

BIRMINGHAM CITY FOOTBALL CLUB PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1999



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BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

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BIRMINGHAM CITY FOOTBALL CLUB PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 1999

Directors and Officers: D. Gold (Chairman)
K. Brady (Managing Director)
D. Sullivan
B. Gold
R. Gold
H. Brandman
J.F. Wiseman
A.G. Jones
M. Wiseman

Company Secretary: Alan G. Jones B.A., M.B.A.

Team Manager: Trevor Francis

Registered Office: St Andrew's Stadium
BIRMINGHAM
B9 4NH
Tel. No. 0121-772 0101

Auditors: Walter J. Edwards & Co.
Chartered Accountants and
Registered Auditors
47 Anchor Road
Aldridge
WALSALL
WS9 8PT

Principal Bankers: Midland Bank plc
PO Box 66
Bennetts Hill
BIRMINGHAM
B2 5RJ

Principal Solicitors: Henri Brandman & Co
43 Queen Anne Street
LONDON
W1M 9FA

Company Number: 27318

BIRMINGHAM CITY FOOTBALL CLUB PLC

FIVE YEAR TRADING RECORD

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Match Receipts F.A. and Football League Distributions	5,041,713	4,984,953	4,464,029	4,624,252	4,616,208
Commercial Activities including television and radio fees	3,389,512	3,351,906	3,158,157	2,712,819	2,325,463
INCOME	<u>8,431,225</u>	<u>8,336,859</u>	<u>7,622,186</u>	<u>7,337,071</u>	<u>6,941,671</u>
Wages	6,227,929	5,069,448	4,900,328	4,791,500	3,677,808
Other expenses	2,415,157	2,099,495	1,985,405	1,742,180	1,739,675
EXPENDITURE	<u>8,643,086</u>	<u>7,168,943</u>	<u>6,885,733</u>	<u>6,533,680</u>	<u>5,417,483</u>
OPERATING (LOSS)/PROFIT BEFORE TRANSFER FEES AND INTEREST	<u>(211,861)</u>	<u>1,167,916</u>	<u>736,453</u>	<u>803,391</u>	<u>1,524,188</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1999

The directors present the financial statements for the year ended 31st August 1999.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements the directors have:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on a going concern basis.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be that of a Professional Football League Club.

ACCOUNTING POLICIES

There has been a change of policy during the year as we have adopted Financial Reporting Standard Number 10, the new standard proposed by the Accounting Standards Board. This requires us to place the cost of a player's transfer fee into the balance sheet and amortise it into the profit and loss account over the period of the player's initial contract. If we had used our prior method of writing-off all transfer fees at the date they were contracted, then the cost of transfers for 1998/99 would have been £291,100 lower. (1997/98 - £1,983,930 greater). In addition, signing-on fees are now charged to the profit and loss account over the contract period following the introduction of FRS12. There is no financial effect on the financial results arising from the change in accounting policy.

BALANCE SHEET

the adoption of Financial Reporting Standard Number 10 increased the net assets of the group by £6,779,554 at 31st August 1999 and £7,070,654 at 31st August 1998. As a result of the share issue and losses for the year, the net assets of the group at 31st August 1999 were £11,481,613 compared with £6,988,004 at 31st August 1998.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1999

RESULTS AND DIVIDENDS

Under the new accounting standard FRS10, the Club is now required to capitalise the cost of player registrations and write them off over the life of the relevant contract. Before such amortisation charges and net transfer fees, the operating loss for the year was £211,861 (1998 – profit of £1.168 million). After such costs and interest, the result for the year was an operating loss of £2.89 million (1998 – loss of £1.68 million).

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

REVIEW OF BUSINESS

In the year to 31st August 1999, the Club enjoyed a mixture of successes and disappointments. We finished the 1998/99 season in 4th position (an improvement on 7th position in the previous season) but narrowly missed reaching the play-off final at Wembley as a result of losing on penalties to Watford.

Turnover was £8.43 million (1998 - £8.33 million) and we report a loss after transfer costs of £2.96 million (1998 - £2.01 million). This loss arose as a result of the cost pressures described below.

