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BIRMINGHAM CITY FOOTBALL CLUB PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2002



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BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002

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BIRMINGHAM CITY FOOTBALL CLUB PLC**DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 2002**

Directors and Officers:	D. Gold K. Brady D. Sullivan B. Gold R. Gold H. Brandman J.F. Wiseman A.G. Jones M. Wiseman	(Chairman) (Managing Director) (resigned 24th September 2002)
Company Secretary:	Alan G. Jones R A Bannister	(resigned 24th September 2002) (appointed 24th September 2002)
Team Manager:	Steve Bruce	
Registered Office:	St Andrew's Stadium BIRMINGHAM B9 4NH Tel. No. 0121-772 0101	
Auditors:	Edwards Chartered Accountants and Registered Auditors 47 Anchor Road Aldridge WALSALL WS9 8PT	
Principal Bankers:	HSBC Bank plc PO Box 66 Bennetts Hill BIRMINGHAM B2 5RJ	
Principal Solicitors:	Henri Brandman & Co 46 Queen Anne Street LONDON W1G 8HQ	
Company Number:	27318	

BIRMINGHAM CITY FOOTBALL CLUB PLC**FIVE YEAR TRADING RECORD**

	<u>2002</u> £	<u>2001</u> £	<u>2000</u> £	<u>1999</u> £	<u>1998</u> £
Match Receipts, F.A. and Football League Distributions	6,850,512	7,228,330	5,829,644	5,167,228	5,091,498
Commercial Activities including television and radio fees	8,333,524	6,058,383	4,297,094	3,988,590	4,016,684
INCOME	<u>15,184,036</u>	<u>13,286,713</u>	<u>10,126,738</u>	<u>9,155,818</u>	<u>9,108,182</u>
Wages	13,206,229	9,263,774	7,772,171	6,227,929	5,069,448
Other expenses	4,704,072	4,064,873	3,381,875	3,139,750	2,870,818
EXPENDITURE	<u>17,910,301</u>	<u>13,328,647</u>	<u>11,154,046</u>	<u>9,367,679</u>	<u>7,940,216</u>
OPERATING (LOSS)/PROFIT BEFORE AMORTISATION OF PLAYERS AND INTEREST	<u>(2,726,265)</u>	<u>(41,934)</u>	<u>(1,027,308)</u>	<u>(211,861)</u>	<u>1,167,916</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2002

I have pleasure in presenting Birmingham City plc's financial results for the year to 31st August 2002

The year ending August 2002 was one of the most memorable in the history of the Club.

For the first time in 16 years we are back playing at the highest level in the world's greatest league, the FA Premiership. This was the end result of a remarkable season, the pinnacle of which was one of the most exciting days in the Club's history at Cardiff's Millennium Stadium where we beat Norwich City on penalties after extra time in the play-off final for the ultimate prize of promotion to the Premier League. The day was watched by a television audience of 6.5 million people, which was greater than for the FA Cup Final between Chelsea and Tottenham

Success was masterminded by new manager Steve Bruce and his back room staff, who managed to achieve promotion within six months of joining the Club; a remarkable achievement. The players showed that they are both passionate and committed to the Club and their hard work and determined efforts have brought the Club great success, which we hope to maintain and build upon in the coming seasons.

I am delighted to report that Steve Bruce and his staff have long-term contracts with the Club, giving us a considerable period of stability.

DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom 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;
- followed applicable United Kingdom accounting standards;
- 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.

The directors are also responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 7.

The operating loss before amortisation of players and interest amounted to £2,726,265 (2001 - £41,934). The loss on ordinary activities before taxation was £6.34 million (2001 - £2.63 million).

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

BIRMINGHAM CITY FOOTBALL CLUB PLC**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2002**

FINANCIAL AND OPERATING REVIEW

While turnover for the period has risen by £1.9 million to £15.2 million (2001: £13.3m), the loss on ordinary activities before taxation has risen sharply to £6.4 million (2001: £2.6m). Significant additional costs were incurred in changing the management team and bringing in new players which ultimately resulted in the Club's promotion. On this basis we feel that this additional expenditure was incurred with good reason and made sound business sense. Now that promotion has been achieved wage costs are due to rise significantly again; however these increases are offset by a significant improvement in turnover.

