

Birmingham City PLC

Annual report

For the year ended

30 June 2020

Company number: 03304408



Birmingham City PLC

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

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Directors

Wenqing Zhao
Chun Kong Yiu

Registered office

St Andrew's Stadium, Birmingham, B9 4RL

Company number

03304408

Auditors

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

Bankers

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

Birmingham City PLC

Strategic report for the year ended 30 June 2020

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

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

Financial and operating review

The loss for the year before tax increased to £18.2m (2019 - £8.4m) primarily as a result of the improved result in 2019 following the sale of the company's freehold land and buildings.

At the year end the group had net liabilities of £81.8m (2019 - £63.6m). The playing squad had a carrying value of £14.1m (2019 - £13.0m).

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

The Birmingham City Football Academy has continued to operate at Category 2 status under the Elite Player Performance Plan. A number of academy trained players continued to participate in the first team squad.

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

Acquisition of players

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

Key performance indicators (KPIs)

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

		2020	2019
Revenue levels (football related and other)	£'000	22,830	23,325
Loss from operations	£'000	17,300	7,966
Staff costs (player related and other)	£'000	33,052	32,750
Average attendance levels (BCFC only)	No's	20,412*	22,483

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

* Average attendance does not include behind closed doors fixtures.

Birmingham City PLC

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

COVID-19 Impact

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

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

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

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

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

Principal risks and uncertainties

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

Funding and going concern:

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

At the balance sheet date funding of £110.3M has been provided by BSHL to the group, these amounts are shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £110.3M debt owed to BSHL will not require repayment within 12 months from the date of approval of these financial statements unless the group is able to do so.

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

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

Birmingham City PLC

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

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

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

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

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

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

Profitability & Sustainability Rules

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

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

By order of the board


Wenqing Zhao
Director

31 March 2021

Birmingham City PLC

Report of the directors for the year ended 30 June 2020

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

Results and dividends

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

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

Directors

The directors of the group during the year were:

Wenqing Zhao
Chun Kong Yiu

Financial instruments

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

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

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

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

Credit risk

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

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

Liquidity risk

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

Foreign currency risk

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

Employee involvement

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

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

Birmingham City PLC

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

Disabled Persons

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

Environment

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

Events after the statement of financial position date

Transfers of player registrations subsequent to 30 June 2020, taking into account applicable costs, resulted in a net £21,771,000 (2019 - £5,560,000) payable to the group.

Statement of disclosure to auditors

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

Auditors

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

By order of the board

Wenqing Zhao
Director



31 March 2021

Birmingham City PLC

Directors' responsibilities statement for the year ended 30 June 2020

Directors' responsibilities

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

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

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

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

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

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

Birmingham City PLC

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

Opinion

We have audited the financial statements of Birmingham City Plc ("the parent company") and its subsidiaries ("the group") for the year ended 30 June 2020 which comprise the primary statements such as the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity and the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 £18.2m during the year ended 30 June 2020 and, as of that date, the group's current liabilities exceeded the total assets by £66.6m and its total liabilities exceeded total assets by £81.8m. As stated in note 1 funding of £38.0m is required from the immediate parent company BSHL. These events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

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

Birmingham City PLC

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Birmingham City PLC

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

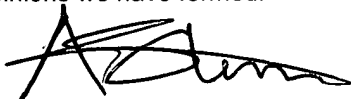
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Adrian Stevens FCCA (Senior Statutory Auditor)

31 March 2021

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

Birmingham City PLC

Consolidated statement of comprehensive income for the year ended 30 June 2020

		Club operations 2020 £'000	Player amortisation, impairment and trading costs 2020 £'000	Total 2020 £'000	Total 2019 £'000
	Note				
Continuing operations					
Revenue	2	22,830	-	22,830	23,325
Operating expenses		(44,800)	(8,415)	(53,215)	(53,542)
Other operating income		1,543	-	1,543	690
Operating loss	4	(20,427)	(8,415)	(28,842)	(29,527)
Profit on disposal of tangible fixed assets	3			-	17,189
Net profit on sale of players' registrations				11,542	4,372
Loss from operations				(17,300)	(7,966)
Finance income	6			793	71
Finance costs	7			(1,661)	(549)
Loss before taxation				(18,168)	(8,444)
Taxation	8			-	-
Total comprehensive loss attributable to equity shareholders				(18,168)	(8,444)

All activities are derived from continuing activities.

