costs incurred directly related to the sale are written off against profit on sale of player registrations as incurred. Contingent fees are only recognised upon the crystallisation of the contingent event.

#### *Pension costs*

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

#### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

#### *Loyalty and other incentives*

The cost of loyalty and other incentives is part of the fair value of the consideration received, 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.

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2015 (continued)

## 2 Turnover

	Year Ended 30 June 2015 £	Year Ended 30 June 2014 £
Analysis by class of business:		
Match receipts	3,976,420	3,591,096
Broadcasting	12,408,289	11,982,515
Other commercial income	4,663,816	4,512,137
	<hr/>	<hr/>
	21,048,525	20,085,748
	<hr/>	<hr/>

Turnover arises solely within the United Kingdom.

## 3 Operating loss

	Year Ended 30 June 2015 £	Year ended 30 June 2014 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	1,089,031	827,696
Amortisation of intangible fixed assets	413,316	379,644
Profit on disposal of tangible fixed assets	(22,303)	(18,215)
Amortisation of deferred capital grants	(56,969)	(56,969)
Auditors' remuneration:		
- fees payable to the company's auditor for the audit of the company's annual accounts	40,000	35,000
- taxation services	4,000	5,000
Equipment leased under operating leases	203,658	222,352
Premises leased under operating leases	84,000	119,000
Grant income received	(500,000)	(490,000)
<b>Exceptional items</b>		
Proceeds from insurance claims	(915,000)	-
	<hr/>	<hr/>

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2015 (*continued*)

## 4 Employees

Staff costs (including directors) consist of:

	Year Ended 30 June 2015 £	Year ended 30 June 2014 £
Wages and salaries	12,790,552	18,030,361
Social security costs	1,323,436	2,027,221
	<hr/>	<hr/>
	14,113,988	20,057,582
	<hr/>	<hr/>

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

	Year Ended 30 June 2015 Number	Year ended 30 June 2014 Number
Playing staff	57	50
Training staff	50	45
Training ground staff	10	10
Commercial and fund raising staff	25	23
Shop staff	4	4
Administration and other staff	34	37
	<hr/>	<hr/>
	180	169
	<hr/>	<hr/>

During the year ended 30 June 2015, the company also employed approximately 473 temporary staff on match days (2014 - 505).

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2015 (*continued*)

## 5 Directors' remuneration

	Year Ended 30 June 2015 £	Year ended 30 June 2014 £
Directors' emoluments	-	223,721

The company has not made any contributions to directors' personal pension arrangements in the year (2014 - £Nil).

## 6 Interest payable and similar charges

	Year Ended 30 June 2015 £	Year ended 30 June 2014 £
Bank interest payable	1,882	4,232
On finance lease agreements	2,606	4,578
Other interest payable	-	620
Interest on other loans	-	879,534
	<b>4,488</b>	<b>888,964</b>

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2015 (continued)

## 7 Taxation on profit/(loss) on ordinary activities

	Year Ended 30 June 2015 £	Year ended 30 June 2014 £
<b>Domestic current year tax</b>		
UK corporation tax	2,210	1,800,000
Adjustment in respect of previous years	2,247	-
	<hr/>	<hr/>
Total current tax	4,457	1,800,000
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
<b>Total taxation on profit/(loss) on ordinary activities</b>	4,457	1,800,000
	<hr/>	<hr/>

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

	Year Ended 30 June 2015 £	Year ended 30 June 2014 £
Profit/(loss) on ordinary activities before tax	1,342,936	(5,500,404)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20% (2014 - 23%)	268,587	(1,265,093)
Effect of:		
Expenses not deductible for tax purposes	(4,459)	10,859
Depreciation in excess of capital allowances	87,345	19,194
Adjustment in respect of previous years	2,247	-
Tax losses brought forward and used in the year	(349,263)	-
Interest not deductible for tax purposes	-	88,791
Accrued interest written back not taxable	-	(598,348)
Capital contribution	-	3,544,597
	<hr/>	<hr/>
Current tax charge for the year	4,457	1,800,000
	<hr/>	<hr/>

### Factors affecting future tax charges

At 30 June 2015, the company has trading losses of £2,064,400 (2014 - £3,810,715) 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  
for the year ended 30 June 2015 (*continued*)

## 8 Intangible fixed assets

	<b>Players' Registrations £</b>
<i>Cost</i>	
At 1 July 2014	518,365
Additions	554,265
Disposals	(20,000)
	<hr/>
At 30 June 2015	<b>1,052,630</b>
	<hr/>
<i>Amortisation</i>	
At 1 July 2014	274,049
Provided for the year	413,316
Disposals	(10,833)
	<hr/>
At 30 June 2015	<b>676,532</b>
	<hr/>
<i>Net book value</i>	
At 30 June 2015	<b>376,098</b>
	<hr/>
At 30 June 2014	244,316
	<hr/>

