

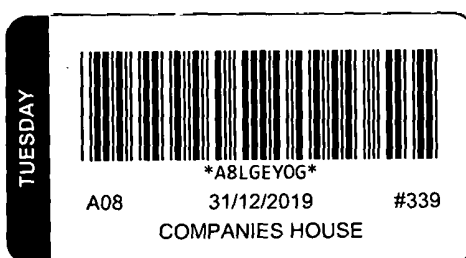
**Birmingham City Football  
Club PLC**

Annual report

For the year ended

30 June 2019

Company Number 00027318



# **Birmingham City Football Club PLC**

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

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## **Directors**

Gannan Zheng  
Wenqing Zhao  
Chun Kong Yiu  
Yao Wang  
Xuandong Ren

## **Registered office**

St Andrew's Stadium, Birmingham, B9 4RL

## **Company number**

00027318

## **Auditors**

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

## **Bankers**

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

# Birmingham City Football Club PLC

## Strategic report for the year ended 30 June 2019

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

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

### Financial and operating review

The loss for the year before tax decreased to £8.2m (2018 - £37.5m) primarily as a result of the sale of the companies freehold land and buildings and player sales during the year.

For the eighth consecutive year the Club 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 company. The main key performance indicators employed in the company are:

		2019	2018
Revenue levels (football related and other)	£'000	23,007	18,778
Loss from operations	£'000	7,684	36,583
Staff costs (player related and other)	£'000	32,151	37,989
Average attendance levels	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 Company's budget and the Company's primary internal performance measure is against budgets.

# Birmingham City Football Club PLC

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

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## Principal risks and uncertainties

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

## Funding and going concern:

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

At the balance sheet date funding of £91.4M has been provided by BSHL to Birmingham City Football Club Plc ("BCFC") and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £91.4M 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 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 Football Club PLC

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

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## Profitability & Sustainability Rules

On 14 August 2018, the Club, 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 which exceeded the upper loss threshold and the loss of the Club in season 2017/18 which 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, the Club, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from the clubs 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 the Club are still in negotiation with the EFL on the possible disciplinary actions that might be imposed to the Club and is not in a position to estimate the impact upon the Club, 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 Club has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Club, and there was no material breach of or noncompliance with the applicable laws and regulations by the Club.

By order of the board

  
Xuandong Ren  
Director

29 December 2019

# **Birmingham City Football Club PLC**

## **Report of the directors' for the year ended 30 June 2019**

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

### **Results and dividends**

The statement of comprehensive income is set out on page 11 and shows the loss for the year.

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

### **Directors**

The directors of the company during the year were:

Gannan Zheng  
Wenqing Zhao  
Chun Kong Yiu  
Yao Wang  
Xuandong Ren

### **Financial instruments**

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

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

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

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

#### *Credit risk*

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

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

#### *Liquidity risk*

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

#### *Foreign currency risk*

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

# **Birmingham City Football Club PLC**

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

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### **Employee involvement**

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

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

### **Disabled Persons**

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

### **Environment**

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

### **Events after the statement of financial position date**

On 14 May 2019, the Club, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from the clubs 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 the Club are still in negotiation with the EFL on the possible disciplinary actions that might be imposed to the Club and is not in a position to estimate the impact upon the Club.

Transfers of player registrations subsequent to 30 June 2019, taking into account applicable costs, resulted in a net £5,559,968 (2018 - £2,428,379 payable by the club) payable to the Club.

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 Club.

# Birmingham City Football Club PLC

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

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## Statement of disclosure to auditors

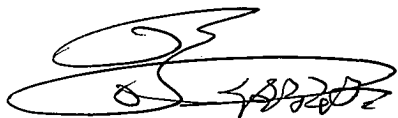
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish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

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## Auditors

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

## By order of the board



Xuandong Ren  
Director

29 December 2019

# **Birmingham City Football Club PLC**

## **Directors' responsibilities statement for the year ended 30 June 2019**

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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 International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