The push for promotion had an inevitable effect on team costs. During the period, the Club invested heavily in the playing squad, both in transfer fees and wages; net spending in the transfer market during the year was £2.5 million, including the purchase of Simon Marsh, David Holdsworth and after the new season started, Stan Lazaradis. As a result of the Bosman ruling, the Board has also been under pressure to offer improved terms to players reaching the end of their original contracts. Overall wage costs have increased to £6.23 million (year ended 31st August 1998 - £5.07 million).

Following the opening of the new Railway Stand, our ground capacity is the second highest in the Division. This enabled us to generate higher match receipts with the average League gate up to 20,794 over the year (1998 – 18,752) and 24,759 during the period following the opening of the new stand. I am pleased to report that the commercial income which the Club generated was amongst the highest in the Nationwide League at £3.12 million (1998 - £3.10 million).

FUTURE DEVELOPMENTS

The business outlook for the Club for the rest of the year depends strongly on the team coming back to its early season form and contending for promotion right up to the end of the season. We remain optimistic but need to see good results on the field in the next few weeks if this is to be realistic.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1999

CREDITORS PAYMENT POLICY

It is the Company's policy to pay all suppliers within terms formally agreed on an individual supplier basis. At 31 August 1999 trade creditors outstanding represented 50 days. (1998 - 43 days)

DONATIONS

Charitable donations made by the group amounted to £6,000, including donations of shirts, footballing equipment and player appearances. No political donations were made during the year.

DIRECTORS AND THEIR INTEREST IN THE SHARE CAPITAL

None of the directors who acted during the period had an interest in the share capital at 31st August 1998 or 31st August 1999.

Details of directors' shareholdings in the holding company, Birmingham City plc, are declared within its financial statements.

In accordance with the Articles, J F Wiseman, B Gold and H Brandman retire by rotation and being eligible, offer themselves for re-election.

DIRECTORS OF SPORT AND INTERESTS

D Sullivan, R Gold and D Gold are all directors of Sport Newspapers Limited and have direct holdings in that company of 50 percent, 25 percent and 25 percent respectively.

MILLENNIUM

The Directors fully recognise the potential risks associated with the issue and have reviewed all equipment for compliance, but the complexity of the matter prevents any business offering absolute assurance on the issue. The costs associated with the transition are not considered significant. At the date of this report, there are no significant system issues for the year 2000.

AUDITORS

A resolution to re-appoint Messrs. Walter J. Edwards & Co. as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


R. BRADY

Managing Director

Date: 21st January 2000

BIRMINGHAM CITY FOOTBALL CLUB PLC

AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 1999

Auditors' Report to the Members of Birmingham City Football Club plc

We have audited the financial statements on pages 7 to 28 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st August 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Walter J. Edwards & Co.
Registered Auditors
Chartered Accountants

47 Anchor Road
Aldridge
WALSALL
WS9 8PT

Date: 21st January 2000

BIRMINGHAM CITY FOOTBALL CLUB PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 1999**

	Notes	1999 £	(As restated) 1998 £
TURNOVER	2	8,431,225	8,336,859
Match and ground expenses		1,358,331	1,191,213
Administration expenses		710,715	627,916
Staff costs	6	6,227,929	5,069,448
Depreciation	1b	399,648	346,376
Amortisation of deferred capital grants	1i	(53,537)	(66,010)
Net operating expenses		8,643,086	7,168,943
OPERATING (LOSS)/PROFIT BEFORE PLAYERS' TRANSFER COSTS	4	(211,861)	1,167,916
Player transfer costs	3	(2,751,909)	(3,181,880)
OPERATING LOSS AFTER PLAYERS' TRANSFER COSTS	4	(2,963,770)	(2,013,964)
Interest receivable and similar income	7	95,580	330,857
Interest payable and similar charges	8	(22,116)	(1,075)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,890,306)	(1,684,182)
Taxation on loss on ordinary activities	9	(19,673)	55,211
LOSS FOR THE YEAR	19 and 20	(2,909,979)	(1,628,971)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

