

Birmingham City PLC

Report and Financial Statements

Annual report

30 June 2016

Company number: 03304408



Birmingham City PLC

Annual report and financial statements for the year ended 30 June 2016

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Directors

Ma, Shui Cheong
Panagiotis Pavlakis

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 2016

The directors present the strategic report and financial statements for the year ended 30 June 2016.

The principal activity of the company is that of a holding company. The principal activity of its only trading subsidiary (Birmingham City Football Club Plc) continues to be that of a football club. The company and its subsidiary as a single entity are hereafter referred to as "the group". The subsidiary is hereafter referred to as "the club".

Financial and operating review

The completion of parachute income from the Premier League accounted for a reduction of £7.9m in revenue for the year ended 30 June 2016 and was the main reason for the £5.1m loss (in comparison to the £1.3M for the year ended 30 June 2015).

For the fifth consecutive year the Club played in the Championship Division of the Football League. A league position of 10th or above was maintained for the entire season which showed the stability that had been created since the appointment of Gary Rowett as manager in October 2014.

Although the Club sold Demarai Gray to Leicester City during the January 2016 transfer window, funds were reinvested with the acquisition of Diego Fabbrini who was signed from Watford.

Despite a real attempt to reach the play off places, this did not materialise and the Club finished the season in 10th place with 63 points – exactly the same as in the 2014/15 season.

In preparation for the 2016/17 season the club has signed some exciting players to complement the backbone of the side and whilst it is widely recognised that the Championship is becoming an extremely competitive league, the target is a top 6 or better finish.

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

The players, football management team, staff and directors would all like to thank the fans for their loyal 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:

		2016	2015
Revenue levels (football related and other)	£'000	14,708	21,049
(Loss)/profit from operations	£'000	(5,084)	1,336
Staff costs (player related and other)	£'000	15,327	14,126
Average attendance levels	No's	17,571	16,111

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

Birmingham City PLC

Strategic report (*continued*) for the year ended 30 June 2016

Principal risks and uncertainties

Funding and going concern:

The company does not have an overdraft facility and meets its day to day funding requirements with support from the ultimate parent undertaking, Birmingham International Holdings Limited ("BIHL"). BIHL voluntarily applied for the appointment of Receivers in Hong Kong on 16 February 2015 and three managing directors of Ernst & Young Transactions Limited were duly appointed at the same date. These 3 directors remain as directors of BIHL at the date of signing these financial statements.

At the balance sheet dates funding of £16.0M has been provided by BIHL to Birmingham City Football Club PLC ("BCFC"), the company's wholly owned subsidiary and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from the receivers of BIHL that repayment of the £16.0M debt owed to BIHL 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 30 November 2017 as part of the longer term forecasts prepared for the company. The forecasts show that BCFC needs additional funding of around £15M from BIHL for the period from July 2016 to November 2017.

The Receivers of BIHL have indicated 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. On 26 June 2015 BIHL entered into a loan facility agreement with Trillion Trophy Asia Limited ("Trillion Trophy"), the ultimate beneficial owners of which are third parties independent of and not connected with either BIHL or the connected persons of BIHL.

On 19 June 2015, the receivers executed an exclusivity agreement with Trillion Trophy. As detailed in the announcement of BIHL dated 30 June 2015, Trillion Trophy agreed to grant a secured loan facility of up to a maximum amount of HK\$153m to BIHL for funding BIHL's operations and the operations of both Birmingham City Plc ("BCP") and BCFC pursuant to the loan facility agreement for a term of 18 months from the date of the agreement. On 31 May 2016 the loan facility was amended by increasing the loan facility by a further HK\$50m to a maximum amount of HK\$203m and extending the term to 36 months from the date of the original agreement. The Receivers are of the opinion that the liquidity and the financial resources of the group are significantly enhanced since the loan facility and the extension became available.