# Birmingham City Football Club PLC

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

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### Opinion

We have audited the financial statements of Birmingham City Football Club Plc ("the company") for the year ended 30 June 2019 which comprise the primary statements such as the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019, and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the company incurred a net loss of £8.2m during the year ended 30 June 2019 and, as of that date, the company's current liabilities exceeded the total assets by £56.6m and its total liabilities exceeded total assets by £57.9m. 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 company's ability to continue as a going concern. We also draw your attention to note 26 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 Football Club PLC**

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

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### **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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

# Birmingham City Football Club PLC

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

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### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

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



Adrian Stevens FCCA (Senior Statutory Auditor)

Date 30 DECEMBER 2019

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

# Birmingham City Football Club PLC

## Statement of comprehensive income for the year ended 30 June 2019

	Note	Club operations 2019	Player amortisation impairment and trading costs 2019	Total 2019	Total 2018
Continuing operations		£	£	£	£
Revenue	2	23,006,730	-	23,006,730	18,777,556
Operating expenses		(45,384,363)	(7,548,605)	(52,932,968)	(58,080,584)
Other operating income		690,000	-	690,000	730,000
<b>Operating loss</b>	4	(21,687,633)	(7,548,605)	(29,236,238)	(38,573,028)
Profit on disposal of tangible fixed assets	3			17,188,766	2,861
Net profit on sale of players' registrations				4,363,629	1,987,527
<b>Loss from operations</b>				(7,683,843)	(36,582,640)
Finance income	6			71,176	180,600
Finance costs	7			(548,511)	(1,059,263)
<b>Loss before taxation</b>				(8,161,178)	(37,461,303)
Taxation	8			-	-
<b>Total comprehensive loss attributable to equity shareholders</b>				(8,161,178)	(37,461,303)

All activities are derived from continuing operations.

The notes on pages 16 to 42 form part of these financial statements.

# Birmingham City Football Club PLC

## Statement of financial position at 30 June 2019

Company number 00027318

	Note	2019 £	2018 £
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	9	1	1
Intangible assets	10	13,023,952	16,389,942
Property, plant and equipment	11	3,606,485	11,126,445
Trade and other receivables	13	821,011	2,108,156
		<u>17,451,449</u>	<u>29,624,544</u>
<b>Current assets</b>			
Inventories	12	347,067	630,479
Trade and other receivables	13	30,442,230	8,496,519
Cash at bank and in hand		2,816,367	3,565,152
		<u>33,605,664</u>	<u>12,692,150</u>
<b>Total assets</b>		<u>51,057,113</u>	<u>42,316,694</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities	15	18,500	18,500
Trade and other payables	14	1,234,612	4,487,851
Capital grants (deferred income)	16	-	1,461,612
		<u>1,253,112</u>	<u>5,967,963</u>
<b>Current liabilities</b>			
Financial liabilities	15	91,419,333	73,083,086
Trade and other payables	14	12,685,879	14,987,714
Deferred income		-	3,460,291
Contract liabilities		3,599,295	-
Capital grants (deferred income)	16	-	56,968
		<u>107,704,507</u>	<u>91,588,059</u>
<b>Total liabilities</b>		<u>108,957,619</u>	<u>97,556,022</u>
<b>Net liabilities</b>		<u>(57,900,506)</u>	<u>(55,239,328)</u>


# Birmingham City Football Club PLC

## Statement of financial position (continued) at 30 June 2019

Company number 00027318

	Note	2019 £	2018 £
<b>Capital and reserves</b>			
Issued share capital	20	6,252,838	752,838
Share premium		207,096	207,096
Revaluation reserve		-	201,960
Capital redemption reserve		750	750
Other reserves		14,731,066	14,731,066
Accumulated deficit		(79,092,256)	(71,133,038)
<b>Total deficit</b>		<u>(57,900,506)</u>	<u>(55,239,328)</u>

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

  
Xuandong Ren  
Director

The notes on pages 16 to 42 form part of these financial statements.