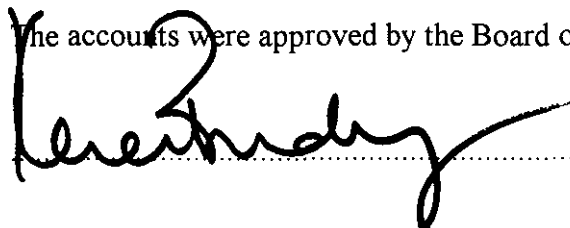
	1999 £	1998 £
Loss for the financial year	(2,909,979)	(1,628,971)
Prior year adjustment (as explained in note 1)	7,070,654	
Total gains and losses recognised since last annual report	4,160,675	

Historical cost (losses)/profit are not materially different to those stated above.
All activities are derived from continuing operations.

BIRMINGHAM CITY FOOTBALL CLUB PLC**BALANCE SHEET AS AT 31ST AUGUST 1999**

	Note	1999		(As restated) 1998	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		6,779,554		7,070,654
Tangible assets	11		11,851,456		9,182,427
			<u>18,631,010</u>		<u>16,253,081</u>
CURRENT ASSETS					
Stocks	12	168,902		147,453	
Debtors	13	1,767,146		1,371,816	
Investments	14	-		3,000,000	
Cash at bank and in hand		621,643		982,318	
			<u>2,557,691</u>		<u>5,501,587</u>
CREDITORS: Amounts falling due within one year	15	(5,776,141)		(5,684,077)	
NET CURRENT LIABILITIES			(3,218,450)		(182,490)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>15,412,560</u>		<u>16,070,591</u>
CREDITORS: Amounts falling due after more than one year	16		(16,082,881)		(13,784,896)
			<u>(670,321)</u>		<u>2,285,695</u>
DEFERRED CAPITAL GRANT	17		(2,413,582)		(2,459,619)
NET LIABILITIES			<u>(3,083,903)</u>		<u>(173,924)</u>
CAPITAL AND RESERVES					
Called up share capital	19		771,338		771,338
Share premium account	20		207,096		207,096
Capital redemption reserve	20		750		750
Revaluation reserve	20		312,726		312,726
Profit and loss account	20		(4,375,813)		(1,465,834)
SHAREHOLDERS' FUNDS (including non-equity)	21		<u>(3,083,903)</u>		<u>(173,924)</u>

The accounts were approved by the Board of Directors on 21st January 2000.



K. Brady - Managing Director

BIRMINGHAM CITY FOOTBALL CLUB PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1999**

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
CASH INFLOW FROM OPERATING ACTIVITIES	25	1,265,972	854,290
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26(i)	73,464	329,782
CAPITAL EXPENDITURE	26(ii)	(5,469,425)	(4,023,219)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(4,129,989)	(2,839,147)
USE OF LIQUID RESOURCES AND MANAGEMENT OF LIQUID RESOURCES	27	3,000,000	750,000
FINANCING	26(iii)	769,314	(54,170)
(DECREASE)/INCREASE IN CASH		(360,675)	(2,143,317)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
(Decrease)/increase in cash in year		(360,675)	(2,143,317)
Loan from holding company	26(iii)	(7,403,588)	-
Repayment of loan from Sport Newspapers	26(iii)	6,572,377	-
Cash to repay Football Trust loan	26(iii)	39,996	39,996
Cash to repay finance leases	26(iii)	21,901	14,174
Cash (inflow) from (decrease) in liquid resources	27	(3,000,000)	(750,000)
Decrease in net funds/(debt) from cash flow		(4,129,989)	(2,839,147)
Inception of finance leases		-	(80,874)
Reduction in Net Funds/(Debt)	27	(4,129,989)	(2,920,021)
Net debt at 1st September 1998	27	(9,868,682)	(6,948,661)
Net debt at 31st August 1999	27	(13,998,671)	(9,868,682)

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

1. ACCOUNTING POLICIES

There has been a change in accounting policy during the year following the introduction of Financial Reporting Standard Number 10. This standard requires the cost of a player's transfer fee to be capitalised as an intangible asset and amortised over the period of the players' initial contract into the profit and loss account. The effect of the change in this accounting policy is to increase the loss after taxation in the year ended 31 August 1999 by £291,100 (1998 – decrease £1,983,930) and to reduce net liabilities at 31 August 1999 by £6,779,554 (1998 - £7,070,654). In addition, signing-on fees are now charged to the profit and loss account over the contract period following the introduction of FRS12. There is no effect on the financial results arising from this change in accounting policy.

