

Birmingham City PLC

Annual report

For the year ended

30 June 2017

Company number: 03304408

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Birmingham City PLC

Annual report and financial statements for the year ended 30 June 2017

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Directors

Wenqing Zhao
Chun Kong Yiu

Secretary

Roger Lloyd

Registered office

St Andrew's Stadium, Birmingham, B9 4RL

Company number

03304408

Auditors

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

Bankers

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

Birmingham City PLC

Strategic report for the year ended 30 June 2017

The directors present the strategic report and financial statements for the year ended 30 June 2017.

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

Financial and operating review

The loss for the year before tax increased to £16.4m (2016 - £5.0m) primarily as a result of increases to player wages and salaries, player amortisation and termination payments to football management staff.

For the sixth consecutive year the Club played in the Championship Division of the English Football League. The season started well under the managership of Gary Rowett with the team just outside the play off places and 3 points below the third placed team in December.

On 14 December 2016, Gary Rowett left the Club and Gianfranco Zola was engaged to take up the manager's role. Unfortunately, the appointment of Zola did not bring the success expected by the Board despite the Club signing a number of new players in the January 2017 transfer window. The team did not perform well during the managership of Zola and he resigned on 17 April 2017 with the Club desperately trying to avoid relegation to League One.

Harry Redknapp was appointed as manager on a temporary basis to the end of the season and the Club survived relegation for the 2016/17 season.

Following confirmation that the Club would be playing Championship football for the 2017/18 season, Harry Redknapp signed a one year contract as the Club's manager. The summer transfer window was busy with 14 new players being recruited and 4 sold. However, the season did not start well and the manager was dismissed.

Steve Cotterill was appointed the new manager, however with the squad of players at the new manager's disposal, expectations for a successful season are high.

During the year the Academy was audited as part of the Elite Player Performance Plan. It was pleasing to learn that the Club came top of the Category 2 assessed Clubs and was awarded a 3 year licence. A number of academy developed players continued to feature in the first team squad and a number of academy graduates signed professional terms.

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

Birmingham City PLC

Strategic report (continued) for the year ended 30 June 2017

Key performance indicators (KPIs)

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

		2017	2016
Revenue levels (football related and other)	£'000	17,555	14,708
Loss from operations	£'000	16,267	5,084
Staff costs (player related and other)	£'000	22,499	15,327
Average attendance levels (BCFC only)	No's	18,650	17,571

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

Principal risks and uncertainties

Funding and going concern:

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

At the balance sheet date funding of £33.4M 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 £33.4M 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 2018 as part of the longer term forecasts prepared for BSHL. The forecasts show that BCFC needs additional funding of around £49.5M from BSHL for the period from July 2017 to December 2018.

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 following the resumption of trading described below.

References are made to the announcement of BSHL dated 5 August 2016 (the "Circular"), the prospectus dated 15 September 2016 (the "Prospectus") and the announcements dated 7 October 2016, 11 October 2016 and 14 October 2016 in relation to, among others, the proposed restructuring, fulfilment of resumption conditions and resumption of trading of shares of BSHL on the Stock Exchange. All the conditions set out in the resumption proposal as approved by the Stock Exchange were fulfilled and trading of shares of BSHL was resumed on 17 October 2016. Moreover, the Receivership Order of the High Court of Hong Kong ("High Court") dated 16 February 2015 was discharged and the receivers appointed under the Receivership Order were released on 17 October 2016.

Following completion of the Share Subscription in BSHL (as defined below) by Trillion Trophy Asia Limited ("Trillion Trophy"), it has become the controlling Shareholder. Trillion Trophy is interested in 3,825,000,000 shares of BSHL, representing approximately 60.78% of the issued share capital of BSHL. New board members and a management team were also engaged to oversee the business operation and formulating future business plans and strategies.

On 26 June 2015 and 31 May 2016, BSHL entered into a loan facility agreement (the "Loan Facility Agreement") and an amendment letter to the Loan Facility Agreement, respectively, with Trillion Trophy to provide a term loan facility of up to HK\$212,813,600 to BSHL.

Birmingham City PLC

Strategic report (continued)
for the year ended 30 June 2017

Principal risks and uncertainties (continued)

On 6 June 2016 and 8 June 2016, BSHL and Trillion Trophy entered into a convertible notes subscription agreement and a supplemental deed respectively to subscribe for convertible notes in the aggregate principal amount of HK\$150,000,000 (the "Notes"). The Notes bear an interest of 2% per annum with a maturity date falling three years from the date of issue of the Notes, and can be converted to shares of BSHL at a conversion price of HK\$0.08 per share. The Notes were utilised to offset against the outstanding balance of the loan drawn under the Loan Facility Agreement. The subscription of the Notes was completed on 11 October 2016. Upon the completion of subscription of the Notes, the outstanding amount of the loan drawn under the Loan Facility Agreement is HK\$39,113,600. On 28 October 2016 and 20 December 2016, HK\$100,000,000 and HK\$50,000,000 of the Notes were fully converted into 1,250,000,000 and 625,000,000 shares of BSHL respectively.