Since gaining promotion we have invested £7.1m in purchasing Robbie Savage, Aliou Cisse and Clinton Morrison. These players have made a significant impact on the team, showing that the manager has invested the Club's money well.

Season ticket sales have risen to almost 22,000 for season 2002/03 which represents almost 75% of the ground capacity. All 64 executive boxes and seasonal memberships have been sold. All areas of the Club's income have seen significant increases, particularly media income, a direct result of being in the Premier League.

Looking further forward we intend to establish ourselves in the Premier League and have no intention of being a one-season wonder. Of course we are aware that the main concern of all newly promoted football clubs is relegation and we know that if we are relegated it will be financially tough. However I am confident that we have protected the business as best as possible. We have been mindful that there is a fine line between risk and reward and have set out to manage the Club prudently. Whilst relegation would be both heartbreaking and financially tough, we have ensured that we will not be one of those clubs whose severe troubles have been well documented.

If we can retain our Premier League status then the Club's financial future is promising. We are bringing in players that we hope can help us achieve and build on our ambitions. We are looking to loan players to the end of the season, and buying them permanently if our Premier League position is retained.

Overall I am happy with the Clubs recent performances both on and off the pitch. We realise that we must continue to work hard on the pitch to ensure that we retain our Premiership status and off it to maximise the newly created business opportunities.

FIXED ASSETS

Details of changes in fixed assets are set out in notes 10 and 11 to the financial statements.

In the opinion of the directors, the book value of freehold land and buildings included in fixed assets (note 11) is significantly less than the open market valuation. Book value is after taking into account deferred grant income shown within note 16 to the accounts.

PAYMENT OF SUPPLIERS

The company seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with each supplier when details of each transaction are settled. The company will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders.

Transfer fees and similar transactions are such that any calculation of the number of creditor days inclusive of these balances would prove meaningless. However, creditor days excluding transfer fees for the company at 31st August 2002 were 52 days (2001 – 48 days).

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2002

DONATIONS

Charitable donations made by the company amounted to £9,000, 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 2001 or 31st August 2002.

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

In accordance with the Articles, B Gold, H Brandman and J F Wiseman 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.

AUDITORS

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

BY ORDER OF THE BOARD


K. BRADY
Managing Director

Date: 24th January 2003

BIRMINGHAM CITY FOOTBALL CLUB PLC

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 2002

**Independent Auditors' Report to the Shareholders of
Birmingham City Football Club plc**

We have audited the financial statements on pages 7 to 27.

Respective Responsibilities of Directors And Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

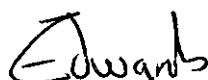
Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 and the group'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 affairs of the company as at 31st August 2002 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Edwards
Registered Auditors
Chartered Accountants
47 Anchor Road
Aldridge
WALSALL
WS9 8PT**

Date: 24th January 2003

BIRMINGHAM CITY FOOTBALL CLUB PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 2002**

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
TURNOVER	2	15,184,036	13,286,713
Match and ground expenses		3,397,720	2,840,814
Other operating charges		914,342	868,409
Staff costs	6	13,206,229	9,263,774
Depreciation	1b	446,098	409,739
Amortisation of deferred capital grants	1j	(54,088)	(54,089)
Net operating expenses		17,910,301	13,328,647
OPERATING LOSS BEFORE AMORTISATION OF PLAYERS		(2,726,265)	(41,934)
Player transfer costs including amortisation	3	(3,356,896)	(2,480,917)
OPERATING LOSS AFTER AMORTISATION OF PLAYERS	4	(6,083,161)	(2,522,851)
Profit on disposal of fixed assets		10,000	-
Loss on sale of players' registrations	1e	(313,838)	(158,795)
LOSS BEFORE INTEREST AND TAXATION		(6,386,999)	(2,681,646)
Interest receivable and similar income	7	40,068	84,191
Interest payable and similar charges	8	(53,784)	(28,496)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,400,715)	(2,625,951)
Taxation on loss on ordinary activities	9	54,095	36,467
LOSS FOR THE YEAR	20 and 21	(6,346,620)	(2,589,484)