The notes on pages 14 to 40 form part of these financial statements.

Birmingham City PLC

Consolidated and Company statements of financial position As at 30 June 2020

Company no: 03304408

		Group		Company	
	Note	2020 £000	2019 £000	2020 £000	2019 £000
Assets					
Non-current assets					
Intangible assets	9	14,074	13,038	-	-
Property, plant and equipment	10	14,206	3,608	-	-
Investments	11	-	-	9,018	9,018
Trade and other receivables	13	7,026	821	-	-
		<u>35,306</u>	<u>17,467</u>	<u>9,018</u>	<u>9,018</u>
Current assets					
Inventories	12	90	348	-	-
Trade and other receivables	13	30,927	30,487	-	-
Cash and cash equivalents		1,739	2,865	-	-
		<u>32,756</u>	<u>33,700</u>	<u>-</u>	<u>-</u>
Total assets		<u>68,062</u>	<u>51,167</u>	<u>9,018</u>	<u>9,018</u>
Liabilities					
Non-current liabilities					
Financial liabilities	15	505	18	18	18
Trade and other payables	14	3,513	1,235	-	-
Lease liabilities	22	11,188	-	-	-
		<u>15,206</u>	<u>1,253</u>	<u>18</u>	<u>18</u>
Current liabilities					
Financial liabilities	15	115,908	96,919	5,500	5,500
Trade and other payables	14	16,798	12,991	-	-
Deferred income		-	-	-	-
Contract liabilities		1,637	3,599	-	-
Lease liabilities	22	276	-	-	-
		<u>134,619</u>	<u>113,509</u>	<u>5,500</u>	<u>5,500</u>
Total liabilities		<u>149,825</u>	<u>114,762</u>	<u>5,518</u>	<u>5,518</u>
Net (liabilities)/assets		<u>(81,763)</u>	<u>(63,595)</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		(2,539)	(2,539)	-	-
Accumulated deficit		(97,455)	(79,287)	(14,731)	(14,731)
Total (deficit)/surplus		<u>(81,763)</u>	<u>(63,595)</u>	<u>3,500</u>	<u>3,500</u>

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2021;

Wenqing Zhao
Director

The notes on pages 14 to 40 form part of these financial statements.

Birmingham City PLC

Consolidated and Company statements of changes in equity for the year ended 30 June 2020

	Share capital £000	Share premium £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total £000
Group						
At 1 July 2018	8,150	10,081	202	(2,539)	(71,045)	(55,151)
Total comprehensive loss for the year	-	-	-	-	(8,444)	(8,444)
Depreciation transfer	-	-	(6)	-	6	-
Transfer*	-	-	(196)	-	196	-
At 1 July 2019	8,150	10,081	-	(2,539)	(79,287)	(63,595)
Total comprehensive loss for the year	-	-	-	-	(18,168)	(18,168)
At 30 June 2020	8,150	10,081	-	(2,539)	(97,455)	(81,763)

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

	Share capital and share premium £000	Profit and loss account £000	Total £000
Company			
At 1 July 2018	18,231	(14,731)	3,500
Total comprehensive profit/(loss) for the year	-	-	-
At 1 July 2019	18,231	(14,731)	3,500
Total comprehensive profit/(loss) for the year	-	-	-
At 30 June 2020	18,231	(14,731)	3,500

The notes on pages 14 to 40 form part of these financial statements.