On 6 June 2016, BSHL proposed an open offer ("Open Offer") of shares of BSHL on the basis of one offer share for every two shares of BSHL held by qualifying Shareholders at the price of HK\$0.08 per offer share. The Open Offer was completed on 11 October 2016 under which a total of 242,027,168 offer shares of BSHL had been issued and the gross proceeds from the Open Offer, before deducting the underwriting commission and other expenses, amounted to approximately HK\$19,362,000.

On 6 June 2016, BSHL entered into a share subscription agreement with Trillion Trophy to subscribe for 3,125,000,000 shares of BSHL at the price of HK\$0.08 per share ("Share Subscription"). The Share Subscription was completed on 11 October 2016 and the gross proceeds from the Share Subscription before deducting relevant expenses amounted to HK\$250,000,000.

On 21 December 2016, BSHL entered into a facility agreement ("Revolving Facility Agreement") with Trillion Trophy in respect of the provision of a revolving loan facility up to HK\$250 million for the period commencing 21 December 2016 and ending on the earlier of 31 December 2018 and the date on which the facility is cancelled or terminated pursuant to the Revolving Facility Agreement (or other date as agreed between BSHL and Trillion Trophy) ("Revolving Facility"). For details of the Revolving Facility, please refer to the announcement of BSHL dated 21 December 2016.

The group recorded a loss of approximately £18.1m for the year ended 30 June 2017, and net liabilities of approximately £17.8m as at 30 June 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the group. The directors have considered the forecasts of BCFC carefully and also considered, with the directors of BSHL, the company's ability to obtain the 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.

By order of the board



Chun Kong Yiu
Director

Date: 3 November 2017

Birmingham City PLC

Report of the directors for the year ended 30 June 2017

The directors present their report together with the audited financial statements for the year ended 30 June 2017.

Results and dividends

The consolidated statement of comprehensive income is set out on page 9 and shows the loss for the year.

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

Directors

The directors of the group during the year were:

Ma, Shui Cheong	Resigned 30 April 2017
Panagiotis Pavlakis	Resigned 12 May 2017
Wenqing Zhao	Appointed 8 November 2016
Chun Kong Yiu	Appointed 8 November 2016
Kai Zhu	Appointed 8 November 2016, resigned 14 June 2017

Financial instruments

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

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

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

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

Credit risk

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

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

Liquidity risk

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

Foreign currency risk

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

Birmingham City PLC

Report of the directors (*continued*) for the year ended 30 June 2017

Employee involvement

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

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

Disabled Persons

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

Environment

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

Statement of disclosure to auditors

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

Auditors

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

By order of the board



Chun Kong Yiu
Director

Date..... 3 November 2017

Birmingham City PLC

Directors' responsibilities statement for the year ended 30 June 2017

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

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

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

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

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

Birmingham City PLC

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

We have audited the financial statements of Birmingham City plc ("the company") for the year ended 30 June 2017 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated and Parent Company Statement of Changes in Equity and the related notes numbered 1 to 25. 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.

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit 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 group incurred a net loss of £18.1m during the year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded the total assets by £11.9m and its total liabilities exceeded total assets by £17.8m. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Birmingham City PLC

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

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

Responsibilities of directors

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

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

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.



Adrian Stevens FCCA (Senior Statutory Auditor)

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

Date 23 November 2017

Birmingham City PLC

Consolidated statement of comprehensive income for the year ended 30 June 2017

		Club operations	Player amortisation, impairment and trading costs	Total	Total
	Note	2017 £'000	2017 £'000	2017 £'000	2016 £'000
Continuing operations					
Revenue	2	17,555	-	17,555	14,708
Other operating income		1,312	-	1,312	510
Operating expenses		(32,371)	(2,965)	(35,336)	(24,693)
Operating loss	3	(13,504)	(2,965)	(16,469)	(9,475)
Net profit on sale of players' registrations				202	4,391
Loss from operations				(16,267)	(5,084)
Finance income	5			147	146
Finance costs	6			(276)	(86)
Loss before taxation				(16,396)	(5,024)
Taxation	7			(1,745)	-
Total comprehensive loss attributable to equity shareholders				(18,141)	(5,024)

All activities are derived from continuing activities.

The notes on pages 13 to 37 form part of these financial statements.