(a) Basis of Accounts

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, as modified by the revaluation of certain freehold land and buildings.

(b) Tangible Fixed Assets Depreciation

Depreciation has been provided to write off the cost or valuation of tangible fixed assets over their expected useful lives on a straight line basis. The following expected useful lives have been used:-

Freehold land	-	Nil
Freehold property	-	over 50 years
Fixtures and equipment	-	between 2 to 5 years
Motor vehicles	-	over 5 years

(c) Player Transfer Costs

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. These costs are amortised over the period of the players' initial contracts.

Permanent diminution in values below the amortised value, such as through injury, are provided for when the management become aware that the diminution is permanent.

Additional payments in connection with players' registrations to third parties for achieving appearances are charged to the profit and loss account as they are incurred.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999**

1. ACCOUNTING POLICIES (continued)**(d) Signing-On Fees**

Signing-on fees are due to players if they are still in the service of the Club on future dates specified in their contracts. They are charged to the profit and loss account over the contract period. The element of such signing on fees not yet payable is disclosed as a commitment within note 24.

(e) Stock

Stock is stated at the lower of cost or net realisable value.

(f) Turnover

Turnover represents match receipts, executive box rentals, sponsorship and other income associated with the continuing principal activity of running a professional football club, and excludes Value Added Tax. Season ticket and sponsorship income received during the year, for the following season, is deferred to the next year.

(g) Deferred Taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Provision for deferred taxation is made only to the extent that it is probable that the liability will become payable in the foreseeable future. Deferred tax on the revaluation of freehold property has not been quantified as it is not considered to be a timing difference.

(h) Leased Assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged in the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account as incurred.

(i) Grants

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

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****1. ACCOUNTING POLICIES (continued)****(j) Pensions**

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

2. TURNOVER

	<u>1999</u>	<u>1998</u>
	£	£
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	5,041,713	4,984,953
Television and radio coverage	269,289	245,701
Commercial activities	3,120,223	3,106,205
	<u>8,431,225</u>	<u>8,336,859</u>

3. PLAYER TRANSFER COSTS

	<u>1999</u>	<u>1998</u>
	£	£
Amortisation of transfer fees	2,988,069	2,805,893
Net profit on disposal of players' contracts	(762,468)	(194,823)
Net additional costs for player appearances	526,308	570,810
	<u>2,751,909</u>	<u>3,181,880</u>

4. OPERATING LOSS

	<u>1999</u>	<u>1998</u>
	£	£
Operating loss is stated after charging:-		
Aggregate directors' emoluments	143,474	127,034
Auditors' remuneration:		
Audit services	9,000	9,000
Non-audit work	10,110	9,100
Depreciation of tangible fixed assets - owned	383,573	340,620
Depreciation of tangible fixed assets - financed	16,075	-
Release of deferred income from Football Trust Grants	(53,537)	(66,010)
Loss on sale of tangible assets	-	5,756
Equipment leased under operating leases	16,055	17,659
	<u>16,055</u>	<u>17,659</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

5. DIRECTORS' REMUNERATION (Excluding Pension Contributions)

	<u>1999</u>	<u>1998</u>
	£	£
The remuneration of the highest paid director was	106,150	92,281

6. STAFF COSTS

	<u>1999</u>	<u>1998</u>
	£	£
Staff costs during the year were made up as follows:-		
Wages, salaries, signing on fees, etc	5,647,538	4,604,815
Social Security costs	576,302	450,632
Other pension costs	4,089	14,001
	<u>6,227,929</u>	<u>5,069,448</u>