Any players whom the Club do not consider to be a long term part of the First Team squad and who will therefore not contribute to future cash flows earned by the Club are assessed for impairment by considering the carrying value with the Club's best estimate of fair value (being post year-end sales proceeds or expected sales proceeds) less costs to sell. The directors are satisfied that no provision is required, even in the circumstances of the Club remaining in the Football League Championship for the 2015/2016 season.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (*continued*)

### 9 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>					
At 1 July 2014	13,136,376	4,058,086	321,897	5,998,088	23,514,447
Additions	-	44,082	119,390	116,065	279,537
Disposals	-	-	(71,848)	-	(71,848)
At 30 June 2015	<b>13,136,376</b>	<b>4,102,168</b>	<b>369,439</b>	<b>6,114,153</b>	<b>23,722,136</b>
<i>Depreciation</i>					
At 1 July 2014	4,682,833	615,522	263,160	5,505,024	11,066,539
Provided for the year	338,027	337,774	41,164	372,066	1,089,031
Disposals	-	-	(71,848)	-	(71,848)
At 30 June 2015	<b>5,020,860</b>	<b>953,296</b>	<b>232,476</b>	<b>5,877,090</b>	<b>12,083,722</b>
<i>Net book value</i>					
At 30 June 2015	<b>8,115,516</b>	<b>3,148,872</b>	<b>136,963</b>	<b>237,063</b>	<b>11,638,414</b>
At 30 June 2014	8,453,543	3,442,564	58,737	493,064	12,447,908

The net book value of tangible fixed assets includes an amount of £70,300 (2014 – £Nil) in respect of assets held under finance leases. The related depreciation charge on these assets for the year was £14,060 (2014 - £30,127).

During the year, the useful economic lives of all tangible fixed assets were reviewed by management and revised where they concluded that current expectations were different from previous estimates. Where revisions were made, the carrying values at the date of this revision were depreciated over the revised remaining useful economic lives. This review resulted in an additional charge to depreciation of £326,248 for the year ended 30 June 2015.



# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

### 9 Tangible fixed assets (continued)

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

	30 June 2015 £	30 June 2014 £
Cost and valuation 1991	1,153,807	1,153,807
Additions at cost 1991 to 2015	11,982,569	11,982,569
	<u>13,136,376</u>	<u>13,136,376</u>

The freehold buildings occupied by the company were revalued on an existing use basis by Messrs Chesterton's, Chartered Surveyors.

The historical cost of freehold land and buildings is:

	30 June 2015 £	30 June 2014 £
Cost	12,823,650	12,823,650
Accumulated depreciation based on historical cost	(4,928,859)	(4,597,087)
	<u>7,894,791</u>	<u>8,226,563</u>

It is not the company's intention to revalue the freehold property on an ongoing basis and the existing 1991 valuation has been rolled forward as permitted under the transitional provisions of FRS15.

### 10 Stocks

	30 June 2015 £	30 June 2014 £
Goods for resale	131,481	126,333

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2015 (continued)

## 11 Debtors

	30 June 2015 £	30 June 2014 £
<b>Amounts receivable within one year</b>		
Trade debtors	1,215,754	807,192
Other debtors	1,735,959	1,438,712
Prepayments and accrued income	906,188	909,712
	<b>3,857,901</b>	<b>3,155,616</b>
<b>Amounts receivable after more than one year</b>		
Prepayments and accrued income	51,122	101,064
	<b>3,909,023</b>	<b>3,256,680</b>

Included within trade debtors is £600,000 (2014 - £300,000) in respect of transfer fees receivable, of which £Nil (2014 - £Nil) is receivable after more than one year. Included within prepayments is £249,682 (2014 - £341,808) in respect of agent fees and signing on fees, of which £51,122 (2014 - £101,064) is receivable after more than one year.

## 12 Creditors: amounts falling due within one year

	30 June 2015 £	30 June 2014 £
Bank loans and overdrafts	-	112,692
Other loans	-	5,384,658
Amounts owed to ultimate parent company	10,080,673	6,175,918
Obligations under finance leases	24,936	-
Trade creditors	1,821,048	1,515,918
Taxation and social security	685,262	1,048,799
Corporation tax	1,802,210	1,800,000
Other creditors	4,236	5,073
Accruals	657,402	494,235
Deferred income	1,897,773	1,704,812
Grants	56,969	56,969
	<b>17,030,509</b>	<b>18,299,074</b>

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

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

Amounts owed to the ultimate parent company are unsecured. As part of a funding agreement entered into by the ultimate parent company with Trillion Trophy Asia Limited ("Trillion Trophy"), Trillion Trophy has taken a charge over the freehold land & buildings of the company. The maximum amount of funding that is secured and can be drawn down by the ultimate parent company is HK\$163M. As part of this funding arrangement the company's bank loan was repaid in full and subsequent to the year end the bank's security over the freehold land and buildings was released

The company's bankers have taken a new 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

The directors have received formal confirmation from the ultimate parent company that, given the financial position of the Club, the amounts due to the ultimate parent company will remain in place for at least 12 months from the date of approval of these financial statements. However, as the amounts shown as payable to the ultimate parent company were advanced without formal documentation and there are no written terms for repayment, these amounts are considered technically repayable on demand. On this basis and given other factors connected to the funding arrangements of the Club the directors consider that these amounts payable should be recorded as being due in less than one year.