Birmingham City PLC

Consolidated statement of cash flows for the year ended 30 June 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Loss for the year before taxation	(18,168)	(8,444)
Amortisation of intangible assets	8,415	7,562
Profit on sale of players' registrations	(11,542)	(4,372)
Profit on disposal of property, plant and equipment	-	(17,189)
Depreciation on property, plant and equipment	1,321	888
Finance costs	1,661	549
Finance income	(793)	(71)
Amortisation of deferred grant	-	(52)
Decrease in inventories	258	282
Decrease in receivables	504	2,655
Increase in payables	1,870	1,327
Cash used in operations	(16,474)	(16,865)
Interest paid	(1,661)	(549)
Interest received	793	71
Cash used in operating activities	(17,342)	(17,343)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(114)	(402)
Acquisition of players registrations	(8,269)	(13,956)
Proceeds from sale of players registrations	5,464	7,151
Net cash used in investing activities	(2,919)	(7,207)
Cash flows from financing activities		
New loans	19,476	23,836
Repayment of leasing liabilities	(341)	-
Net cash received from financing activities	19,135	23,836
Net decrease in cash and cash equivalents	(1,126)	(714)
Cash and cash equivalents at the beginning of the year	2,865	3,579
Cash and cash equivalents at the end of the year	1,739	2,865

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

The notes on pages 14 to 40 form part of these financial statements.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

1 Accounting policies (*continued*)

Background information

Birmingham City Plc is a public 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 2020 is £Nil (2019 - £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 parent undertaking, Birmingham Sports Holdings Limited ("BSHL").

At the balance sheet date funding of £110.3M has been provided by BSHL to the group, these amounts are shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from BSHL that the £110.3M debt owed to BSHL will not require repayment within 12 months from the date of approval of these financial statements unless the group is able to do so.

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

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

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2020

1 Accounting policies *(continued)*

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

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

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

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

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

The group recorded a loss of approximately £18.1m for the year ended 30 June 2020, and net liabilities of approximately £81.8m as at 30 June 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the group. The directors have considered the forecasts of the group carefully and also considered, with the directors of BSHL, the group's ability to obtain the funding that is required as shown by the forecasts. The directors do however remain in the view that the group can obtain the required funding from BSHL and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Accounting standards

Adoption of new and revised IFRSs

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

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

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

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

More information can be found in note 22.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

1 Accounting policies (*continued*)

New and revised IFRSs not yet adopted

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

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

Basis of consolidation

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

Revenue recognition

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

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

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

1 Accounting policies (*continued*)

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:

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

Leases

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

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

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

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

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

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

1 Accounting policies (*continued*)

Leased assets

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

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

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

Net financing costs

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

Employee benefits – Pensions

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

Loyalty and other incentives

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

Goodwill

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

Taxation

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

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

1 Accounting policies (*continued*)

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

The costs associated with the acquisition of players' registrations are initially recorded at their fair value at the date of acquisition. These costs are fully amortised over the period of the respective players' contracts, being between 1 and 5 years. A provision is made in accruals, for additional payments where in management's opinion, the club or player is likely to achieve the requirements for these additional payments. Where the outcome of these requirements is uncertain, additional payments are not made as a provision but the maximum amount payable is disclosed as a contingent liability (note 22). Agent fees incurred relating to services provided to the club are capitalised as part of intangible assets.

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

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

Impairment of intangible and tangible fixed assets

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

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

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

Further details on impairment are given in note 9.

Signing on fees

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

Inventories

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

1 Accounting policies (*continued*)

Cash and equivalents

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

Contract liabilities/Deferred income

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

Financial instruments

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

Financial assets

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

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

Financial liabilities

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

Foreign currency

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

Investments – interests in subsidiary undertakings

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

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 2020

1 Accounting policies (*continued*)

Critical accounting estimates and judgements

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

1. *Player transfer costs*

Management have to make certain judgements as to whether a liability should be recognised under the terms of the contracts with other football clubs in respect of player transfers. These judgements include management's opinion, at the consolidated statement of financial position date, on the likely league status in the next season. It also requires certain judgements as to whether a player will continue to make the contractually agreed number of first team appearances. Based on these judgements, management decide on an individual player by player basis as to whether the liability is disclosed as a contingent liability in note 21 or whether it becomes recognised as a liability in trade payables in the statement of financial position.

2. *Intangible assets, tangible assets and impairment*

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

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

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.