The average number of persons employed by the company during the year was as follows:-

	<u>1999</u>	<u>1998</u>
	No.	No.
Playing staff	41	37
Training staff	13	11
Training ground staff	16	8
Commercial and fund raising	8	9
Shop	7	8
Administration and other	14	14
	<u>99</u>	<u>87</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Bank interest receivable	75,773	327,917
Other interest receivable	19,807	2,940
	<u> </u>	<u> </u>
	95,580	330,857
	<u> </u>	<u> </u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Hire purchase interest	8,203	-
Bank loans and overdrafts	13,913	1,075
	<u> </u>	<u> </u>
	22,116	1,075
	<u> </u>	<u> </u>

9. TAXATION

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Corporation Tax at 20.58%	19,673	-
Amendment to previous year's estimate	-	(55,211)
	<u> </u>	<u> </u>
	19,673	(55,211)
	<u> </u>	<u> </u>

The tax losses not utilised at 31st August 1999 amount to approximately £5.4m (1998 - £6m).

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

10. INTANGIBLE FIXED ASSETS

	<u>Players'</u> <u>Registrations</u> £
Cost:	
At 1st September 1998 (as restated)	11,575,352
Additions	3,354,500
Disposals	(1,673,977)
	<hr/>
At 31st August 1999	13,255,875
	<hr/> <hr/>
Accumulated Amortisation:	
At 1st September 1998 (as restated)	4,504,698
Charge for the year	2,988,069
Eliminated on disposals	(1,016,446)
	<hr/>
At 31st August 1999	6,476,321
	<hr/> <hr/>
Net Book Value:	
At 31st August 1999	6,779,554
	<hr/> <hr/>
At 31st August 1998 (as restated)	7,070,654
	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

11. TANGIBLE FIXED ASSETS

	Freehold Land and <u>Buildings</u> £	Assets under <u>Construction</u> £	Leasehold Land and <u>Buildings</u> £	Fixtures and <u>Equipment</u> £	Motor <u>Vehicles</u> £	<u>Total</u> £
Cost or Valuation:						
At 1st September 1998	8,024,261	1,363,996	49,235	1,716,965	37,095	11,191,552
Additions	2,898,966	-	35,404	134,307	-	3,068,677
Reclassification	1,363,996	(1,363,996)	-	-	-	-
Disposals	-	-	-	-	-	-
At 31st August 1999	12,287,223	-	84,639	1,851,272	37,095	14,260,229
Depreciation:						
At 1st September 1998	631,867	-	246	1,355,953	21,059	2,009,125
Charge for the year	216,391	-	1,159	178,103	3,995	399,648
Disposals	-	-	-	-	-	-
At 31st August 1999	848,258	-	1,405	1,534,056	25,054	2,408,773
Net Book Value:						
At 31st August 1999	11,438,965	-	83,234	317,216	12,041	11,851,456
At 31st August 1998	7,392,394	1,363,996	48,989	361,012	16,036	9,182,427

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

11. TANGIBLE FIXED ASSETS (continued)

Land and building comprises:-	Freehold Properties £
Cost and valuation 1991	1,153,807
Additions at cost 1991 to 1999	11,133,416

Depreciation	12,287,223 (848,258)

At 31st August 1999	11,438,965
	=====
At 31st August 1998	7,392,394
	=====

The freehold buildings occupied by the company were revalued on an existing use basis. If the properties had not been revalued, they would have been included in the balance sheet at the following amounts:-

	<u>1999</u> £	<u>1998</u> £
Cost	11,974,497	7,711,535
Accumulated depreciation	(809,560)	(599,424)
	-----	-----
	11,164,937	7,112,111
	=====	=====

The net book value of tangible fixed assets includes £64,299 (1998 - £80,374) in respect of assets held under finance leases.