Reference is also made to the announcement of BIHL dated 6 June 2016 and subsequent announcements dated 8 June 2016, 27 June 2016, 29 June, 8 July 2016, 19 July 2016 and 5 August 2016 and 1 September 2016 in relation to the proposed restructuring which comprises a capital re-organisation, an open offer, subscriptions, settlement agreements and whitewash waiver. At the AGM held on 29 August 2016, the independent shareholders of BIHL passed and approved the resolutions in respect of, inter alia, the capital re-organisation, the open offer, the subscriptions and the whitewash waiver. It is intended that part of the gross proceeds from the open offer and the subscription in the sum of HK\$240M will be used to satisfy the annual working capital requirement of BCFC for part of season 2016/17 and the entire season 2017/18. In addition Trillion Trophy undertook that they will provide the necessary financial support to BIHL to ensure that BIHL has sufficient working capital for its operations for a period of at least 18 months after resumption in trading of BIHL shares.

BIHL will issue further announcements setting out the progress of the possible restructuring as and when appropriate and necessary.

The directors have considered the forecasts of BCFC carefully and also considered, with the Receivers of BIHL, the company's ability to obtain the funding that is required as shown by the forecasts. The directors acknowledge that the capital re-organisation, open offer, subscription and other events proposed by BIHL represent a material uncertainty to BCFC and its ability to discharge its liabilities in the normal course of business. The directors do however remain of the view that the company can obtain the required funding from BIHL and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Birmingham City PLC

Strategic report (*continued*)
for the year ended 30 June 2016

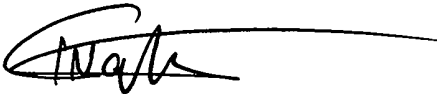
Principal risks and uncertainties (*continued*)

Deed of Novation and capital contribution

The directors note that Yeung Ka Sing, Carson, a significant shareholder in the ultimate parent company, was convicted in March 2014 of dealing with property known or believed to represent the proceeds of an indictable offence during the period 2001-2007. An appeal was subsequently lodged with the Hong Kong Court of Appeal and while this was dismissed in May 2015, the Hong Kong Court of final Appeal granted Mr Yeung leave to appeal his conviction and released him on bail in August 2015. In July 2016 the Hong Kong Court of Final Appeal rejected Mr Yeung's appeal.

The directors have taken legal advice on the potential impact of the conviction on the novation of loans from Yeung Ka Sing, Carson given that a restraint order was placed on the assets of Mr Yeung prior to his conviction. The Hong Kong department of justice has been kept fully informed of the debt restructuring program of BIHL and the subsequent deed of novation and capital contribution to the company. The legal advice received is that any unwinding of the deed of novation and subsequent capital contribution is unlikely. The Hong Kong department of justice have confirmed that they have no objection to the debt restructuring program subject to proper shareholder and regulatory approval.

By order of the board



P Pavlakis
Director

14 October 2016

Birmingham City PLC

Report of the directors for the year ended 30 June 2016

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

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:

Yeung Tsz Tsung, Ryan - resigned 11 August 2015
Ma, Shui Cheong
Panagiotis Pavlakis

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 2016

Employee involvement

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

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

The quality and commitment of our people plays a major role in our business success. This has been demonstrated in many ways. They have shown flexibility in adapting to changing business requirements 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.

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.

Political contributions

During the year the group made political donations of £Nil (2015 – £Nil).

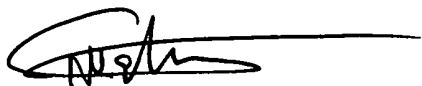
Statement of disclosure to auditors

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

Auditors

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

By order of the board



P Pavlakis
Director

14 October 2016

Birmingham City PLC

Directors' responsibilities statement for the year ended 30 June 2016

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 for the year ended 30 June 2016 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.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis of qualified opinion on financial statements

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

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

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

Birmingham City PLC

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

Qualified opinion on financial statements

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

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

- adequate accounting 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.