# Birmingham City Football Club PLC

## Statement of changes in equity for the year ended 30 June 2019

	Share capital and share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 July 2017	959,934	208,215	750	14,731,066	(33,677,990)	(17,778,025)
Total comprehensive loss for the year	-	-	-	-	(37,461,303)	(37,461,303)
Depreciation transfer	-	(6,255)	-	-	6,255	-
At 1 July 2018	959,934	201,960	750	14,731,066	(71,133,038)	(55,239,328)
Total comprehensive loss for the year	-	-	-	-	(8,161,178)	(8,161,178)
Depreciation transfer	-	(5,734)	-	-	5,734	-
Transfer*	-	(196,226)	-	-	196,226	-
Issue of Share Capital	5,500,000	-	-	-	-	5,500,000
At 30 June 2019	6,459,934	-	750	14,731,066	(79,092,256)	(57,900,506)

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

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

The notes on pages 16 to 42 form part of these financial statements.

# Birmingham City Football Club PLC

## Statement of cash flows for the year ended 30 June 2019

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Loss for the year before taxation	(8,161,178)	(37,461,303)
Amortisation of intangible assets	7,548,605	7,625,731
Impairment of intangible assets	-	440,781
Profit on sale of players' registrations	(4,363,629)	(1,987,527)
Profit on disposal of property, plant and equipment	(17,188,766)	(2,861)
Depreciation on property, plant and equipment	884,414	878,165
Finance costs	548,511	1,059,263
Finance income	(71,176)	(180,600)
Amortisation of deferred grant	(52,223)	(56,970)
Decrease/(increase) in inventories	283,412	(124,300)
Decrease/(increase) in receivables	2,624,045	(1,229,853)
Increase in payables	1,091,611	2,285,928
<b>Cash used in operations</b>	<b>(16,856,374)</b>	<b>(28,753,546)</b>
Interest paid	(548,511)	(1,059,263)
Interest received	71,176	180,600
<b>Cash used in operating activities</b>	<b>(17,333,709)</b>	<b>(29,632,209)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(402,045)	(560,932)
Proceeds from sale of property, plant and equipment	-	5,538
Acquisition of players' registrations	(13,931,742)	(12,133,443)
Proceeds from sale of players' registrations	7,082,464	2,913,018
<b>Net cash used in investing activities</b>	<b>(7,251,323)</b>	<b>(9,775,819)</b>
<b>Cash flows from financing activities</b>		
New loans	23,836,247	39,704,760
Capital repayment of finance leases	-	(2,078)
<b>Net cash received from financing activities</b>	<b>23,836,247</b>	<b>39,702,682</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(748,785)</b>	<b>294,654</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,565,152</b>	<b>3,270,498</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,816,367</b>	<b>3,565,152</b>

The notes on pages 16 to 42 form part of these financial statements.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements for the year ended 30 June 2019

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### 1 Accounting policies

#### *Background information*

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

#### *Basis of preparation*

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

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

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

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

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

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

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

At the balance sheet date funding of £91.4M has been provided by BSHL to Birmingham City Football Club Plc ("BCFC") and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £91.4M 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 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.

# Birmingham City Football Club PLC

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

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## 1 Accounting policies (continued)

*Basis of preparation: going concern (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, the Club, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from the clubs 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 the Club are still in negotiation with the EFL on the possible disciplinary actions that might be imposed to the Club and is not in a position to estimate the impact upon the company.*

*The Club recorded a loss of approximately £8.2m for the year ended 30 June 2019, and net liabilities of approximately £57.9m as at 30 June 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the company. The directors have considered the forecasts of BCFC carefully and also considered, with the directors of BSHL, the company's ability to obtain funding that is required as shown by the forecasts. The directors do however remain in the view that the company can obtain the required funding from BSHL and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.*

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 1 Accounting policies (*continued*)

### *Accounting standards*

#### *Adoption of new and revised IFRSs*

In the current year, the company has adopted all the new and revised IFRSs issued that are relevant to its operations and effective for its accounting year beginning on 1 July 2018. The adoption of these new and revised IFRSs did not result in significant changes to the company's accounting policies.

In the current year, the company has applied IFRS 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 company 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 financial statements are described below. The company 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 company has adopted the terminology used in IFRS 15 to describe such balances. The company'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 company except as below:

Decrease in deferred income	(3,599,295)
Increase in contract liabilities	3,599,295

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 & 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 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 company to all periods presented in these financial statements.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements (*continued*) for the year ended 30 June 2019

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### 1 Accounting policies (*continued*)

#### *Revenue recognition*

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

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

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

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

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

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

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

(vi) Sales of player's registrations are recorded at the date of signing of the contract for sale. Any costs incurred directly related to the sale are written off against profit on sale of player registrations as incurred.