Birmingham City PLC

Consolidated and Company statements of financial position at 30 June 2017

Company no: 03304408		Group		Company	
	Note	2017 £000	2016 £000	2017 £000	2016 £000
Assets					
Non-current assets					
Intangible assets	8	11,117	2,443	-	-
Property, plant and equipment	9	11,454	11,134	-	-
Investments	10	-	-	3,518	3,518
Trade and other receivables	12	1,848	1,070	-	-
		<u>24,419</u>	<u>14,647</u>	<u>3,518</u>	<u>3,518</u>
Current assets					
Inventories	11	523	257	-	-
Trade and other receivables	12	6,441	6,300	-	-
Cash and cash equivalents		3,299	2,531	-	-
		<u>10,263</u>	<u>9,088</u>	<u>-</u>	<u>-</u>
Total assets		<u>34,682</u>	<u>23,735</u>	<u>3,518</u>	<u>3,518</u>
Liabilities					
Non-current liabilities					
Financial liabilities	14	18	20	18	18
Capital grants (deferred income)	15	1,519	1,575	-	-
Trade payables	13	4,360	438	-	-
		<u>5,897</u>	<u>2,033</u>	<u>18</u>	<u>18</u>
Current liabilities					
Financial liabilities	14	33,380	15,992	-	-
Trade and other payables	13	9,582	6,252	-	-
Deferred income		3,544	2,583	-	-
Capital grants (deferred income)	15	57	57	-	-
		<u>46,563</u>	<u>24,884</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>52,460</u>	<u>26,917</u>	<u>18</u>	<u>18</u>
Net (liabilities)/assets		<u>(17,778)</u>	<u>(3,182)</u>	<u>3,500</u>	<u>3,500</u>
Capital and reserves					
Issued share capital	18	8,150	8,150	8,150	8,150
Share premium		10,081	10,081	10,081	10,081
Other reserves		(2,331)	(2,378)	-	-
Accumulated deficit		(33,678)	(19,035)	(14,731)	(14,731)
Total (deficit)/surplus		<u>(17,778)</u>	<u>(3,182)</u>	<u>3,500</u>	<u>3,500</u>

The financial statements were approved and authorised for issue by the Board of Directors on
Date... **3 November 2017**

Chun Kong Yiu
Director



The notes on pages 13 to 37 form part of these financial statements.

Birmingham City PLC

Consolidated and Company statements of changes in equity for the year ended 30 June 2017

	Share capital and share premium £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total £000
Group					
At 1 July 2015	18,231	168	(2,539)	(14,018)	1,842
Total comprehensive loss for the year	-	-	-	(5,024)	(5,024)
Depreciation transfer	-	(7)	-	7	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 July 2016	18,231	161	(2,539)	(19,035)	(3,182)
Total comprehensive loss for the year	-	-	-	(18,141)	(18,141)
Depreciation transfer	-	47	-	(47)	-
Corporation tax	-	-	-	3,545	3,545
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2017	18,231	208	(2,539)	(33,678)	(17,778)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
			Share capital and share premium £000	Profit and loss account £000	Total £000
Company					
At 1 July 2015			18,231	(14,731)	3,500
Total comprehensive profit/(loss) for the period			-	-	-
			<hr/>	<hr/>	<hr/>
At 1 July 2016			18,231	(14,731)	3,500
Total comprehensive profit/(loss) for the period			-	-	-
			<hr/>	<hr/>	<hr/>
At 30 June 2017			18,231	(14,731)	3,500
			<hr/>	<hr/>	<hr/>

The notes on pages 13 to 37 form part of these financial statements.

Birmingham City PLC

Consolidated statement of cash flows for the year ended 30 June 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Loss for the year before taxation	(16,396)	(5,024)
Amortisation of intangible assets	2,604	762
Impairment of intangible assets	396	-
Profit on sale of players' registrations	(202)	(4,391)
Profit on disposal of property, plant and equipment	(11)	(4)
Depreciation on property, plant and equipment	666	725
Finance costs	276	86
Finance income	(147)	(146)
Amortisation of deferred grant	(57)	(58)
Increase in inventories	(266)	(126)
Increase in receivables	(2,385)	(1,324)
Increase in payables	3,649	1,074
Cash used in operations	(11,873)	(8,426)
Interest paid	(276)	(86)
Interest received	147	146
Tax paid	-	(2)
Cash used in operating activities	(12,002)	(8,368)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(992)	(248)
Proceeds from sale of property, plant and equipment	17	31
Acquisition of players registrations	(5,348)	(1,609)
Proceeds from sale of players registrations	1,696	2,313
Subsidiary acquisition (note 22)	10	-
Net cash (paid to)/received from investing activities	(4,617)	487
Cash flows from financing activities		
New loans	17,412	5,886
Capital repayment of finance leases	(25)	(25)
Net cash received from financing activities	17,387	5,861
Net increase/(decrease) in cash and cash equivalents	768	(2,020)
Cash and cash equivalents at the beginning of the year	2,531	4,551
Cash and cash equivalents at the end of the year	3,299	2,531

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

The notes on pages 13 to 37 form part of these financial statements.

Birmingham City PLC

Notes to the financial statements for the year ended 30 June 2017

1 Accounting policies

Background information

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

Basis of preparation

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

The group financial statements consolidate those of the company and its subsidiaries. As permitted by the Companies Act 2006, the company statement of comprehensive income of Birmingham City Plc has not been presented in the financial statements. Its result for the year ended 30 June 2017 is £Nil (2016 - £Nil).