	2020 £000	2019 £000
Match receipts	4,730	5,160
Broadcasting	8,846	7,987
Other commercial income	9,254	10,178
	<u>22,830</u>	<u>23,325</u>

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

	2020 £000	2019 £000
Match receipts	2,267	2,336
Other commercial income	4,192	4,560
	<u>6,459</u>	<u>6,896</u>

Revenue from contracts with customers recognised over time:

	2020 £000	2019 £000
Match receipts	2,463	2,824
Broadcasting	8,846	7,987
Other commercial income	3,765	3,975
	<u>15,074</u>	<u>14,786</u>

Revenue from other sources:

	2020 £000	2019 £000
Other commercial income	1,297	1,643

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 2020

3 Disposal of tangible fixed assets

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

	2020 £000	2019 £000
Proceeds	-	22,760
Net book value	-	(7,037)
Release of deferred capital grant	-	1,466
	-	17,189

4 Operating loss

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

	2020 £000	2019 £000
Amortisation of deferred capital grants	-	(52)
Depreciation of owned tangible fixed assets	620	888
Depreciation of leased tangible fixed assets	701	-
Amortisation of intangible assets	8,415	7,562
Profit on disposal of tangible fixed assets	-	(17,189)
Premises leased under operating leases	-	84
Equipment leased under operating leases	-	231
Grant income received	(724)	(690)
COVID-19 grant income	(819)	-
Gain on foreign exchange retranslation	5	(30)
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	40	58
Other fees relating to taxation	4	4
Other non-audit services	-	15
	47	80

5 Staff costs

	2020 £000	2019 £000
Wages and salaries	29,739	29,000
Social security costs	3,226	3,663
Pension costs	87	87
	33,052	32,750

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2020

5 Staff costs *(continued)*

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

	2020	2019
Playing staff	99	92
Training staff	85	63
Training ground staff	14	10
Commercial and fund raising	28	35
Shop staff	4	5
Administration and other staff	59	47
	<u>289</u>	<u>252</u>

During the year the group also employed approximately 467 temporary staff on match days (2019 - 522), the cost of which is included in the staff costs above. The company has no employees or staff costs.

Key management compensation

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

	2020 £000	2019 £000
Remuneration for qualifying services	1,544	928
Pension costs	35	4
	<u>1,579</u>	<u>932</u>

The company has not paid any remuneration to directors or made any contributions to the directors personal pension arrangements in the current year (2019 - £Nil).

6 Finance income

	2020 £000	2019 £000
Notional interest on transfer fee receivables due after one year	793	71
	<u>793</u>	<u>71</u>

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2020

7 Finance costs

	2020 £000	2019 £000
Other interest payable	-	3
Notional interest on transfer fee liabilities due after one year	378	546
Interest on lease liabilities	1,283	-
	<u>1,661</u>	<u>549</u>

8 Taxation

	2020 £000	2019 £000
Domestic current year tax		
UK corporation tax	-	-
Adjustment in respect of previous years	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Total tax credit	<u>-</u>	<u>-</u>

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

	2020 £000	2019 £000
Loss before taxation	(18,168)	(8,444)
	<u>(18,168)</u>	<u>(8,444)</u>
Loss before taxation at the standard rate of corporation tax in the UK of 19% (2019 – 19%)	(3,452)	(1,604)
Expenses not deductible for tax purposes	133	4
Income not taxable	-	(289)
Depreciation in excess of capital allowances	50	69
Tax losses surrendered for group relief	236	-
Tax losses carried forward	3,033	4,807
Profit on disposal not taxable	-	(2,987)
	<u>3,033</u>	<u>(2,987)</u>
Total tax credit	<u>-</u>	<u>-</u>

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

8 Taxation (continued)

Factors that may affect future tax charges

As at 30 June 2020, the group has trading losses of £101,594,000 (2019 - £85,493,000) 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.

9 Intangible assets

	Goodwill £000	Players' registration £000	Total £000
<i>Cost</i>			
At 1 July 2018	35	26,128	26,163
Additions	-	7,448	7,448
Disposals	-	(8,186)	(8,186)
At 1 July 2019	35	25,390	25,425
Additions	-	10,522	10,522
Disposals	-	(8,861)	(8,861)
At 30 June 2020	35	27,051	27,086
<i>Amortisation/impairment</i>			
At 1 July 2018	35	9,735	9,770
Charge for the year	-	7,562	7,562
Disposals	-	(4,945)	(4,945)
At 1 July 2019	35	12,352	12,387
Charge for the year	-	8,415	8,415
Disposals	-	(7,790)	(7,790)
At 30 June 2020	35	12,977	13,012
<i>Net book value</i>			
At 30 June 2020	-	14,074	14,074
At 30 June 2019	-	13,038	13,038

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 2021/2022 season.