#### *Property, plant and equipment*

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

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

Freehold land	-	Not depreciated
Freehold buildings	-	Between 10 and 50 years
Long leasehold property improvements	-	Shorter of lease or between 10 and 50 years
Fixtures and equipment	-	Between 3 and 5 years
Motor vehicles	-	5 years

# Birmingham City Football Club PLC

## Notes forming part of the financial statements (*continued*) for the year ended 30 June 2019

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

#### *Loyalty and other incentives*

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

#### *Taxation*

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

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

# Birmingham City Football Club PLC

## Notes forming part of the financial statements (*continued*) for the year ended 30 June 2019

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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 23). Agent fees incurred relating to services provided to the club are capitalised as part of intangible assets.

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

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

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

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

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

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

Further details on impairment are given in note 10.

#### *Investments*

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*  
for the year ended 30 June 2019

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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 statement of financial position and charged to results on a straight-line basis over the period of each player's contract.

### *Inventories*

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

### *Grants*

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

### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Any differences are taken to the statement of comprehensive income.

### *Cash and equivalents*

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

### *Contract liabilities/Deferred income*

Contract liabilities/deferred income represented mainly the unrecognised income in relation to sponsorship and match receipts. During the year, the company 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 company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements (*continued*) for the year ended 30 June 2019

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### 1 Accounting policies (*continued*)

#### *Financial assets*

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

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

#### *Financial liabilities*

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

#### *Critical accounting estimates and judgements*

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

##### *1. Player transfer costs*

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

##### *2. Intangible assets, tangible assets and impairment*

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 2 Revenues

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

	2019 £	2018 £
Match receipts	5,014,513	4,908,361
Broadcasting	7,986,687	7,570,004
Other commercial income	10,005,530	6,299,191
	<u>23,006,730</u>	<u>18,777,556</u>

### Revenue from contracts with customers recognised at a point in time

	2019 £	2018 £
Match receipts	2,190,126	2,110,461
Other commercial income	4,388,069	4,113,417
	<u>6,578,195</u>	<u>6,223,878</u>

### Revenue from contracts with customers recognised over time

	2019 £	2018 £
Match receipts	2,824,387	2,797,900
Broadcasting	7,986,687	7,570,004
Other commercial income	3,974,813	630,190
	<u>14,785,887</u>	<u>10,998,094</u>

### Revenue from other sources

	2019 £	2018 £
Other commercial income	<u>1,642,648</u>	<u>1,555,584</u>

### Revenue streams comprise:-

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 3 Disposal of tangible fixed assets

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

	2019 £	2018 £
Proceeds	22,760,000	-
Net book value	(7,037,591)	-
Release of deferred capital grant	1,466,357	-
Profit on other disposals to third parties	-	2,861
	<u>17,188,766</u>	<u>2,861</u>

## 4 Operating loss

	2019 £	2018 £
Operating loss is stated after charging/(crediting) the following:		
Depreciation of tangible fixed assets	884,414	878,165
Amortisation of intangible fixed assets	7,548,605	7,625,731
Profit on disposal of tangible fixed assets	(17,188,766)	(2,861)
Amortisation of deferred capital grants	(52,223)	(56,970)
Equipment leased under operating leases	230,869	245,992
Premises leased under operating leases	84,000	84,000
Grant income received	(690,000)	(730,000)
Impairment of intangible assets	-	440,781
Gain on foreign exchange re-translation	(29,679)	-
	<u></u>	<u></u>
Fees receivable by the auditors in respect of:		
Audit of the company's financial statements	54,000	37,000
Other fees relating to taxation	4,000	4,000
Other non-audit services	14,568	-
	<u>72,568</u>	<u>41,000</u>

The impairment of intangible assets has been recognised to write down the assets to their recoverable amount.

# Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*  
for the year ended 30 June 2019

## 5 Staff costs

	2019 £	2018 £
Wages and salaries	28,445,424	34,221,214
Social security costs	3,618,181	3,692,931
Pension costs	87,324	74,757
	<u>32,150,929</u>	<u>37,988,902</u>

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

	2019 Number	2018 Number
Playing staff	75	79
Training staff	63	55
Training ground staff	10	11
Commercial and fund-raising staff	35	35
Shop staff	5	6
Administration and other staff	45	40
	<u>233</u>	<u>226</u>

During the year the company also employed approximately 522 temporary staff on match days (2018 - 549), the cost of which is included in the staff costs above.

### Key management compensation

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

	2019 £	2018 £
Remuneration for qualifying services	318,900	377,812
Pension costs	4,285	7,876
	<u>323,185</u>	<u>385,688</u>

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 5 Staff costs (*continued*)

### *Directors' remuneration*

	2019 £	2018 £
Remuneration for qualifying services	608,866	294,109
	<u>608,866</u>	<u>294,109</u>

No directors (2018 – none) are accruing benefits under defined contribution schemes.

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

	2019 £	2018 £
Remuneration for qualifying services	301,232	165,566
	<u>301,232</u>	<u>165,566</u>

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

## 6 Finance income

	2019 £	2018 £
Bank interest receivable	2	10,865
Other interest receivable	-	70
Notional interest on transfer fee receivables due after one year	71,174	169,665
	<u>71,176</u>	<u>180,600</u>

## 7 Finance costs

	2019 £	2018 £
Finance lease interest payable	-	237
Other interest payable	2,351	-
Notional interest payable on transfer fee liabilities due after one year	546,160	1,059,026
	<u>548,511</u>	<u>1,059,263</u>

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 8 Taxation

	2019 £	2018 £
<b>Domestic current year tax</b>		
UK corporation tax	-	-
Adjustment in respect of previous years	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
<b>Total tax credit</b>	-	-
	<hr/>	<hr/>
<i>Factors affecting the tax credit for the year:-</i>		
	2019 £	2018 £
Loss before taxation	(8,161,178)	(37,461,303)
	<hr/>	<hr/>
Loss before taxation at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(1,550,624)	(7,117,648)
Effect of:		
Expenses not deductible for tax purposes	2,600	8,126
Income not taxable	(288,530)	(10,824)
Depreciation in excess of capital allowances	68,250	62,743
Tax losses surrendered for group relief	-	17,207
Profit on disposal of tangible fixed assets	(2,987,258)	-
Tax losses generated	4,755,562	7,040,396
	<hr/>	<hr/>
Total tax credit	-	-
	<hr/>	<hr/>

### *Factors that may affect future tax charges*

At 30 June 2019, the company has trading losses of £85,252,157 (2018 - £60,193,891) 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.

The Finance Act 2016, which was passed on 15 September 2016, provided that the main UK corporation tax rate was reduced to 19% from 1 April 2017 and will be reduced to 17% from 1 April 2020.

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 9 Investments

	Shares in group undertakings £
<i>Cost</i>	
At 1 July 2018	1
Additions	-
Disposals	-
	<hr/>
At 30 June 2019	1
	<hr/>
<i>Impairment</i>	
At 1 July 2018	-
Charge for the year	-
Disposals	-
	<hr/>
At 30 June 2019	-
	<hr/>
<i>Carrying value</i>	
At 30 June 2019	1
	<hr/>
At 30 June 2018	1
	<hr/>

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

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 10 Intangible fixed assets

	Players' Registrations £
<b>Cost</b>	
At 1 July 2017	14,888,263
Additions	15,405,787
Disposals	(4,185,215)
At 1 July 2018	26,108,835
Additions	7,424,061
Disposals	(8,186,223)
At 30 June 2019	25,346,673
<b>Amortisation</b>	
At 1 July 2017	3,779,411
Charge for the year	7,625,731
Impairment loss	440,781
Disposals	(2,127,030)
At 1 July 2018	9,718,893
Charge for the year	7,548,605
Impairment loss	-
Disposals	(4,944,777)
At 30 June 2019	12,322,721
<b>Net book value</b>	
At 30 June 2019	13,023,952
At 30 June 2018	16,389,942

Any players whom the company do not consider to be a long term part of the first team squad and who will therefore not contribute to future cash flows earned by the company are assessed for impairment by considering the carrying value with the company's best estimate of fair value (being post year-end sales proceeds or expected sales proceeds) less costs to sell. The directors are satisfied that no further provision is required, even in the circumstances of the company remaining in the Football League Championship for the 2020/2021 season.