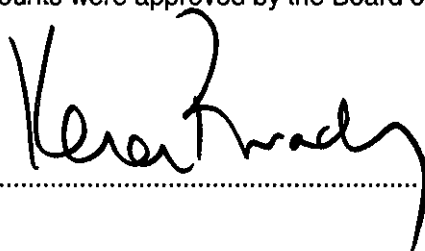
There were no recognised gains or losses other than those reported above.

Historical cost losses 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 2002**

	<u>Note</u>	<u>2002</u>		<u>2001</u>	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		11,500,765		5,188,724
Tangible assets	11		12,849,805		12,039,163
			24,350,570		17,227,887
CURRENT ASSETS					
Stocks	12	179,758		181,799	
Debtors	13	3,672,645		1,896,008	
Cash at bank and in hand		2,229,021		451,619	
			6,081,424		2,529,426
CREDITORS: Amounts falling due within one year	14	(22,432,732)		(6,357,902)	
NET CURRENT LIABILITIES			(16,351,308)		(3,828,476)
TOTAL ASSETS LESS CURRENT LIABILITIES			7,999,262		13,399,411
CREDITORS: Amounts falling due after more than one year	15		(19,166,218)		(18,333,509)
DEFERRED CAPITAL GRANT	16		(2,421,904)		(2,308,142)
NET LIABILITIES			(13,588,860)		(7,242,240)
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		(14,880,770)		(8,534,150)
SHAREHOLDERS' FUNDS (including non-equity)	21		(13,588,860)		(7,242,240)

The accounts were approved by the Board of Directors on 24th January 2003.



K. Brady - Managing Director

BIRMINGHAM CITY FOOTBALL CLUB PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 2002**

	<u>Note</u>	<u>2002</u> £	<u>2001</u> £
CASH INFLOW FROM OPERATING ACTIVITIES	25	11,653,707	3,096,588
Returns on Investments and Servicing of Finance	26(i)	(13,716)	55,695
Taxation	26(ii)	-	(62,906)
Capital Expenditure	26(iii)	(10,318,639)	(2,265,582)
Cash Inflow Before Financing		1,321,352	823,795
Use of Liquid Resources and Management of Liquid Resources		-	-
Financing	26(iv)	456,050	(44,708)
INCREASE IN CASH		1,777,402	779,087

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>Note</u>	<u>2002</u> £	<u>2001</u> £
Increase in cash in year		1,777,402	779,087
Cash to repay bank loan	26(iv)	8,673	-
Cash to repay finance leases	26(iv)	35,277	44,708
Increase in net funds from cash flow before bank loan		1,821,352	823,795
Bank loan		(500,000)	-
Increase in Net Funds	27	1,321,352	823,795
Net debt at 1st September 2001	27	(14,152,264)	(14,975,059)
Net debt at 31st August 2002	27	(12,830,912)	(14,152,264)

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except for the adoption of a new accounting standard set out below.

(a) Basis of Accounting

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.

The accounts have been prepared on a going concern basis as the directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future. In particular, Sport Newspapers Limited has indicated it will provide financial support as required.

New Accounting Standard

A new accounting standard for 'Deferred Tax' (FRS19) has been adopted for the first time in these accounts. The new accounting policy for deferred tax is described below. No restatement of comparative figures was required as the losses of the company are treated as unrecognised deferred tax asset.