Included in other loans is £Nil (2014 - £5,384,658) in respect of a receivables discounting arrangement which is secured by way of specific charges against the Club's future income streams.

Included within trade creditors is £343,538 (2014 - £288,077) in respect of transfer fees payable and agent's fees payable, of which £4,290 (2014 - £53,355) is payable after more than one year. Included within accruals is £96,000 (2014 - £176,000) in respect of signing on fees payable, of which £20,000 (2014 - £39,500) is payable after more than one year.

Obligations under finance leases are secured over the assets to which they relate.

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

	30 June 2015 £	30 June 2014 £
Bank loans (note 12)	-	44,680
Trade creditors (note 12)	4,290	53,355
Obligations under finance leases	27,015	-
Preference shares	18,500	18,500
Accruals	20,000	39,500
Grants	1,632,519	1,689,489
	<b>1,702,324</b>	<b>1,845,524</b>

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2015 (*continued*)

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

Maturity of debt:

	Loans and overdrafts 30 June 2015 £	Loans and overdrafts 30 June 2014 £	Finance leases 30 June 2015 £	Finance leases 30 June 2014 £
In one year or less, or on demand	<b>10,080,673</b>	11,673,268	<b>24,936</b>	-
In more than one year but not more than two years	-	44,680	<b>27,015</b>	-
In more than two years but not more than five years	-	-	-	-
	<b>-</b>	<b>44,680</b>	<b>27,015</b>	<b>-</b>

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

## 14 Deferred taxation

	Provided 2015 £	Provided 2014 £	Unprovided 2015 £	Unprovided 2014 £
Excess of depreciation over capital allowances	-	-	<b>175,586</b>	226,517
Losses	-	-	<b>412,880</b>	800,250

The potential asset and provision are based on a corporation tax rate of 20% (2014 - 21%). No deferred tax asset has been recognised at 30 June 2015 on the basis that future recoverability of such an asset is uncertain.

# Birmingham City Football Club PLC

Notes forming part of the financial statements  
for the year ended 30 June 2015 (*continued*)

## 15 Share capital

	30 June 2015 £	30 June 2014 £
<i>Allotted, called up and fully paid</i>		
1,505,676 Ordinary shares of 50p each	752,838	752,838

## 16 Reserves

	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss account £
At 1 July 2014	207,096	226,980	750	14,731,066	(15,383,685)
Profit for the year	-	-	-	-	1,338,479
Depreciation transfer	-	(6,255)	-	-	6,255
At 30 June 2015	207,096	220,725	750	14,731,066	14,038,951

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

## 17 Reconciliation of movements in shareholders' deficit

	30 June 2015 £	30 June 2014 £
Profit/(loss) for the year	1,338,479	(7,300,404)
Capital contribution	-	15,411,293
Opening shareholders' funds/(deficit)	535,045	(7,575,844)
Closing shareholders' funds	1,873,524	535,045

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

### 18 Contingent liabilities

Under the terms of certain contracts with players and other football clubs, additional amounts would become payable if certain specific conditions arise after 30 June 2015. 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 £765,000 (2014 - £1,185,000). Since the year end and to the date of approval of these financial statements, £Nil of these amounts have crystallised.

### 19 Commitments under operating leases

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

	Land and buildings 30 June 2015 £	Other 30 June 2015 £	Land and buildings 30 June 2014 £	Other 30 June 2014 £
Operating leases which expire:				
Within one year	-	73,603	-	30,535
In two to five years	-	86,654	-	134,436
After five years	84,000	-	84,000	-
	<u>84,000</u>	<u>160,257</u>	<u>84,000</u>	<u>164,971</u>

### 20 Capital commitments

	30 June 2015 £	30 June 2014 £
At 30 June 2015 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	-	-

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2015 (*continued*)

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### 21 Related party disclosures

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

Mr Pannu is a director and major shareholder of Birmingham City Ladies Football Club Limited. Given the commitments required to ensure the ladies team continues to qualify for entry into The FA Women's Super League, during the year the Club incurred costs on behalf of Birmingham City Ladies Football Club Limited amounting to £140,324 (2014 - £113,207). The Club has agreed to an annual commitment up to £150,000 in the 2015 ladies season. At the balance sheet date there were no amounts payable to, or receivable from, Birmingham City Ladies Football Club Limited.

### 22 Post balance sheet events

Transfers of player registrations subsequent to 30 June 2015 resulted in a net £Nil (2014 - £1,251,500) receivable to the Club.

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

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