Adrian Stevens FCCA (Senior Statutory Auditor)
For and on behalf of
Edwards
Statutory Auditor
34 High Street,
Aldridge,
Walsall,
West Midlands,
WS9 8LZ

14 October 2016

Birmingham City PLC

Consolidated statement of comprehensive income for the year ended 30 June 2016

		Club operations	Player amortisation, Impairment and trading costs	Total	Total
	Note	2016 £'000	2016 £'000	2016 £'000	2015 £'000
Continuing operations					
Revenue	2	14,708	-	14,708	21,049
Other operating income		510	-	510	1,415
Operating expenses		(23,931)	(762)	(24,693)	(23,008)
Operating loss	3			(9,475)	(544)
Net profit on sale of player registrations				4,391	1,880
(Loss)/profit from operations				(5,084)	1,336
Finance income	5			146	11
Finance costs	6			(86)	(27)
(Loss)/profit before taxation				(5,024)	1,320
Taxation	7			-	(4)
Total comprehensive (loss)/profit attributable to equity shareholders				(5,024)	1,316

All activities are derived from continuing activities.

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

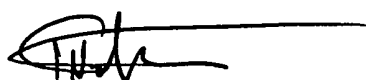
Birmingham City PLC

Consolidated and Company statements of financial position at 30 June 2016

Company no: 03304408

		Group		Company	
	Note	2016 £000	2015 £000	2016 £000	2015 £000
Assets					
Non-current assets					
Intangible assets	8	2,443	364	-	-
Property, plant and equipment	9	11,134	11,638	-	-
Investments	10	-	-	3,518	3,518
Trade and other receivables	12	1,070	51	-	-
		<u>14,647</u>	<u>12,053</u>	<u>3,518</u>	<u>3,518</u>
Current assets					
Inventories	11	257	131	-	-
Trade and other receivables	12	6,300	3,858	-	-
Cash and cash equivalents		2,531	4,551	-	-
		<u>9,088</u>	<u>8,540</u>	<u>-</u>	<u>-</u>
Total assets		<u>23,735</u>	<u>20,593</u>	<u>3,518</u>	<u>3,518</u>
Liabilities					
Non-current liabilities					
Financial liabilities	14	20	45	18	18
Capital grants (deferred income)	15	1,575	1,633	-	-
Trade payables	13	438	24	-	-
		<u>2,033</u>	<u>1,702</u>	<u>18</u>	<u>18</u>
Current liabilities					
Financial liabilities	14	15,992	10,106	-	-
Trade and other payables	13	6,252	4,989	-	-
Deferred income		2,583	1,897	-	-
Capital grants (deferred income)	15	57	57	-	-
		<u>24,884</u>	<u>17,049</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>26,917</u>	<u>18,751</u>	<u>18</u>	<u>18</u>
Net (liabilities)/assets		<u>(3,182)</u>	<u>1,842</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		(2,378)	(2,371)	-	-
Accumulated deficit		(19,035)	(14,018)	(14,731)	(14,731)
Total (deficit)/surplus		<u>(3,182)</u>	<u>1,842</u>	<u>3,500</u>	<u>3,500</u>

The financial statements were approved and authorised for issue by the Board of Directors on 14 October 2016