Valuation

The major ground development is now completed. A valuation is not currently available but the directors are of the opinion that the market value of freehold land and buildings is higher than book value, after taking into account deferred grant income attributable to freehold land and buildings.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****12. STOCK**

	<u>1999</u>	<u>1998</u>
	£	£
Club Shop stock	168,902	147,453
	<u> </u>	<u> </u>

13. DEBTORS

	<u>1999</u>	<u>1998</u>
	£	£
Trade debtors	1,659,144	1,261,579
Other debtors	5,632	1,063
Prepayments	102,370	109,174
	<u> </u>	<u> </u>
	1,767,146	1,371,816
	<u> </u>	<u> </u>

14. INVESTMENTS

	<u>1999</u>	<u>1998</u>
	£	£
Money market deposits	-	3,000,000
	<u> </u>	<u> </u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****15. CREDITORS: Amounts falling due within one year**

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Unsecured loans (note 16)	9,999	39,996
Obligations under finance leases and hire purchase contracts	27,433	26,108
	<hr/>	<hr/>
Debt due within one year	37,432	66,104
Trade creditors	1,580,503	2,486,305
Other creditors	77,061	104,489
Taxation and social security costs	469,150	381,341
Corporation Tax	19,673	-
Accruals and deferred income	3,592,322	2,645,838
	<hr/>	<hr/>
	<u>5,776,141</u>	<u>5,684,077</u>

16. CREDITORS: Amounts falling due after more than one year

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Trade creditors	1,500,000	-
Unsecured loans	-	9,999
Amount due to Sport Newspapers Limited	-	6,572,377
Amount due to holding company	14,565,516	7,161,928
Obligations under finance leases and hire purchase contracts	17,365	40,592
	<hr/>	<hr/>
Debt due after more than one year	<u>16,082,881</u>	<u>13,784,896</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

16. **CREDITORS: Amounts falling due after more than one year (continued)**

	<u>1999</u>	<u>1998</u>
	£	£
Repayable:		
Between one and two years	767,365	6,608,484
Between two and five years	750,000	14,484
Over five years	14,565,516	7,161,928
	<hr/>	<hr/>
	16,082,881	13,784,896
	<hr/> <hr/>	<hr/> <hr/>

The unsecured loans relate to a Football Trust loan which is interest free and repayable by monthly instalments of £3,333 over 4 years

17. **DEFERRED CAPITAL GRANT**

	<u>1999</u>	<u>1998</u>
	£	£
At 1st September 1998	2,459,619	2,525,629
Grants received during the year	7,500	-
	<hr/>	<hr/>
	2,467,119	2,525,629
Transfer for profit and loss account	(53,537)	(66,010)
	<hr/>	<hr/>
Balance at 31st August 1999	2,413,582	2,459,619
	<hr/> <hr/>	<hr/> <hr/>

As a result of the substantial redevelopment of the stadium, the Directors have reviewed the allocation of grants received. The amount of £2,413,582 relates to those assets remaining at the balance sheet date.

The grants and donations received in respect of safety work and ground developments are shown as liabilities in the balance sheet in accordance with Statement of Standard Accounting Practice Number 4. However, Football Trust Grants are only repayable if the facility which attracted the grant ceases to be used or is sold.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****18. DEFERRED TAXATION**

At 31st August 1998 and 1999 there was no unprovided deferred taxation.

19. SHARE CAPITAL

	<u>1999</u>		<u>1998</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
(a) Authorised				
4.2% redeemable cumulative preference shares of 50p each	40,000	20,000	40,000	20,000
Ordinary shares of 50p each	5,000,000	2,500,000	5,000,000	2,500,000
	<u>5,040,000</u>	<u>2,520,000</u>	<u>5,040,000</u>	<u>2,520,000</u>

(b) Allotted, Called Up and Fully Paid

4.2% redeemable cumulative preference shares of 50p each	37,000	18,500	37,000	18,500
Ordinary shares of 50p each	1,505,676	752,838	1,505,676	752,838
	<u>1,542,676</u>	<u>771,338</u>	<u>1,542,676</u>	<u>771,338</u>

- (c) The company may redeem cumulative preference shares at par 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.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****20. RESERVES**