The company has no intangible assets.

Birmingham City PLC

Notes to the financial statements *(continued)*
for the year ended 30 June 2020

10 Property, plant and equipment

	Right of use - leasehold land and buildings £	Right of use - motor vehicles £	Right of use - fixtures and equipment £	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and equipment £	Total £
<i>Cost or valuation</i>								
At 1 July 2018	-	-	-	13,137	4,173	442	7,691	25,443
Additions	-	-	-	-	17	28	357	402
Disposals	-	-	-	(13,137)	-	-	-	(13,137)
At 1 July 2019	-	-	-	-	4,190	470	8,048	12,708
Transition to IFRS 16	11,291	68	446	-	-	-	-	11,805
Additions	-	-	-	-	-	-	114	114
Disposals	-	-	-	-	(40)	(278)	(6,185)	(6,503)
At 30 June 2020	11,291	68	446	-	4,150	192	1,977	18,124

Birmingham City PLC

Notes to the financial statements (continued)
for the year ended 30 June 2020

10 Property, plant and equipment (continued)

	Right of use - leasehold land and buildings £	Right of use - motor vehicles £	Right of use - fixtures and equipment £	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and equipment £	Total £
<i>Depreciation</i>								
At 1 July 2018	-	-	-	5,847	1,529	350	6,585	14,311
Charge for the year	-	-	-	252	164	69	403	888
Disposals	-	-	-	(6,099)	-	-	-	(6,099)
At 1 July 2019	-	-	-	-	1,693	419	6,988	9,100
Charge for the year	448	25	228	-	136	35	449	1,321
Disposals	-	-	-	-	(40)	(278)	(6,185)	(6,503)
At 30 June 2020	448	25	228	-	1,789	176	1,252	3,918
<i>Net book value</i>								
At 30 June 2020	10,843	43	218	-	2,361	16	725	14,206
At 30 June 2019	-	-	-	-	2,497	51	1,060	3,608

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

11 Investment in subsidiary undertaking

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

	£000
Cost	
As at 1 July 2019	9,018
Additions	-
	<hr/>
At 30 June 2020	9,018
	<hr/>

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

12 Inventories

	Group	
	2020	2019
	£000	£000
Goods for resale	90	348
	<hr/>	<hr/>

The replacement of stocks would not be significantly different from the values stated. The amount of inventories recognised as an expense and included in operating expenses amounted to £747,000 (2019 - £666,000).

The company has no inventory.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

13 Trade and other receivables

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
<i>Current assets</i>				
Trade receivables	6,677	5,251	-	-
Amounts owed by fellow group undertakings	21,514	22,760	-	-
Other receivables	1,419	1,024	-	-
Prepayments	1,317	1,452	-	-
	<u>30,927</u>	<u>30,487</u>	<u>-</u>	<u>-</u>
<i>Non-current assets</i>				
Trade receivables	4,999	-	-	-
Prepayments	2,027	821	-	-
	<u>7,026</u>	<u>821</u>	<u>-</u>	<u>-</u>

Included within trade receivables is £10,053,000 (2019 - £2,904,000) in respect of transfer fees receivable, of which £4,999,000 (2019 - £Nil) is receivable after more than one year. Included within prepayments is £3,118,000 (2019 - £1,839,000) in respect of agent fees and signing on fees, of which £2,027,000 (2019 - £821,000) is receivable after more than one year.

Trade receivables are individually assessed based on estimated recoverable amounts.

The average credit period taken on sales is 21 days (2019 - 44 days).