P Pavlakis
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 2016

	Share capital and share premium £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total £000
Group					
At 1 July 2014	18,231	174	(2,539)	(15,340)	526
Total comprehensive profit for the year	-	-	-	1,316	1,316
Depreciation transfer	-	(6)	-	6	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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 30 June 2016	18,231	161	(2,539)	(19,035)	(3,182)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
			Share capital and share premium £000	Profit and loss account £000	Total £000
Company					
At 1 July 2014			18,231	(14,731)	3,500
Total comprehensive profit for the period			-	-	-
			<hr/>	<hr/>	<hr/>
At 1 July 2015			18,231	(14,731)	3,500
Total comprehensive profit for the period			-	-	-
			<hr/>	<hr/>	<hr/>
At 30 June 2016			18,321	(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 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
(Loss)/profit for the year before taxation		(5,024)	1,320
Amortisation of intangible assets		762	402
Profit on sale of players' registrations		(4,391)	(1,880)
Profit on disposal of property, plant and equipment		(4)	(22)
Depreciation on property, plant and equipment		725	1,089
Finance costs		86	27
Finance income		(146)	(11)
Amortisation of deferred grant		(58)	(56)
Increase in inventories		(126)	(5)
Increase in receivables		(1,324)	(352)
Increase/(decrease) in payables		1,074	(304)
		<hr/>	<hr/>
Cash (used in)/generated from operations		(8,426)	208
Interest paid		(86)	(27)
Interest received		146	11
Tax paid		(2)	(2)
		<hr/>	<hr/>
Cash (used in)/generated from operating activities		(8,368)	190
Cash flows from investing activities			
Acquisition of property, plant and equipment		(248)	(195)
Proceeds from sale of property, plant and equipment		31	22
Acquisition of players registrations		(1,609)	(475)
Proceeds from sale of players registrations		2,313	1,589
		<hr/>	<hr/>
Net cash received from investing activities		487	941
Cash flows from financing activities			
Capital repayment of borrowings		-	(5,057)
New loans		5,886	3,905
Capital repayment of finance leases		(25)	(32)
		<hr/>	<hr/>
Net cash received/(paid) from financing activities		5,861	(1,184)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(2,020)	(53)
Cash and cash equivalents at the beginning of the year		4,551	4,604
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	22	2,531	4,551
		<hr/>	<hr/>

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 2016

1 Accounting policies

Background information

Birmingham City Plc is 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 subsidiary. 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 2016 is £Nil (2015 - £Nil).

Basis of preparation: going concern

The company does not have an overdraft facility and meets its day to day funding requirements with support from the ultimate parent undertaking, Birmingham International Holdings Limited ("BIHL"). BIHL voluntarily applied for the appointment of Receivers in Hong Kong on 16 February 2015 and three managing directors of Ernst & Young Transactions Limited were duly appointed at the same date. These 3 directors remain as directors of BIHL at the date of signing these financial statements.

At the balance sheet dates funding of £16.0M has been provided by BIHL to Birmingham City Football Club PLC ("BCFC"), the company's wholly owned subsidiary and this amount is shown as due to the ultimate parent undertaking within one year. The directors have received written confirmation from the receivers of BIHL that repayment of the £16.0M debt owed to BIHL 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 30 November 2017 as part of the longer term forecasts prepared for the company. The forecasts show that BCFC needs additional funding of around £15M from BIHL for the period from July 2016 to November 2017.

The Receivers of BIHL have indicated 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. On 26 June 2015 BIHL entered into a loan facility agreement with Trillion Trophy Asia Limited ("Trillion Trophy"), the ultimate beneficial owners of which are third parties independent of and not connected with either BIHL or the connected persons of BIHL.

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Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

1 Accounting policies (*continued*)

Basis of preparation: going concern (continued)

Reference is also made to the announcement of BIHL dated 6 June 2016 and subsequent announcements dated 8 June 2016, 27 June 2016, 29 June, 8 July 2016, 19 July 2016 and 5 August 2016 and 1 September 2016 in relation to the proposed restructuring which comprises a capital re-organisation, an open offer, subscriptions, settlement agreements and whitewash waiver. At the AGM held on 29 August 2016, the independent shareholders of BIHL passed and approved the resolutions in respect of, inter alia, the capital re-organisation, the open offer, the subscriptions and the whitewash waiver. It is intended that part of the gross proceeds from the open offer and the subscription in the sum of HK\$240M will be used to satisfy the annual working capital requirement of BCFC for part of season 2016/17 and the entire season 2017/18. In addition Trillion Trophy undertook that they will provide the necessary financial support to BIHL to ensure that BIHL has sufficient working capital for its operations for a period of at least 18 months after resumption in trading of BIHL shares.