(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 and, in addition, where there is evidence of impairment, tangible fixed assets will be written down to their recoverable amounts. The following expected useful lives have been used:-

Freehold land	-	Nil
Freehold property	-	50 years
Long leasehold property	-	period of lease
Fixtures and equipment	-	between 2 to 5 years
Motor vehicles	-	5 years

(c) Player Transfer Costs

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. An impairment review is carried out on an annual basis, and where there is evidence of impairment, players' registrations are written down to their recoverable amounts. These costs are amortised over the period of the players' initial contracts. The amortisation periods are between 1 and 5 years.

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 2002**

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 in the accounting period in which payment is made. This represents a change in accounting policy. Previously, signing-on fees were charged to the profit and loss account over the players' contract period. The accounting policy has been changed because the directors consider the new policy gives a fairer representation of the company's results, reflecting the current uncertainty in the football industry.

The effect on continuing operations of implementing this accounting policy was to increase the operating loss for the year by £1,082,000.

The impact on the results for the year ended 31st August 2001 is not material and consequently the comparative figures have not been restated.

Instalments due in the future on continued service are not provided but are noted as contingent liabilities within note 24b.

(e) Profit on Sale of Players' Registrations

The profit on sale of players' registrations represents the proceeds of sale less the net book value of the registration and any direct costs.

(f) Stock

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

(g) 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. Income received for internet rights is credited to the profit and loss account based on the number of hits on, and income generated from, the Club's website.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002**

1. ACCOUNTING POLICIES (continued)**(h) Deferred Taxation**

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by FRS19. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

In accordance with FRS19, deferred tax is not provided for:

- (a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- (b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

Previously under SSAP15, provision was only made for deferred taxation if it was probably that the tax would be payable in the foreseeable future.

(i) Leased Assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group'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.

(j) Grants

Grants and donations received in respect of safety work and ground developments are credited to deferred capital grants 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.

(k) 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.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****2. TURNOVER**

	<u>2002</u> £	<u>2001</u> £
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	6,850,512	7,228,330
Television and radio coverage	3,273,023	1,906,146
Commercial activities	5,060,501	4,152,237
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	15,184,036	13,286,713
	<hr/> <hr/>	<hr/> <hr/>

3. PLAYER TRANSFER COSTS INCLUDING AMORTISATION

	<u>2002</u> £	<u>2001</u> £
Amortisation of transfer fees	3,336,694	2,440,959
Net additional costs for player appearances	20,202	39,958
	<hr/>	<hr/>
	3,356,896	2,480,917
	<hr/> <hr/>	<hr/> <hr/>

4. OPERATING LOSS

	<u>2002</u> £	<u>2001</u> £
Operating loss is stated after charging/(crediting):-		
Aggregate directors' emoluments	242,773	248,933
Auditors' remuneration:		
Audit services	12,500	12,500
Non-audit work	14,050	8,750
Depreciation of tangible fixed assets – owned	425,416	389,057
Depreciation of tangible fixed assets – financed	20,682	20,682
Release of deferred income from Football Trust Grants	(54,088)	(54,089)
Equipment leased under operating leases	14,979	11,127
Premises leased under an operating lease	84,000	84,000
	<hr/>	<hr/>

5. DIRECTORS' REMUNERATION (Excluding Pension Contributions)

	<u>2002</u> £	<u>2001</u> £
Aggregate directors' remuneration	242,773	248,933
	<hr/>	<hr/>
Highest paid director	204,000	208,000
	<hr/>	<hr/>

There is no directors' pension scheme.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****6. STAFF COSTS**

	<u>2002</u> £	<u>2001</u> £
Staff costs during the year were made up as follows:-		
Wages, salaries, signing on fees, etc	12,007,635	8,372,759
Social Security costs	1,195,057	879,154
Other pension costs	3,537	11,861
	<hr/>	<hr/>
	13,206,229	9,263,774
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2002</u> No.	<u>2001</u> No.
Playing staff	57	52
Training staff	17	17
Training ground staff	14	14
Commercial and fund raising	12	10
Shop	7	7
Administration and other	17	14
	<hr/>	<hr/>
	124	114
	<hr/> <hr/>	<hr/> <hr/>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2002</u> £	<u>2001</u> £
Bank interest receivable	38,061	84,191
Other interest receivable	2,007	-
	<hr/>	<hr/>
	40,068	84,191
	<hr/> <hr/>	<hr/> <hr/>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2002</u> £	<u>2001</u> £
Hire purchase interest	2,086	10,471
Bank loans and overdrafts	40,483	14,804
Other interest payable	11,215	3,221
	<hr/>	<hr/>
	53,784	28,496
	<hr/> <hr/>	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****9. TAXATION**