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

	Group	
	2020 £000	2019 £000
30 – 90 days	374	370
90 – 120 days	3	107
120 – 180 days	3	172
180 days +	524	386
	<u>904</u>	<u>1,035</u>
Total	904	1,035

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

13 Trade and other receivables (continued)

Movement in bad and doubtful debt provisions

	Group	
	2020 £000	2019 £000
Balance brought forward	167	103
Amounts recovered	(6)	(5)
Written off	(59)	(28)
Amounts provided	290	97
Balance carried forward	392	167

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

At 30 June 2020	Current £000	Less than 90 days past due £000	Over 90 days past due £000	Total £000
Expected loss rate	-	-	49.2%	
Receivables amount	11,133	147	760	12,040
Loss allowance	-	-	(369)	(369)
Total	11,133	147	391	11,671

At 30 June 2019	Current £000	Less than 90 days past due £000	Over 90 days past due £000	Total £000
Expected loss rate	-	-	20%	
Receivables amount	4,216	370	832	5,418
Loss allowance	-	-	(167)	(167)
	4,216	370	665	5,251

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 2020

14 Trade and other payables

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
<i>Current liabilities</i>				
Trade payables	8,456	7,373	-	-
Other payables	38	84	-	-
Taxation and social security	4,772	3,383	-	-
Accruals	3,532	2,151	-	-
	<u>16,798</u>	<u>12,991</u>	<u>-</u>	<u>-</u>
<i>Non-current liabilities</i>				
Trade payables	1,885	918	-	-
Accruals	1,628	317	-	-
	<u>3,513</u>	<u>1,235</u>	<u>-</u>	<u>-</u>

Included within total trade payables is £6,893,000 (2019 - £4,640,000) in respect of actual and probable transfer fees payable and agents fees payable of which £1,993,000 (2019 - £918,000) is due after more than one year. Included within accruals is £2,188,000 (2019 - £745,000) in respect of signing on fees payable, of which £1,520,000 (2019 - £317,000) is payable after more than one year.

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

	Group	
	2020 £000	2019 £000
0 – 30 days	391	2,886
30 – 90 days	295	3,173
90 - 180 days	298	253
180 days +	7,472	1,061
	<u>8,456</u>	<u>7,373</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 54 days (2019 - 76 days).

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

15 Financial liabilities

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
<i>Current liabilities</i>				
Due to ultimate parent company	115,811	96,919	5,500	5,500
Other loans	97	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	115,908	96,919	5,500	5,500
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Non-current liabilities</i>				
Preference shares (note 19)	18	18	18	18
Other loans	487	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	505	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Borrowings maturity:</i>				
Within one year	115,908	96,919	5,500	5,500
More than one year but not more than two years	195	-	-	-
More than two years but not more than five years	292	-	-	-
After five years	18	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings	116,413	96,937	5,518	5,518
	<hr/>	<hr/>	<hr/>	<hr/>

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

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

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 (2019 - £800,000).

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

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

16 Deferred taxation

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
At 1 July	-	-	-	-
Amount (charged)/credited to consolidated statement of comprehensive income	-	-	-	-
At 30 June	-	-	-	-
	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Deferred taxation comprises:				
Depreciation in excess of capital allowances	66	45	-	-
Losses	19,303	16,045	-	-
Asset not recognised	(19,369)	(16,090)	-	-
Deferred tax asset	-	-	-	-

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

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

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 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

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

Categories of financial instruments

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
<i>Financial assets</i>				
Loans and receivables				
- cash and cash equivalents	1,740	2,865	-	-
- trade and other receivables (note 13)	37,953	31,308	-	-
	<u>39,693</u>	<u>34,173</u>	<u>-</u>	<u>-</u>
<i>Financial liabilities</i>				
Trade and other payables held at amortised cost	15,151	11,758	-	-
Borrowings at amortised cost (notes 14 & 15)	116,413	96,937	5,518	5,518
	<u>131,564</u>	<u>108,695</u>	<u>5,518</u>	<u>5,518</u>

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

Financial risk management objectives

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

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

Price risk

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

Foreign currency risk

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

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

17 Financial instruments (continued)

Credit risk

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

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

Liquidity risk

The group's policy has been to ensure continuity of funding through operating within its banking facilities and to match borrowing against the useful life of assets purchased. Longer term liquidity is achieved through funding provided by the ultimate holding company and the need for ongoing funding is confirmed in the Strategic Report and Accounting Policies (note 1). The directors manage liquidity risk through close and frequent discussions with the ultimate holding company and have received assurances that funding is in place at least until 31 March 2022.