BIHL will issue further announcements setting out the progress of the possible restructuring as and when appropriate and necessary.

The directors have considered the forecasts of BCFC carefully and also considered, with the Receivers of BIHL, the company's ability to obtain the funding that is required as shown by the forecasts. The directors acknowledge that the capital re-organisation, open offer, subscription and other events proposed by BIHL represent a material uncertainty to BCFC and its ability to discharge its liabilities in the normal course of business. The directors do however remain of the view that the company can obtain the required funding from BIHL and as a result, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Accounting standards

Standards that have been issued, but are not yet effective for the year ended 30 June 2016 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.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

1 Accounting policies (*continued*)

Basis of consolidation

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

Revenue recognition

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

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

Property, plant and equipment

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

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

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

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

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 profit and loss account over the shorter of estimated useful economic life and the period of the lease.

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

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

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.

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 2016

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 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 profit and loss account on a straight-line basis over the contract life of each individual player.

Impairment of intangible and tangible fixed assets

An impairment review on the intangible assets is undertaken if events or changes in circumstances indicate that the carrying amount of the player may not be recoverable. The club compares the carrying amount of the asset with its recoverable amount. The club does not consider that it is possible to determine the value in use of an individual football player in isolation as 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.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

1 Accounting policies (*continued*)

Signing on fees

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

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost is based on the expenditure incurred in acquiring the 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.

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 profit and loss 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.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

1 Accounting policies (*continued*)

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.

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.

3. *Taxation*

The directors have accounted for a tax liability in relation to the Capital Contribution in 2014. This is subject to confirmation with the tax authorities. When confirmation is received it may result in a reduction in the group's corporation tax liability.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2016

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.

	2016 £000	2015 £000
Match receipts	4,162	3,977
Broadcasting	5,149	12,408
Other commercial income	5,397	4,664
	<u>14,708</u>	<u>21,049</u>

Revenue streams comprise:-

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

3 Operating loss

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

	2016 £000	2015 £000
Amortisation of deferred capital grants	(58)	(56)
Depreciation of property, plant and equipment	725	1,089
Amortisation of intangible assets	762	402
Profit on disposal of tangible fixed assets	(4)	(22)
Premises leased under operating leases	84	84
Equipment leased under operating leases	237	204
Grant income received	(510)	(500)
Proceeds from insurance claims	-	(915)
	<u>3</u>	<u>3</u>
Audit of consolidated financial statements and parent company	3	3
Fees receivable by the auditors in respect of other services:		
Audit of subsidiaries pursuant to legislation	37	37
Other fees relating to taxation	4	4
	<u>44</u>	<u>44</u>

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2016

4 Staff costs

	2016 £000	2015 £000
Wages and salaries	13,799	12,778
Social security costs	1,500	1,323
Pension costs	28	25
	<u>15,327</u>	<u>14,126</u>

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

	2016	2015
Playing staff	64	57
Training staff	45	50
Training ground staff	7	10
Commercial and fund raising	27	25
Shop staff	4	4
Administration and other staff	37	34
	<u>184</u>	<u>180</u>

During the year the group also employed approximately 493 temporary staff on match days (2015: 473), the cost of which is included in the staff costs above. The company has no employees or staff costs.

Directors' remuneration and key management compensation

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

	2016 £000	2015 £000
Salaries	284	332
Benefits in kind	14	13
	<u>298</u>	<u>345</u>

The group has not made any contributions to directors' personal pension arrangements in the year (2015 - £Nil).