# Birmingham City Football Club PLC

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 11 Property, plant and equipment

	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and equipment £	Total £
<i>Cost or valuation</i>					
At 1 July 2017	13,136,376	4,172,971	404,084	7,181,735	24,895,166
Additions	-	-	61,560	499,372	560,932
Disposals	-	-	(23,470)	-	(23,470)
At 1 July 2018	13,136,376	4,172,971	442,174	7,681,107	25,432,628
Additions	-	17,501	26,788	357,756	402,045
Disposals	(13,136,376)	-	-	-	(13,136,376)
At 30 June 2019	-	4,190,472	468,962	8,038,863	12,698,297
<i>Depreciation</i>					
At 1 July 2017	5,571,622	1,365,836	298,117	6,213,236	13,448,811
Charge for the year	275,381	162,877	72,295	367,612	878,165
Disposals	-	-	(20,793)	-	(20,793)
At 1 July 2018	5,847,003	1,528,713	349,619	6,580,848	14,306,183
Charge for the year	251,782	164,323	68,935	399,374	884,414
Disposals	(6,098,785)	-	-	-	(6,098,785)
At 30 June 2019	-	1,693,036	418,554	6,980,222	9,091,812
<i>Net book value</i>					
At 30 June 2019	-	2,497,436	50,408	1,058,641	3,606,485
At 30 June 2018	7,289,373	2,644,258	92,555	1,100,259	11,126,445

The net book value of tangible assets includes an amount of £Nil (2018 - £Nil) in respect of assets held under finance leases. The related depreciation charge on these assets for the year was £Nil (2018 - £Nil).

# Birmingham City Football Club PLC

Notes forming part of the financial statements *(continued)*  
for the year ended 30 June 2019

## 12 Inventories

	2019 £	2018 £
Goods for resale	347,067	630,479

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 £664,814 (2018 - £770,075).

## 13 Trade and other receivables

	2019 £	2018 £
<i>Current assets</i>		
Trade receivables	5,250,987	3,332,266
Amounts owed by group undertakings	22,760,000	-
Other receivables	987,045	1,406,536
Prepayments	1,444,198	3,757,717
	<u>30,442,230</u>	<u>8,496,519</u>
<i>Non-current assets</i>		
Trade receivables	-	461,304
Prepayments	821,011	1,646,852
	<u>821,011</u>	<u>2,108,156</u>

Included within trade receivables is £2,904,130 (2018 - £2,381,519) in respect of transfer fees receivable, of which £Nil (2018 - £461,304) is receivable after more than one year. Included within prepayments is £1,838,808 (2018 - £4,230,556) in respect of agent fees and signing on fees, of which £821,011 (2018 - £1,646,852) 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 45 days (2018 - 39 days).

# Birmingham City Football Club PLC

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 13 Trade and other receivables (continued)

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

	2019 £	2018 £
30 – 90 days	370,486	205,537
90 – 120 days	106,804	51,033
120 – 180 days	171,656	39,456
180 days +	386,140	331,423
Total	1,035,086	627,449

Movement in bad and doubtful debt provisions

	2019 £	2018 £
Balance brought forward	98,330	56,198
Amounts recovered	(4,722)	(11,220)
Written off	(27,764)	(31,456)
Amounts provided	77,680	84,808
Balance carried forward	143,524	98,330

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

At 30 June 2019	Current £	Less than 90 days past due £	Over 90 days past due £	Total £
Expected loss rate	-	-	17.7%	
Receivables amount	4,215,901	370,486	808,124	5,394,511
Loss allowance	-	-	(143,524)	(143,524)
Total	4,215,901	370,486	664,600	5,250,987
At 30 June 2018	Current £	Less than 90 days past due £	Over 90 days past due £	Total £
Expected loss rate	-	-	18.9%	
Receivables amount	2,704,817	205,537	520,242	3,430,596
Loss allowance	-	-	(98,330)	(98,330)
Total	2,704,817	205,537	421,912	3,332,266