	<u>2002</u> £	<u>2001</u> £
Corporation Tax for 2001	293	-
Corporation Tax refund at 30% (2001 - 20%)	53,802	36,467
	<hr/>	<hr/>
	54,095	36,467
	<hr/> <hr/>	<hr/> <hr/>

The 2002 refund of £53,802 relates to surrender of losses to Sport Newspapers Limited, the ultimate holding company.

The tax losses not utilised at 31st August 2002 amount to approximately £10.0m (2001 - £5.0m).

Current Tax Reconciliation

	<u>2002</u> £	<u>2001</u> £
Loss on ordinary activities before taxation	(6,400,715)	(2,625,951)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2001 - 30%)	(1,920,214)	(787,785)
Expenses not deductible for tax purposes	20,864	16,910
Depreciation for the year in excess of capital allowances	114,603	106,695
Tax losses carried forward	1,691,165	434,731
Player registration timing differences	93,582	229,449
Adjustment to charge in respect of previous periods	(54,095)	(36,467)
	<hr/>	<hr/>
Actual current tax credit	(54,095)	(36,467)
	<hr/> <hr/>	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****10. INTANGIBLE FIXED ASSETS**

	<u>Players' Registrations</u> £
Cost:	
At 1st September 2001	14,880,125
Additions	10,212,573
Disposals	(5,290,250)
	<hr/>
At 31st August 2002	19,802,448
	<hr/> <hr/>
Accumulated Amortisation:	
At 1st September 2001	9,691,401
Charge for the year	3,336,694
Eliminated on disposals	(4,726,412)
	<hr/>
At 31st August 2002	8,301,683
	<hr/> <hr/>
Net Book Value:	
At 31st August 2002	11,500,765
	<hr/> <hr/>
At 31st August 2001	5,188,724
	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****11. TANGIBLE FIXED ASSETS**

	<u>Freehold Land and Buildings</u> £	<u>Long Leasehold Land and Buildings</u> £	<u>Fixtures and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost or Valuation:					
At 1st September 2001	12,583,016	434,869	2,171,288	49,387	15,238,560
Additions	250,300	797,294	194,778	14,368	1,256,740
Disposals	-	-	-	-	-
Assets no longer in use	-	-	(126,957)	-	(126,957)
	<u>12,833,316</u>	<u>1,232,163</u>	<u>2,239,109</u>	<u>63,755</u>	<u>16,368,343</u>
Depreciation:					
At 1st September 2001	1,345,332	7,771	1,821,106	25,188	3,199,397
Charge for the year	251,660	8,871	178,395	7,172	446,098
Disposals	-	-	-	-	-
Assets no longer in use	-	-	(126,957)	-	(126,957)
	<u>1,596,992</u>	<u>16,642</u>	<u>1,872,544</u>	<u>32,360</u>	<u>3,518,538</u>
Net Book Value:					
At 31st August 2002	<u>11,236,324</u>	<u>1,215,521</u>	<u>366,565</u>	<u>31,395</u>	<u>12,849,805</u>
At 31st August 2001	<u>11,237,684</u>	<u>427,098</u>	<u>350,182</u>	<u>24,199</u>	<u>12,039,163</u>

The net book value of tangible fixed assets includes £10,342 (2001 - £31,023) in respect of assets held under finance leases.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****11. TANGIBLE FIXED ASSETS (continued)**