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

5 Finance income

	2016 £000	2015 £000
Bank interest receivable	12	11
Other interest receivable	1	-
Notional interest on transfer fee receivables due after one year	133	-
	<u>146</u>	<u>11</u>

6 Finance costs

	2016 £000	2015 £000
Bank interest payable	-	2
Finance lease interest payable	3	3
Notional interest on transfer fee liabilities due after one year	83	22
	<u>86</u>	<u>27</u>

7 Taxation

	2016 £000	2015 £000
Corporation tax charge/(credit) – to statement of comprehensive income	-	4
Total tax charge	<u>-</u>	<u>4</u>

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2016

7 Taxation (continued)

Factors affecting the tax charge for the year:-

	2016 £000	2015 £000
<i>Tax reconciliation</i>		
(Loss)/profit before taxation	(5,024)	1,320
	<hr/>	<hr/>
(Loss)/profit before taxation multiplied by standard rate of 20% (2015 – 20%)	(1,005)	264
Expenses not deductible for tax purposes	4	7
Income not taxable	(11)	(11)
Depreciation in excess of capital allowances	33	87
Adjustment in respect of previous years	-	2
Tax losses brought forward and used in the year	-	(349)
Tax losses carried forward	985	-
IFRS adjustments	(6)	4
	<hr/>	<hr/>
Total tax charge	-	4
	<hr/>	<hr/>

Factors that may affect future tax charges

As at 30 June 2016, the group has trading losses of £6,990,000 (2015 - £2,064,000) 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.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

8 Intangible assets

	Players' registrations £000
<i>Cost</i>	
At 1 July 2014	515
Additions	535
Disposals	(20)
	<hr/>
At 1 July 2015	1,030
Additions	2,900
Disposals	(311)
	<hr/>
At 30 June 2016	3,619
	<hr/>
<i>Amortisation</i>	
At 1 July 2014	271
Charge for the year	402
Disposals	(7)
	<hr/>
At 1 July 2015	666
Charge for the year	762
Disposals	(252)
	<hr/>
At 30 June 2016	1,176
	<hr/>
<i>Net book value</i>	
At 30 June 2016	2,443
	<hr/>
At 30 June 2015	364
	<hr/>

Any players whom the club do not consider to be a long term part of the first team squad and who will therefore not contribute to future cash flows earned by the club are assessed for impairment by considering the carrying value with the club's best estimate of fair value (being post year-end sales proceeds or expected sales proceeds) less costs to sell. The directors are satisfied that no provision is required, even in the circumstances of the club remaining in the Football League Championship for the 2016/2017 season.

The company has no intangible assets.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

9 Property, plant and equipment

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<i>Cost</i>					
At 1 July 2014	13,137	41	5,996	322	23,515
Additions	-			119	279
Disposals	-			(72)	(72)
At 1 July 2015	13,137	41	6,114	369	23,722
Additions	-			61	248
Disposals	-			(50)	(50)
At 30 June 2016	13,137	41	6,301	380	23,920
<i>Depreciation</i>					
At 1 July 2014	4,684		5,504	263	11,067
Charge for the year	337			41	1,089
Disposals	-			(72)	(72)
At 1 July 2015	5,021		5,877	232	12,084
Charge for the year	276			35	725
Disposals	-			(23)	(23)
At 30 June 2016	5,297	12	6,040	244	12,786
<i>Net book value</i>					
At 30 June 2016	7,840	29	26	136	11,134
At 30 June 2015	8,116	31	23	137	11,638

The net book value of property, plant and equipment includes an amount of £53,000 (2015 - £70,000) 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 (2015 - £14,000).

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 £96,000 (2015 - £326,000) for the year ended 30 June 2016.

The company has no property, plant and equipment.

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2016

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 2015 and 30 June 2016	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	
	2016 £000	2015 £000
Goods for resale	257	131

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 £840,000 (2015: £564,000).

The company has no inventory.

12 Trade and other receivables

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
<i>Current assets</i>				
Trade receivables	3,119	1,216	-	-
Other receivables	1,832	1,736	-	-
Prepayments	1,349	906	-	-
	<u>6,300</u>	<u>3,858</u>	<u>-</u>	<u>-</u>
<i>Non-current assets</i>				
Trade receivables	718	-	-	-
Prepayments	352	51	-	-
	<u>1,070</u>	<u>51</u>	<u>-</u>	<u>-</u>

Included within trade receivables is £2,737,000 (2015 - £600,000) in respect of transfer fees receivable, of which £718,000 (2015 - £Nil) is receivable after more than one year. Included within prepayments is £799,000 (2015 - £250,000) in respect of agent fees and signing on fees, of which £352,000 (2015 - £51,000) is receivable after more than one year.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

12 Trade and other receivables (*continued*)

Trade receivables are individually assessed based on estimated recoverable amounts.