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

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

Basis of preparation: going concern

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

At the balance sheet date funding of £33.4M 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 £33.4M 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 2018 as part of the longer term forecasts prepared for the group. The forecasts show that BCFC needs additional funding of around £49.5M from BSHL for the period from July 2017 to December 2018.

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 following the resumption of trading described below.

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Notes to the financial statements (*continued*) for the year ended 30 June 2017

1 Accounting policies (*continued*)

Basis of preparation: going concern (continued)

References are made to the announcement of BSHL dated 5 August 2016 (the "Circular"), the prospectus dated 15 September 2016 (the "Prospectus") and the announcements dated 7 October 2016, 11 October 2016 and 14 October 2016 in relation to, among others, the proposed restructuring, fulfilment of resumption conditions and resumption of trading of shares of BSHL on the Stock Exchange. All the conditions set out in the resumption proposal as approved by the Stock Exchange were fulfilled and trading of shares of BSHL was resumed on 17 October 2016. Moreover, the Receivership Order of the High Court of Hong Kong ("High Court") dated 16 February 2015 was discharged and the receivers appointed under the Receivership Order were released on 17 October 2016.

Following completion of the Share Subscription in BSHL (as defined below) by Trillion Trophy Asia Limited ("Trillion Trophy"), it has become the controlling Shareholder. Trillion Trophy is interested in 3,825,000,000 shares of BSHL, representing approximately 60.78% of the issued share capital of BSHL. New board members and a management team were also engaged to oversee the business operation and formulating future business plans and strategies.

On 26 June 2015 and 31 May 2016, BSHL entered into a loan facility agreement (the "Loan Facility Agreement") and an amendment letter to the Loan Facility Agreement, respectively, with Trillion Trophy to provide a term loan facility of up to HK\$212,813,600 to BSHL.

On 6 June 2016 and 8 June 2016, BSHL and Trillion Trophy entered into a convertible notes subscription agreement and a supplemental deed respectively to subscribe for convertible notes in the aggregate principal amount of HK\$150,000,000 (the "Notes"). The Notes bear an interest of 2% per annum with a maturity date falling three years from the date of issue of the Notes, and can be converted to shares of BSHL at a conversion price of HK\$0.08 per share. The Notes were utilised to offset against the outstanding balance of the loan drawn under the Loan Facility Agreement. The subscription of the Notes was completed on 11 October 2016. Upon the completion of subscription of the Notes, the outstanding amount of the loan drawn under the Loan Facility Agreement is HK\$39,113,600. On 28 October 2016 and 20 December 2016, HK\$100,000,000 and HK\$50,000,000 of the Notes were fully converted into 1,250,000,000 and 625,000,000 shares of BSHL respectively.

On 6 June 2016, BSHL proposed an open offer ("Open Offer") of shares of BSHL on the basis of one offer share for every two shares of BSHL held by qualifying Shareholders at the price of HK\$0.08 per offer share. The Open Offer was completed on 11 October 2016 under which a total of 242,027,168 offer shares of BSHL had been issued and the gross proceeds from the Open Offer, before deducting the underwriting commission and other expenses, amounted to approximately HK\$19,362,000.

On 6 June 2016, BSHL entered into a share subscription agreement with Trillion Trophy to subscribe for 3,125,000,000 shares of BSHL at the price of HK\$0.08 per share ("Share Subscription"). The Share Subscription was completed on 11 October 2016 and the gross proceeds from the Share Subscription before deducting relevant expenses amounted to HK\$250,000,000.

On 21 December 2016, BSHL entered into a facility agreement ("Revolving Facility Agreement") with Trillion Trophy in respect of the provision of a revolving loan facility up to HK\$250 million for the period commencing 21 December 2016 and ending on the earlier of 31 December 2018 and the date on which the facility is cancelled or terminated pursuant to the Revolving Facility Agreement (or other date as agreed between BSHL and Trillion Trophy) ("Revolving Facility"). For details of the Revolving Facility, please refer to the announcement of BSHL dated 21 December 2016.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

1 Accounting policies (*continued*)

Basis of preparation: going concern (continued)

The group recorded a loss of approximately £18.1m for the year ended 30 June 2017, and net liabilities of approximately £17.8m as at 30 June 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the group. The directors have considered the forecasts of BCFC carefully and also considered, with the directors of BSHL, the company's ability to obtain the 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.