Land and building comprises:-	<u>Freehold Properties</u> £
Cost and valuation 1991	1,153,807
Additions at cost 1991 to 2002	11,679,509
	<hr/>
Depreciation	12,833,316 (1,596,992)
	<hr/>
At 31st August 2002	11,236,324
	<hr/> <hr/>
At 31st August 2001	11,237,684
	<hr/> <hr/>

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

	<u>2002</u> £	<u>2001</u> £
Cost	12,520,590	12,270,290
Accumulated depreciation	(1,541,333)	(1,295,928)
	<hr/>	<hr/>
	10,979,257	10,974,362
	<hr/> <hr/>	<hr/> <hr/>

It is not the company's intention to revalue the freehold property on an ongoing basis and the existing valuation has been rolled forward as permitted under FRS15.

12. STOCK

	<u>2002</u> £	<u>2001</u> £
Club Shop stock	179,758	181,799
	<hr/> <hr/>	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****13. DEBTORS**

	<u>2002</u> £	<u>2001</u> £
Trade debtors	3,086,667	1,543,642
Other debtors	102,406	42,399
Prepayments	483,572	309,967
	<hr/>	<hr/>
	3,672,645	1,896,008
	<hr/> <hr/>	<hr/> <hr/>

Included within debtors is £Nil (2001 - £73,089) not due until after more than one year

Included within trade debtors is £48,971 (2001 - £85,195) in respect of transfer fees receivable.

14. CREDITORS: Amounts falling due within one year

	<u>2002</u> £	<u>2001</u> £
Obligations under finance leases and hire purchase contracts	3,090	35,277
Bank loan	32,689	-
	<hr/>	<hr/>
Debt due within one year	35,779	35,277
Trade creditors	4,681,570	2,076,162
Other creditors	71,561	36,986
Taxation and social security costs	1,798,797	650,229
Accruals and deferred income	15,845,025	3,559,248
	<hr/>	<hr/>
	22,432,732	6,357,902
	<hr/> <hr/>	<hr/> <hr/>

Included within creditors is £1,761,778 (2001 - £1,054,976) in respect of transfer fees payable.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****15. CREDITORS: Amounts falling due after more than one year**

	<u>2002</u> £	<u>2001</u> £
Amount due to holding company	14,565,516	14,565,516
Obligations under finance leases and hire purchase contracts	-	3,090
Bank loan	458,638	-
	<hr/>	<hr/>
Net debt due after more than one year	15,024,154	14,568,606
Trade creditors	-	-
Accruals and deferred income	4,142,064	3,764,903
	<hr/>	<hr/>
	<u>19,166,218</u>	<u>18,333,509</u>

The bank loan is secured on the land and buildings and by a guarantee from Sport Newspapers Limited, the ultimate holding company.

Included within bank loans is £286,488 due after more than five years.

Borrowings Analysis

	<u>2002</u> £	<u>2001</u> £
Due within one year:		
Bank loan	32,689	-
Obligations under finance leases and hire purchase contracts	3,090	35,277
	<hr/>	<hr/>
	<u>35,779</u>	<u>35,277</u>
Due in one to two years:		
Bank loan	36,684	-
Obligations under finance leases and hire purchase contracts	-	3,090
	<hr/>	<hr/>
	<u>36,684</u>	<u>3,090</u>
Due in two to five years:		
Bank loan	135,466	-
	<hr/>	<hr/>
Due in more than five years:		
Bank loan	286,488	-
	<hr/>	<hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002**

16. DEFERRED CAPITAL GRANT	<u>2002</u> £	<u>2001</u> £
At 1st September 2001	2,308,142	2,362,231
Grants received during the year	167,850	-
	2,475,992	2,362,231
Transfer to profit and loss account	(54,088)	(54,089)
	2,421,904	2,308,142

As a result of the substantial redevelopment of the stadium, the Directors have reviewed the allocation of grants received. The amount of £2,421,904 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.

17. **DEFERRED TAXATION**

At 31st August 2001 and 2002 there was no unprovided deferred taxation.