The average credit period taken on sales is 98 days (2015: 28 days).

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

	Group	
	2016 £000	2015 £000
30 – 90 days	238	89
90 – 120 days	61	56
120 – 180 days	51	66
180 days +	214	232
	<hr/>	<hr/>
Total	564	443
	<hr/>	<hr/>

Movement in bad and doubtful debt provisions

	Group	
	2016 £000	2015 £000
Balance brought forward	130	11
Amounts recovered	(4)	(5)
Amounts provided	21	124
	<hr/>	<hr/>
Balance carried forward	147	130
	<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	
	2016 £000	2015 £000
0 – 90 days	10	-
90 – 120 days	-	-
120 – 180 days	2	9
180 days +	135	121
	<hr/>	<hr/>
	147	130
	<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 2016

13 Trade and other payables

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
<i>Current liabilities</i>				
Trade payables	2,957	1,820	-	-
Other payables	23	25	-	-
Taxation and social security	851	685	-	-
Corporation tax	1,800	1,802	-	-
Accruals	621	657	-	-
	<u>6,252</u>	<u>4,989</u>	<u>-</u>	<u>-</u>
<i>Non-current liabilities</i>				
Trade payables	289	4	-	-
Accruals	149	20	-	-
	<u>438</u>	<u>24</u>	<u>-</u>	<u>-</u>

Included within total trade payables is £1,578,000 (2015: £309,000) in respect of actual and probable transfer fees payable and agents fees payable of which £289,000 (2015: £4,000) is due after more than one year. Included within accruals is £335,000 (2015 - £96,000) in respect of signing on fees payable, of which £149,000 (2015 - £20,000) is payable after more than one year.

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

	Group	
	2016 £000	2015 £000
0 – 30 days	2,831	1,570
30 – 90 days	86	167
90 - 180 days	10	31
180 days +	30	52
	<u>2,957</u>	<u>1,820</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 69 days (2015: 57 days).

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

14 Financial liabilities

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
<i>Current liabilities</i>				
Due to ultimate parent company	15,967	10,081	-	-
Finance leases	25	25	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	15,992	10,106	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Non-current liabilities</i>				
Finance leases	2	27	-	-
Preference shares (note 18)	18	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
	20	45	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Borrowings maturity:</i>				
Within one year	15,992	10,106	-	-
More than one year but not more than two years	2	25	-	-
More than two years but not more than five years	-	2	-	-
After five years	18	18	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings	16,012	10,151	18	18
	<hr/>	<hr/>	<hr/>	<hr/>

Birmingham City PLC

Notes to the financial statements (continued) for the year ended 30 June 2016

14 Financial liabilities (continued)

Finance leases

The commitments under finance lease liabilities are as follows:

Group	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Total £000
30 June 2016				
Payments	28	2	-	30
Discounting	(3)	-	-	(3)
	<u>25</u>	<u>2</u>	<u>-</u>	<u>27</u>
Group				
30 June 2015				
Payments	28	28	-	56
Discounting	(3)	(1)	-	(4)
	<u>25</u>	<u>27</u>	<u>-</u>	<u>52</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.

Amounts owed to the ultimate parent company are unsecured. As part of a funding agreement entered into by the ultimate parent company with Trillion Trophy Asia Limited ("Trillion Trophy"), Trillion Trophy has taken a charge over the freehold land & buildings of the company. The maximum amount of funding that is secured and can be drawn down by the ultimate parent company is HK\$203M. The amount drawn down at year end amounted to HK\$150M.