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 14 Trade and other payables

	2019 £	2018 £
<i>Current liabilities</i>		
Trade payables	7,090,834	10,998,358
Taxation and social security	3,383,369	1,286,238
Other payables	64,860	37,120
Accruals	2,146,816	2,665,998
	<u>12,685,879</u>	<u>14,987,714</u>
<i>Non-current liabilities</i>		
Trade payables	918,112	3,762,851
Accruals	316,500	725,000
	<u>1,234,612</u>	<u>4,487,851</u>

Included within trade payables is £4,640,329 (2018 - £11,148,010) in respect of actual and probable transfer fees payable and agent's fees payable, of which £918,112 (2018 - £3,762,851) is payable after more than one year. Included within accruals is £745,000 (2018 - £2,497,100) in respect of signing on fees payable, of which £316,500 (2018 - £725,000) is payable after more than one year.

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

	2019 £	2018 £
0 – 30 days	2,876,635	3,497,337
30 – 90 days	3,159,251	991,474
90 – 180 days	221,156	140,713
180 days +	833,792	6,368,834
	<u>7,090,834</u>	<u>10,998,358</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 81 days (2018 - 88 days).

# Birmingham City Football Club PLC

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 15 Financial liabilities

	2019 £	2018 £
<i>Current liabilities</i>		
Due to ultimate parent company	91,419,333	73,083,086
	<hr/>	<hr/>
Total current liabilities	91,419,333	73,083,086
	<hr/>	<hr/>
<i>Non-current liabilities</i>		
Preference shares	18,500	18,500
	<hr/>	<hr/>
Total non-current liabilities	18,500	18,500
	<hr/>	<hr/>
<i>Borrowings maturity</i>		
Within one year	91,419,333	73,083,086
More than one year but not more than two years	-	-
More than two years but not more than five years	-	-
After five years	18,500	18,500
	<hr/>	<hr/>
Total borrowings	91,437,833	73,101,586
	<hr/>	<hr/>

The commitments under finance lease liabilities are as follows:

	Within 1 year £	Within 1 - 2 years £	Within 2 - 5 years £	Total £
<b>30 June 2019</b>				
Payments	-	-	-	-
Discounting	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>30 June 2018</b>				
Payments	-	-	-	-
Discounting	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

# Birmingham City Football Club PLC

## Notes forming part of the financial statements (*continued*) for the year ended 30 June 2019

### 15 Financial liabilities (*continued*)

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 statement of financial position 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.

### 16 Deferred capital grant

Included within liabilities is £Nil (2018 - £1,518,580) relating to a deferred capital grant of which £Nil (2018 - £1,461,612) 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

	2019 £	2018 £
At 1 July	-	-
Amount (charged)/credited to statement of comprehensive income	-	-
Losses	-	-
	<hr/>	<hr/>
At 30 June	-	-
	<hr/>	<hr/>

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 17 Deferred taxation (*continued*)

	2019 £	2018 £
Deferred taxation comprises:		
Depreciation in excess of capital allowances	43,800	54,097
Losses carried forward	15,988,556	11,450,794
Assets not recognised	(16,032,356)	(11,504,891)
Deferred tax asset	-	-

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.

## 18 Financial instruments

### *Capital risk management*

The company manages its capital to ensure that the company will be able to continue as a going concern through the optimisation of the debt and equity balance. The capital structure of the company consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

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

### *Categories of financial instruments*

	2019 £	2018 £
<i>Financial assets</i>		
Cash and cash equivalents	2,816,367	3,565,152
Trade and other receivables (note 13)	31,298,656	10,604,675
	34,115,023	14,169,827
<i>Financial liabilities</i>		
Trade and other payables held at amortised cost	11,457,175	16,084,567
Borrowings at amortised cost (notes 14 & 15)	91,437,833	73,101,586
	102,895,008	89,186,153

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

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## 18 Financial instruments (*continued*)

### *Financial risk management objectives*

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

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

### *Price risk*

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

### *Foreign currency risk*

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

### *Credit risk*

The company's principal financial assets are bank balances, cash and trade receivables. The company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### *Liquidity risk*

The company's policy has been to ensure continuity of funding through operating within its banking facilities and to match borrowing against the useful life of assets purchased. Longer term liquidity is achieved through funding provided by the ultimate holding company and the need for ongoing funding is confirmed in the Strategic Report and Accounting Policies (note 1). The directors manage liquidity risk through close and frequent discussions with the ultimate holding company and have received assurances that funding is in place at least until 31 December 2020.