Accounting standards

Standards that have been issued, but are not yet effective for the year ended 30 June 2017 include:

International Financial Reporting Standard issued but not yet EU approved –	Effective date (periods beginning or after)
IFRS 9 Financial Instruments (2009)	None yet stated
IFRS 9 Financial Instruments (2010)	None yet stated
IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013)	None yet stated
IFRS 9 Financial statements	1 Jan 2018
IFRS 15 Revenue from Contracts with Customers	1 Jan 2018
IFRS 16 Leases	1 Jan 2019
IAS 12 Amendments: Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017
IAS 7 Amendments: Disclosure Initiative	1 Jan 2017
IFRS 15 Amendments: Clarification "Revenue from Contracts with Customers"	1 Jan 2018
IFRS 2 Amendments: Clarification and Measurement of Share based Payment Transactions	1 Jan 2018

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

Basis of consolidation

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

1 Accounting policies (*continued*)

Revenue recognition

Revenue 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 Premier League broadcasting contracts are recognised on a time basis over the duration of the football season. Appearance fees are accounted for as earned.
- (iii) Sponsorship contracts are recognised over the duration of the contract, either on a straight line basis, or over the period of the football season, as appropriate, based on the terms of the contract.
- (iv) Catering revenues are recognised on an earned basis.
- (v) Revenue from the sale of branded products is recognised at the point of delivery when significant risks and rewards of ownership are deemed to have been transferred to the buyer.
- (vi) Sales of players' registrations are recorded at the date of signing of the contract for sale. Any costs incurred directly related to the sale are written off against profit on sale of player registrations as incurred. Contingent fees are only recognised upon the crystallisation of the contingent event.

Property, plant and equipment

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

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

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

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.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

1 Accounting policies (*continued*)

Net financing costs

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

Employee benefits – Pensions

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

Loyalty and other incentives

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

Goodwill

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

Taxation

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

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

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

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

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

1 Accounting policies (*continued*)

Impairment of intangible and tangible fixed assets

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

The club calculates the value in use of this cash-generating unit by discounting estimated expected future cash flows relating to the club activities and compares this value with the value of the intangible assets, stadium and training facilities (including related assets). If the expected future cash flows are below the recorded value of assets the club will make an impairment 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 8.

Signing on fees

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

Inventories

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

Cash and equivalents

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

Deferred income

Deferred income comprises amounts received from capital grants, sponsorship and season ticket income. Capital grants are released to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets to which they relate. Other deferred income is released to the consolidated statement of comprehensive income on a straight-line basis over the period to which it relates.

Financial instruments

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

1 Accounting policies (*continued*)

Financial assets

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

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

Financial liabilities

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

Foreign currency

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

Investments – interests in subsidiary undertakings

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

Grants

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

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

1 Accounting policies (continued)

Critical accounting estimates and judgements

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

1. Player transfer costs

Management have to make certain judgements as to whether a liability should be recognised under the terms of the contracts with other football clubs in respect of player transfers. These judgements include management's opinion, at the consolidated statement of financial position date, on the likely league status in the next season. It also requires certain judgements as to whether a player will continue to make the contractually agreed number of first team appearances. Based on these judgements, management decide on an individual player by player basis as to whether the liability is disclosed as a contingent liability in note 20 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.

2 Revenues

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

	2017 £000	2016 £000
Match receipts	4,486	4,162
Broadcasting	6,939	5,149
Other commercial income	6,130	5,397
	<hr/>	<hr/>
	17,555	14,708
	<hr/>	<hr/>

Revenue streams comprise:-

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

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

3 Operating loss

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

	2017 £000	2016 £000
Amortisation of deferred capital grants	(57)	(58)
Depreciation of property, plant and equipment	665	725
Amortisation of intangible assets	2,604	762
Impairment loss on intangible assets	396	-
Profit on disposal of tangible fixed assets	(11)	(4)
Premises leased under operating leases	84	84
Equipment leased under operating leases	232	237
Grant income received	(620)	(510)
Loss on foreign exchange retranslation	1	-
	<hr/>	<hr/>
Audit of consolidated financial statements and parent company	3	3
Fees receivable by the auditors in respect of other services:		
Audit of subsidiaries pursuant to legislation	41	37
Other fees relating to taxation	4	4
	<hr/>	<hr/>
	48	44
	<hr/>	<hr/>

4 Staff costs

	2017 £000	2016 £000
Wages and salaries	20,354	13,799
Social security costs	2,106	1,500
Pension costs	39	28
	<hr/>	<hr/>
	22,499	15,327
	<hr/>	<hr/>

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

	2017	2016
Playing staff	94	64
Training staff	53	45
Training ground staff	9	7
Commercial and fund raising	32	27
Shop staff	6	4
Administration and other staff	39	37
	<hr/>	<hr/>
	233	184
	<hr/>	<hr/>

During the year the group also employed approximately 520 temporary staff on match days (2016 - 493), the cost of which is included in the staff costs above. The company has no employees or staff costs.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

4 Staff costs (*continued*)

Directors' remuneration and key management compensation

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

	2017 £000	2016 £000
Salaries	383	284
Benefits in kind	17	14
	<u>400</u>	<u>298</u>

The company has not paid any remuneration to directors or made any contributions to directors' personal pension arrangements in the current or previous year.