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

30 June 2020	Current within 1 year £000	Non-current 1 to 5 years £000	Over 5 years £000
Preference shares	-	-	18
EFL loan	97	487	-
Due to parent company	115,811	-	-
Trade and other payables and social security and taxes	13,266	1,885	-
At 30 June 2020	129,174	2,372	18
30 June 2019	Current within 1 year £000	Non-current 1 to 5 years £000	Over 5 years £000
Preference shares	-	-	18
Due to parent company	96,919	-	-
Trade and other payables and social security and taxes	10,840	918	-
At 30 June 2019	107,759	918	18

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 2020 would not be materially affected.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2020

18 Share capital

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>				
81,505,000 Ordinary shares of 10p each	8,150	8,150	8,150	8,150
37,000 42% cumulative preference shares of 50p each	18	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
Reclassification to liabilities (note 15)	8,168 (18)	8,168 (18)	8,168 (18)	8,168 (18)
	<hr/>	<hr/>	<hr/>	<hr/>
	8,150	8,150	8,150	8,150
	<hr/>	<hr/>	<hr/>	<hr/>

No options were outstanding at either 30 June 2020 or 30 June 2019.

19 Notes to statement of cash flows

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

	Loans £000	Other borrowings £000	Total £000
At 1 July 2018	73,083	18	73,101
Changes in cash flows	23,836	-	23,836
	<hr/>	<hr/>	<hr/>
At 30 June 2019	96,919	18	96,937
Changes in cash flows	19,476	-	19,476
	<hr/>	<hr/>	<hr/>
At 30 June 2020	116,395	18	116,413
	<hr/>	<hr/>	<hr/>

20 Related party transactions

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

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

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2020

21 Contingent liabilities

Under the terms of certain contracts with players and other football clubs, additional amounts would become payable if certain specific conditions arise after 30 June 2020. The directors have taken the view that these amounts are not certain enough to be recorded as a provision but note that the maximum that could be payable in respect of these items is £5,657,000 (2019 - £4,393,000). Since the year end and to the date of approval of these financial statements £449,000 of these amounts have crystallised.

22 Capital and other financial commitments

(a) Capital commitments

	Group	
	2020 £000	2019 £000
Contracted but not provided for in the financial statements	-	141

The company has no capital commitments.

(b) Lease commitments

On transition to IFRS 16 on 1 July 2019, the Company recognised right-of-use assets of £11,805,000 and lease liabilities of £11,805,000, with net assets therefore remaining unchanged.

The adoption of IFRS 16 from 1 July 2019 resulted in a £701,000 increase in depreciation, a £1,624,000 reduction in lease expenses and a £1,283,000 increase in finance costs recognised in the profit and loss account during the year ended 30 June 2020. At 30 June 2020, the company recognised £11,104,000 right-of-use assets and £11,464,000 lease liabilities on the balance sheet.

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

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

	£
Operating lease commitments at 30 June 2019	38,088
Recognition exemption for short term and low value leases	(20)
	<hr/>
Undiscounted IFRS 16 commitments at 30 June 2019	38,068
Additional lease liabilities recognised at 1 July 2019	321
	<hr/>
Undiscounted IFRS 16 commitments at 1 July 2019	38,389
Discounting using notional borrowing-rates at 1 July 2019	(26,584)
	<hr/>
Total lease liabilities at 1 July 2019	11,805

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

22 Capital and other financial commitments (*continued*)

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

	Present value £
Current liabilities	276
Non-current liabilities	11,188
	<hr/>
Total lease liabilities	11,464
	<hr/>

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 2020, taking into account applicable costs, resulted in a net £26,672,000 (2019 - £5,560,000) payable to the group.

On 9 October 2020, Oriental Rainbow Investments Limited entered into an agreement to acquire 21.64% stake in the company. Following completion of the share acquisition, BSHL's 96.64% ownership in the company, has reduced to 75%.

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

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2020

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.