	<u>Share Premium</u> £	<u>Capital Redemption Reserve</u> £	<u>Revaluation Reserve</u> £	<u>Profit and Loss Account</u> £
At 1st September 1998 (as previously stated)	207,096	750	312,726	(8,536,488)
Prior year adjustment	-	-	-	7,070,654
At 1st September 1998 (as restated)	207,096	750	312,726	(1,465,834)
Retained (loss)	-	-	-	(2,909,979)
At 31st August 1999	207,096	750	312,726	(4,375,813)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £	(As restated) <u>1998</u> £
Loss for the financial year	(2,909,979)	(1,628,971)
New share capital subscribed	-	-
Net (reduction)/addition to shareholders' funds	(2,909,979)	(1,628,971)
Opening shareholders' funds	(173,924)	1,455,047
Closing shareholders' funds	(3,083,903)	(173,924)
Non-equity preference shares	18,500	18,500
Unpaid preference dividends	2,331	2,331
Non-equity shareholders' funds	20,831	20,831
Equity shareholders' funds	(3,104,734)	(194,755)
	(3,083,903)	(173,924)

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

22. TRANSACTIONS WITH DIRECTORS AND RELATED PARTY TRANSACTIONS

Gold Star Textile Printers Limited, owned by D Gold and R Gold (directors), supplied goods to the Club during the year to the value of £10,215 (1998 - £1,146) which were sold through the Club Shop. Also, Henri Brandman & Co (Henri Brandman - Director) acted as Solicitors on behalf of the Club during the year with fees amounting to £12,000. (1998 - £12,250).

Sport Newspapers Limited, the ultimate holding company, carried out certain administrative and accounting duties during the year for which it charged £52,000. (1998 - £52,667).

All transactions were of a commercial nature. In August 1999, the loan of £6,572,377 from Sport Newspapers was repaid following an additional loan received from Birmingham City plc of £7,403,588. There were no substantial balances owing at 31st August 1999.

23. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum that could be payable in respect of transfers to 31st August 1999 is £1,007,500 (1998 - £1,092,500). Since the year end and to the date of approval of these accounts, £10,000 of this amount has crystallised and additional transfer fee payables have amounted to £525,000, with transfer receivables of £250,000.

24. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(a) Capital Commitments

	<u>1999</u>	<u>1998</u>
	£	£
Contracted but not provided for	207,476	2,436,004
	<u> </u>	<u> </u>

(b) Signing-On Fees Payable

The maximum possible commitments in respect of deferred signing-on fees due to players under contracts at the year-end and including contracts renegotiated since the year-end, which are payable on future dates specified in their contracts, and not provided in the accounts, amounted to £1,458,750 (1998 - £1,174,000).

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

24. CAPITAL AND OTHER FINANCIAL COMMITMENTS (continued)**(c) Lease Commitments**

The company had annual commitments under operating leases for plant and equipment as follows:-

	<u>1999</u>	<u>1998</u>
	£	£
Expiring:		
Within one year	-	3,000
Between two and five years	15,816	11,821
Over five years	-	-
	<u>15,816</u>	<u>14,821</u>

25. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW/INFLOW) FROM OPERATING ACTIVITIES

	<u>1999</u>	<u>1998</u>
	£	£
Operating (loss)/profit before players' transfer costs	(211,861)	1,167,916
Depreciation	399,648	340,620
Amortisation of deferred income	(53,537)	(66,010)
Loss on sale of fixed assets	-	5,756
(Increase) in stocks	(21,449)	(4,848)
(Increase) in debtors	(193,677)	(78,869)
Increase/(Decrease) in creditors	1,346,848	(510,275)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,265,972</u>	<u>854,290</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