5 Finance income

	2017 £000	2016 £000
Bank interest receivable	114	12
Other interest receivable	1	1
Notional interest on transfer fee receivables due after one year	32	133
	<u>147</u>	<u>146</u>

6 Finance costs

	2017 £000	2016 £000
Finance lease interest payable	3	3
Notional interest on transfer fee liabilities due after one year	273	83
	<u>276</u>	<u>86</u>

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

7 Taxation

	2017 £000	2016 £000
Corporation tax charge/(credit) – to statement of comprehensive income	1,745	-
Corporation tax (credit) – direct to equity	(3,545)	-
	<hr/>	<hr/>
Total tax (credit)	(1,800)	-
	<hr/>	<hr/>
<i>Factors affecting the tax charge for the year:-</i>		
	2017 £000	2016 £000
<i>Tax reconciliation</i>		
Loss before taxation	(16,396)	(5,024)
	<hr/>	<hr/>
Loss before taxation at the standard rate of corporation tax in the UK of 20% (2016 – 20%)	(3,279)	(1,005)
Expenses not deductible for tax purposes	13	4
Income not taxable	(11)	(11)
Depreciation in excess of capital allowances	21	33
Tax losses brought forward and used in the year	(3)	-
Tax losses carried forward	3,259	985
IFRS adjustments	-	(6)
Capital contribution reversal	(1,800)	-
	<hr/>	<hr/>
Total tax (credit)/charge	(1,800)	-
	<hr/>	<hr/>

The tax provision created on the parent company loan waiver in 2014 has been released as it is no longer required.

Factors that may affect future tax charges

As at 30 June 2017, the group has trading losses of £23,139,000 (2016 - £6,990,000) to carry forward and use against future trading profits. No deferred tax asset has been recognised in relation to these losses on the basis of uncertainty about future taxable profits.

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

8 Intangible assets

	Goodwill £000	Players' Registration £000	Total £000
<i>Cost</i>			
At 1 July 2015	-	1,030	1,030
Additions	-	2,900	2,900
Disposals	-	(311)	(311)
At 1 July 2016	-	3,619	3,619
Additions	35	11,646	11,681
Disposals	-	(365)	(365)
At 30 June 2017	35	14,900	14,935
<i>Depreciation</i>			
At 1 July 2015	-	666	666
Charge for the year	-	762	762
Disposals	-	(252)	(252)
At 1 July 2016	-	1,176	1,176
Charge for the year	-	2,604	2,604
Impairment	35	361	396
Disposals	-	(358)	(358)
At 30 June 2017	35	3,783	3,817
<i>Net book value</i>			
At 30 June 2017	-	11,117	11,117
At 30 June 2016	-	2,443	2,443

Any players whom the club do not consider to be a long term part of the first team squad and who will therefore not contribute to future cash flows earned by the club are assessed for impairment by considering the carrying value with the club's best estimate of fair value (being post year-end sales proceeds or expected sales proceeds) less costs to sell. The directors are satisfied that no further provision is required, even in the circumstances of the clubs remaining in the same divisions for the 2017/2018 season.

The company has no intangible assets.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

9 Property, plant and equipment

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
<i>Cost</i>					
At 1 July 2015	13,137	4,102	6,114	369	23,722
Additions	-	-	187	61	248
Disposals	-	-	-	(50)	(50)
At 1 July 2016	13,137	4,102	6,301	380	23,920
Additions	-	71	897	24	992
Disposals	-	-	(8)	-	(8)
At 30 June 2017	13,137	4,173	7,190	404	24,904
<i>Depreciation</i>					
At 1 July 2015	5,021	954	5,877	232	12,084
Charge for the year	276	251	163	35	725
Disposals	-	-	-	(23)	(23)
At 1 July 2016	5,297	1,205	6,040	244	12,786
Charge for the year	275	161	176	54	666
Disposals	-	-	(2)	-	(2)
At 30 June 2017	5,572	1,366	6,214	298	13,450
<i>Net book value</i>					
At 30 June 2017	7,565	2,807	976	106	11,454
At 30 June 2016	7,840	2,897	261	136	11,134

The net book value of property, plant and equipment includes an amount of £36,000 (2016 - £53,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £17,000 (2016 - £17,000).

During the year, the useful economic lives of all property, plant and equipment 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 revision were depreciated over the revised remaining useful economic lives. This review resulted in an additional charge to depreciation of £Nil (2016 - £96,000) for the year ended 30 June 2017.

The company has no property, plant and equipment.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

10 Investment in subsidiary undertaking

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

	£000
<i>Cost</i>	
As at 1 July 2016 and 30 June 2017	3,518

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

11 Inventories

	Group	
	2017 £000	2016 £000
Goods for resale	523	257

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 £995,000 (2016 - £840,000).

The company has no inventory.