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 (2015 - £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. 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 2016

15 Deferred capital grant

Included within liabilities is £1,632,000 (2015 - £1,690,000) relating to a deferred capital grant of which £1,575,000 (2015 - £1,633,000) 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	
	2016 £000	2015 £000	2016 £000	2015 £000
At 1 July	-	-	-	-
Amount (charged)/credited to consolidated statement of comprehensive income (note 7)	-	-	-	-
At 30 June	-	-	-	-
	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Deferred taxation comprises:				
Depreciation in excess of capital allowances	108	176	-	-
Losses	1,328	413	-	-
Asset not recognised	(1,436)	(589)	-	-
Deferred tax asset	-	-	-	-

The potential asset and provision are based on a corporation tax rate of 19% (2015 - 20%). No deferred tax asset has been recognised at 30 June 2016 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 2016

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	
	2016 £000	2015 £000	2016 £000	2015 £000
<i>Financial assets</i>				
Loans and receivables				
- cash and cash equivalents	2,531	4,551	-	-
- trade and other receivables (note 12)	7,370	3,909	-	-
	<u>9,901</u>	<u>8,460</u>	<u>-</u>	<u>-</u>
<i>Financial liabilities</i>				
Trade and other payables held at amortised cost	4,120	2,534	-	-
Borrowings at amortised cost (note 14)	16,012	10,151	-	-
	<u>20,132</u>	<u>12,685</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.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

17 Financial instruments (*continued*)

Financial risk management objectives (continued)

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.

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 2016

17 Financial instruments (*continued*)

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

30 June 2016	Current year £000	Non-current 1 to 5 £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/>
30 June 2015	Prior Year £000	Non-current 1 to 5 £000	Over 5 years £000
Preference shares	-	-	18
Finance leases	25	27	-
Due to parent company	10,081	-	-
Trade and other payables and social security and taxes	4,333	4	-
	<hr/>	<hr/>	<hr/>
At 30 June 2015	14,439	31	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 2016 would not be materially affected.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

18 Share capital

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £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 2016 or 30 June 2015.

19 Related party transactions

Birmingham City Ladies Football Club Limited ("BLFC") is deemed a related party through the influence by the club on the day to day control of BLFC. The club incurred sponsorship costs of 323,000 (2015 - £140,000) in relation to BLFC. At the year-end there was an amount payable to BLFC amounting to £9,000 (2015 - £Nil).

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 2016. 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 £3,090,000 (2015 - £765,000). Since the year end and to the date of approval of these financial statements £61,000 of these amounts have crystallised.

Birmingham City PLC

Notes to the financial statements *(continued)* for the year ended 30 June 2016

21 Capital and other financial commitments

(a) Capital commitments

	Group	
	2016 £000	2015 £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	
	2016 £000	2015 £000	2016 £000	2015 £000
Within one year	84	84	203	185
Between two and five years	336	336	164	146
Over five years	6,426	6,510	-	-
	<u>6,846</u>	<u>6,930</u>	<u>367</u>	<u>331</u>

22 Notes supporting the statement of cashflows

Cash and cash equivalents for the purposes of the cash flow comprises -

	2016 £000	2015 £000
Cash available on demand	2,531	4,551
At 30 June	<u>2,531</u>	<u>4,551</u>

During the year £Nil (2015 - £84,000) of assets were acquired under finance leases.

Birmingham City PLC

Notes to the financial statements (*continued*) for the year ended 30 June 2016

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 2016 resulted in a net £1,900,000 (2015 - £Nil) payable by the club.

25 Ultimate parent company and parent undertaking of a larger group

The company is a public limited company incorporated in England and Wales. The address of the company's registered office is St Andrews Stadium, Birmingham, B9 4RL. The company is a subsidiary of Birmingham International Holdings Limited which is the ultimate parent 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 International Holdings Limited. The consolidated accounts of this company are available to the public and may be obtained from the company registrar. No other group accounts include the results of the company.