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

## 18 Financial instruments (*continued*)

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

30 June 2019	Current within 1 year £	Non-current 1 to 5 £	Over 5 years £
Preference shares	-	-	18,500
Due to parent company	91,419,333	-	-
Trade and other payables and social security and taxes	10,539,063	918,112	-
At 30 June 2019	101,958,396	918,112	18,500
30 June 2018	Current within 1 year £	Non-current 1 to 5 £	Over 5 years £
Preference shares	-	-	18,500
Due to parent company	73,083,086	-	-
Trade and other payables and social security and taxes	12,321,716	3,762,851	-
At 30 June 2018	85,404,802	3,762,851	18,500

### Interest rate sensitivity analysis

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

## 19 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to the statement of comprehensive income in respect of defined contribution schemes	87,324	74,757

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

## 20 Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
12,505,676 Ordinary shares of 50p each (2018: 1,505,676)	6,252,838	752,838

The company issued 11,000,000 ordinary shares at par on 24 January 2019

# Birmingham City Football Club PLC

## Notes forming part of the financial statements (*continued*) for the year ended 30 June 2019

### 21 Notes to the statement of cash flows

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

	Loans £	Other borrowings £	Total £
At 1 July 2017	33,378,326	20,578	33,398,904
Changes in cash flows	39,704,760	(2,078)	39,702,682
At 30 June 2018	73,083,086	18,500	73,101,586
Changes in cash flows	23,836,247	-	23,836,247
Non-cash changes:			
Repayment of loan by share issue	(5,500,000)	-	(5,500,000)
At 30 June 2019	91,419,333	18,500	91,437,833

### 22 Related party disclosures

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

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

During the year, the company advanced £46,649 to Xuandong Ren, a director of the company. At 30 June 2019, £46,649 remained due to the company. This amount is interest free and considered repayable within one year.

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

The company recharges expenses to BCFCCT in relation to various day to day running costs, amounting to £183,524 (2018 - £120,412) and also provides financial support. At 30 June 2019, included within other debtors is an amount due to the company of £315,711 (2018 - £132,187).

### 23 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 £4,393,167 (2018 - £6,101,833). Since the year end and to the date of approval of these financial statements £24,500 of these amounts have crystallised.

# Birmingham City Football Club PLC

## Notes forming part of the financial statements (continued) for the year ended 30 June 2019

### 24 Capital and other financial commitments

#### (a) Capital commitments

	2019 £	2018 £
At 30 June, the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	140,611	-

#### (b) Lease commitments

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

	Land and buildings		Other	
	2019 £	2018 £	2019 £	2018 £
Operating leases which expire:				
Within one year	1,334,000	84,000	104,755	101,254
In two to five years	5,336,000	336,000	139,289	45,735
After five years	31,174,000	6,258,000	-	-
	<u>37,844,000</u>	<u>6,678,000</u>	<u>244,044</u>	<u>146,989</u>

During the year the company 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. The company has 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.

### 25 Notes supporting the statement of changes in equity

#### Share capital and share premium -

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

#### Revaluation reserve -

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

#### Capital redemption reserve -

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

#### Other reserves -

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

#### Profit and loss account -

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

# Birmingham City Football Club PLC

Notes forming part of the financial statements (*continued*)  
for the year ended 30 June 2019

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## 26 Events after the statement of financial position date

On 14 May 2019, the company, received a notification from the EFL in connection with breaches of the EFL regulations. These proceedings arise from the clubs 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 the company 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 company.

Transfers of player registrations subsequent to 30 June 2019, taking into account applicable costs, resulted in a net £5,559,968 (2018 - £2,428,379 payable by the club) payable to the Club.

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 Club.

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

The immediate parent company of the club is Birmingham City Plc, a company incorporated in England and Wales.

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