12 Trade and other receivables

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
<i>Current assets</i>				
Trade receivables	2,388	3,119	-	-
Other receivables	2,116	1,832	-	-
Prepayments	1,937	1,349	-	-
	<u>6,441</u>	<u>6,300</u>	<u>-</u>	<u>-</u>
<i>Non-current assets</i>				
Trade receivables	253	718	-	-
Prepayments	1,595	352	-	-
	<u>1,848</u>	<u>1,070</u>	<u>-</u>	<u>-</u>

Included within trade receivables is £1,249,000 (2016 - £2,737,000) in respect of transfer fees receivable, of which £253,000 (2016 - £718,000) is receivable after more than one year. Included within prepayments is £2,514,000 (2016 - £799,000) in respect of agent fees and signing on fees, of which £1,595,000 (2016 - £352,000) is receivable after more than one year.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

12 Trade and other receivables (continued)

Trade receivables are individually assessed based on estimated recoverable amounts.

The average credit period taken on sales is 93 days (2016 - 98 days).

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

	Group	
	2017 £000	2016 £000
30 – 90 days	167	238
90 – 120 days	82	61
120 – 180 days	83	51
180 days +	125	214
	<hr/>	<hr/>
Total	457	564
	<hr/>	<hr/>

Movement in bad and doubtful debt provisions

	Group	
	2017 £000	2016 £000
Balance brought forward	147	130
Amounts recovered	(134)	(4)
Amounts provided	48	21
	<hr/>	<hr/>
Balance carried forward	61	147
	<hr/>	<hr/>

The directors believe that there is no further provision required in excess of the allowance for doubtful debts. Included in the allowance for doubtful debts are individually impaired receivables. The ageing of impaired trade receivables is as follows:

	Group	
	2017 £000	2016 £000
0 – 90 days	-	10
90 – 120 days	-	-
120 – 180 days	5	2
180 days +	56	135
	<hr/>	<hr/>
	61	147
	<hr/>	<hr/>

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

The company has no trade receivables.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

13 Trade and other payables

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
<i>Current liabilities</i>				
Trade payables	6,941	2,957	-	-
Other payables	36	23	-	-
Taxation and social security	960	851	-	-
Corporation tax	-	1,800	-	-
Accruals	1,645	621	-	-
	<u>9,582</u>	<u>6,252</u>	<u>-</u>	<u>-</u>
<i>Non-current liabilities</i>				
Trade payables	3,542	289	-	-
Accruals	818	149	-	-
	<u>4,360</u>	<u>438</u>	<u>-</u>	<u>-</u>

Included within total trade payables is £7,876,000 (2016 - £1,578,000) in respect of actual and probable transfer fees payable and agents fees payable of which £3,542,000 (2016 - £289,000) is due after more than one year. Included within accruals is £1,247,000 (2016 - £335,000) in respect of signing on fees payable, of which £818,000 (2016 - £149,000) is payable after more than one year.

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

	Group	
	2017 £000	2016 £000
0 – 30 days	5,956	2,831
30 – 90 days	890	86
90 - 180 days	80	10
180 days +	15	30
	<u>6,941</u>	<u>2,957</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 86 days (2016 - 69 days).

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

14 Financial liabilities

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
<i>Current liabilities</i>				
Due to ultimate parent company	33,378	15,967	-	-
Finance leases	2	25	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	33,380	15,992	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Non-current liabilities</i>				
Finance leases	-	2	-	-
Preference shares (note 18)	18	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
	18	20	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Borrowings maturity:</i>				
Within one year	33,380	15,992	-	-
More than one year but not more than two years	-	2	-	-
More than two years but not more than five years	-	-	-	-
After five years	18	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings	33,398	16,012	18	18
	<hr/>	<hr/>	<hr/>	<hr/>

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

14 Financial liabilities (continued)

Finance leases

The commitments under finance lease liabilities are as follows:

Group 30 June 2017	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Total £000
Payments	2	-	-	2
Discounting	-	-	-	-
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Group 30 June 2016				
Payments	28	2	-	30
Discounting	(3)	-	-	(3)
	<u>25</u>	<u>2</u>	<u>-</u>	<u>27</u>

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

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

The club's bankers have a fixed charge over a specific deposit account held with the bank. This security is required for certain credit facilities made available to the company from time to time. The balance on this account at the balance sheet date was £800,000 (2016 - £800,000).

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

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

15 Deferred capital grant

Included within liabilities is £1,576,000 (2016 - £1,632,000) relating to a deferred capital grant of which £1,519,000 (2016 - £1,575,000) is due after more than one year.

The grant is in respect of the substantial redevelopment of the stadium. The grant has been treated as a deferred capital grant and is being amortised in line with the depreciable assets to which it relates.