26. **GROSS CASH FLOWS**

	<u>1999</u>	<u>1998</u>
	£	£
(i) Returns on Investments and Servicing of Finance		
Interest received	95,580	330,857
Interest paid	(22,116)	(1,075)
	<u>73,464</u>	<u>329,782</u>
(ii) Capital Expenditure		
Payments to acquire tangible fixed assets	(3,487,711)	(1,163,688)
Receipts from sales of tangible fixed assets	-	39,745
Purchase of players' contracts	(3,395,693)	(5,157,154)
Sale of players' contracts	1,413,979	2,257,878
	<u>(5,469,425)</u>	<u>(4,023,219)</u>
(iii) Financing		
Loan from holding company	7,403,588	-
Repayment of loan from Sport Newspapers	(6,572,377)	-
Repayment of Football Trust loan	(39,996)	(39,996)
Capital element of finance lease payments	(21,901)	(14,174)
	<u>769,314</u>	<u>(54,170)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

27. ANALYSIS OF CHANGES IN NET DEBT

	<u>01.09.98</u>	<u>Cash Flows</u>	<u>31.08.99</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cash in hand and at bank	982,318	(360,675)	621,643
Current assets investments	3,000,000	(3,000,000)	-
	<u>3,982,318</u>	<u>(3,360,675)</u>	<u>621,643</u>
Loans	(13,784,300)	(791,215)	(14,575,515)
Finance leases	(66,700)	21,901	(44,799)
	<u>(13,851,000)</u>	<u>(769,314)</u>	<u>(14,620,314)</u>
Borrowings			
Net Funds/(Debt)	<u>(9,868,682)</u>	<u>(4,129,989)</u>	<u>(13,998,671)</u>

28. ULTIMATE HOLDING COMPANY

The ultimate holding company is Sport Newspapers Limited, a company registered in England and Wales, number 1994074.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****29. FINANCIAL INSTRUMENTS**

The company's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to finance the company's operations.

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

Short term debtors and creditors

Short term debtors and creditors have been excluded from the following disclosures.

Interest rate risk profile

The interest rate risk profile of the company's financial liabilities at 31st August 1999 was:

	<u>Total</u>	<u>Fixed Rate</u> <u>Financial</u> <u>Liabilities</u>	<u>Non interest</u> <u>Bearing</u> <u>Financial</u> <u>Liabilities</u>
Sterling	<u>£</u>	<u>£</u>	<u>£</u>
At 31st August 1999	14,620,314	44,799	14,575,515
	<u> </u>	<u> </u>	<u> </u>
At 31st August 1998	13,851,000	66,700	13,784,300
	<u> </u>	<u> </u>	<u> </u>

All of the company's creditors falling due within one year (other than loans and obligations under finance leases and hire purchase contracts) and trade creditors due after more than one year, are not included in the above table either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

Note 27 sets out the analysis of the movement in net debt during the year.

The fair values of the fixed rate financial liabilities at 31st August 1999 was also approximately £45,000 (1998 £67,000). The fair value has been calculated using market interest rates at the balance sheet date.

The maturity of the financial liabilities are set out at note 16.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****29. FINANCIAL INSTRUMENTS (continued)**

The interest rate risk profile of the company's financial assets at 31st August 1999 was:

	<u>Total</u>	<u>Cash at Bank</u>	<u>Short-term</u>
	<u>£</u>	<u>and in hand</u>	<u>Deposits</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Sterling			
At 31st August 1999			
- non-interest bearing	621,643	621,643	-
- floating rate	-	-	-
	<u>621,643</u>	<u>621,643</u>	<u>-</u>
Sterling			
At 31st August 1998			
- non-interest bearing	982,318	982,318	-
- floating rate	3,000,000	-	3,000,000
	<u>3,982,318</u>	<u>982,318</u>	<u>3,000,000</u>

Cash at bank and in hand at 31st August 1999 is made up of uncleared funds and cash requirements which could not be placed on deposit.

Surplus cash and deposits are placed with banks on periods from overnight to monthly, depending on forecast cash flow requirements and earn interest at prevailing rates in the money market.

Maturity of borrowing facilities

The company has an overdraft facility of £2million due for review in July 2000.

Currency risk

The company has no significant exposures to foreign currencies.

Liquidity risk

The maturity profiles of the company's borrowings are set out at note 16.