16 Deferred taxation

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
At 1 July	-	-	-	-
Amount (charged)/credited to consolidated statement of comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Deferred taxation comprises:				
Depreciation in excess of capital allowances	72	108	-	-
Losses	4,396	1,328	-	-
Asset not recognised	(4,468)	(1,436)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax asset	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The potential asset and provision are based on a corporation tax rate of 19% (2016 - 19%). No deferred tax asset has been recognised at 30 June 2017 on the basis that future recoverability of such an asset is uncertain.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

17 Financial instruments

Capital risk management

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

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

Categories of financial instruments

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
<i>Financial assets</i>				
Loans and receivables				
- cash and cash equivalents	3,299	2,531	-	-
- trade and other receivables (note 12)	8,289	7,370	-	-
	<u>11,588</u>	<u>9,901</u>	<u>-</u>	<u>-</u>
<i>Financial liabilities</i>				
Trade and other payables held at amortised cost	11,479	4,120	-	-
Borrowings at amortised cost (note 14)	33,398	16,012	-	-
	<u>44,877</u>	<u>20,132</u>	<u>-</u>	<u>-</u>

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

Financial risk management objectives

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

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

Price risk

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

17 Financial instruments (*continued*)

Foreign currency risk

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

Credit risk

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

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

Liquidity risk

The group's policy has been to ensure continuity of funding through operating within its banking facilities and to match borrowing against the useful life of assets purchased. Longer term liquidity is achieved through funding provided by the ultimate holding company and the need for ongoing funding is confirmed in the Strategic Report and Accounting Policies (note 1). The directors manage liquidity risk through close and frequent discussions with the ultimate holding company and have received assurances that funding is in place at least until 30 June 2018.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

17 Financial instruments (continued)

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

30 June 2017	Current Year £000	Non-current 1 to 5 years £000	Over 5 years £000
Preference shares	-	-	18
Due to parent company	33,378	-	-
Finance leases	2	-	-
Trade and other payables and social security and taxes	7,937	3,542	-
	<hr/>	<hr/>	<hr/>
At 30 June 2017	41,317	3,542	18
	<hr/>	<hr/>	<hr/>
30 June 2016	Prior year £000	Non-current 1 to 5 years £000	Over 5 years £000
Preference shares	-	-	18
Due to parent company	15,967	-	-
Finance leases	25	2	-
Trade and other payables and social security and taxes	5,631	289	-
	<hr/>	<hr/>	<hr/>
At 30 June 2016	21,623	291	18
	<hr/>	<hr/>	<hr/>

Interest rate sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the group's result for the year ended 30 June 2017 would not be materially affected.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

18 Share capital

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>				
81,505,000 Ordinary shares of 10p each	8,150	8,150	8,150	8,150
37,000 42% cumulative preference shares of 50p each	18	18	18	18
	<u>8,168</u>	<u>8,168</u>	<u>8,168</u>	<u>8,168</u>
Reclassification to liabilities (note 14)	(18)	(18)	(18)	(18)
	<u>8,150</u>	<u>8,150</u>	<u>8,150</u>	<u>8,150</u>

No options were outstanding at either 30 June 2017 or 30 June 2016.

19 Related party transactions

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

Any directors or senior employees who have authority and responsibility for controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is disclosed in note 4.

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

The group recharges expenses to BCFCCT in relation to various day to day running costs, amounting to £19,560 and also provides financial support. At 30 June 2017, included within other debtors is an amount due to the group of £11,775.

20 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 2017. 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 £9,510,000 (2016 - £3,090,000). Since the year end and to the date of approval of these financial statements £1,225,000 of these amounts have crystallised.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2017

21 Capital and other financial commitments

(a) Capital commitments

	Group	
	2017 £000	2016 £000
Contracted but not provided for in the financial statements	-	168

The company has no capital commitments.

(b) Lease commitments

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

	Land & buildings		Other	
	2017 £000	2016 £000	2017 £000	2016 £000
Within one year	107	84	144	203
Between two and five years	336	336	89	164
Over five years	6,342	6,426	-	-
	<u>6,785</u>	<u>6,846</u>	<u>233</u>	<u>367</u>

22 Acquisitions

On 23 September 2016, Birmingham City Football Club Plc acquired the entire share capital of Birmingham City Ladies Football Club Limited for a total consideration of £1.

	Book value £000	Fair value £000
Debtors	22	22
Cash	10	10
Total assets	<u>32</u>	<u>32</u>
Creditors	(67)	(67)
Net liabilities	<u>(35)</u>	<u>(35)</u>
Consideration		-
Net liabilities acquired		<u>35</u>
Goodwill arising on acquisition (note 8)		<u>35</u>

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2017

23 Notes supporting the statement of changes in equity

Share capital and share premium –

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

Revaluation reserve –

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

Merger reserve –

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

Profit and loss account –

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

24 Events after the balance sheet date

Transfers of player registrations subsequent to 30 June 2017 resulted in a net £10,093,000 (2016 - £1,900,000) payable by the clubs.

25 Ultimate parent company and parent undertaking of a larger group

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

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

The ultimate holding company is Wealthy Associates International Ltd, a company incorporated in the British Virgin Islands.

Mr Paul Suen is considered to be the ultimate controlling party by virtue of his shareholding in Wealthy Associates International Ltd.