18. **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 2002 was:

	<u>Total</u> £	<u>Floating Rate</u> <u>Financial</u> <u>Liabilities</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				
At 31st August 2002	15,059,933	-	494,417	14,565,516
	15,059,933	-	494,417	14,565,516
At 31st August 2001	14,603,883	-	38,367	14,565,516
	14,603,883	-	38,367	14,565,516

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****18. FINANCIAL INSTRUMENTS (continued)**

All of the company's creditors falling due within one year (other than loans and obligations under finance leases and hire purchase contracts), trade creditors due after more than one year and non-equity shares, 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 2002 was also approximately £494,000 (2001 £38,000). The fair value has been calculated using market interest rates at the balance sheet date.

The weighted average interest rate of the fixed rate financial liabilities is 5.5% (2001 - 7%)

The floating rate financial liability comprises a sterling denominated bank overdraft that bears interest at normal commercial rates.

The maturity of the financial liabilities are set out at note 15.

The interest rate risk profile of the company's financial assets at 31st August 2002 was:

	<u>Total</u> £	<u>Cash at Bank and in hand</u> £	<u>Short-term Deposits</u> £
Sterling			
At 31st August 2002			
- non-interest bearing	2,229,021	2,229,021	-
- floating rate	-	-	-
	<u>2,229,021</u>	<u>2,229,021</u>	<u>-</u>
Sterling			
At 31st August 2001			
- non-interest bearing	451,619	451,619	-
- floating rate	-	-	-
	<u>451,619</u>	<u>451,619</u>	<u>-</u>

Cash at bank and in hand at 31st August 2002 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 £5.00 million (2001 £1.25 million) due for review in February 2002. The undrawn committed facilities available at 31st August 2002 in respect of which all conditions precedent had been met at that date were £5 million (2001 £1.25 million).

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****18. FINANCIAL INSTRUMENTS (continued)****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 15.

19. SHARE CAPITAL

	<u>2002</u>		<u>2001</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.

20. RESERVES

	<u>Share Premium</u>	<u>Capital Redemption Reserve</u>	<u>Revaluation Reserve</u>	<u>Profit and Loss Account</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1st September 2001	207,096	750	312,726	(8,534,150)
Retained (loss)	-	-	-	(6,346,620)
	<u>207,096</u>	<u>750</u>	<u>312,726</u>	<u>(14,880,770)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2002</u> £	<u>2001</u> £
Loss for the financial year	(6,346,620)	(2,589,484)
New share capital subscribed	-	-
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(6,346,620)	(2,589,484)
Opening shareholders' funds	(7,242,240)	(4,652,756)
	<hr/>	<hr/>
Closing shareholders' funds	(13,588,860)	(7,242,240)
	<hr/> <hr/>	<hr/> <hr/>
Non-equity preference shares	18,500	18,500
Unpaid preference dividends	2,331	2,331
	<hr/>	<hr/>
Non-equity shareholders' funds	20,831	20,831
Equity shareholders' funds	(13,609,691)	(7,263,071)
	<hr/>	<hr/>
	(13,588,860)	(7,242,240)
	<hr/> <hr/>	<hr/> <hr/>

22. TRANSACTIONS WITH DIRECTORS AND RELATED PARTY TRANSACTIONS

Goods and services to the value of £15,000 (2001 - £13,000) have been supplied by the Club to Gold Group International which is owned by D Gold and R Gold (directors).

Goods and services to the value of £15,000 (2001 - £Nil) have been supplied by the Club to Beta plc of which Paul Richardson is a director.

Henri Brandman & Co (Henri Brandman - Director) acted as Solicitors on behalf of the Club during the year with fees amounting to £17,250 (2001 - £30,050).

Sport Newspapers Limited, the parent undertaking, carried out certain administrative and accounting duties during the year for which it charged £52,000 (2001 - £52,000). Sport Newspapers Limited also charged interest to the Club amounting to £11,215 (2001 - £3,221) on short-term loans provided and repaid during the year.

All transactions were at arm's length. There were no substantial balances owing at 31st August 2002.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****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 2002 is £1,262,500 (2001 - £1,012,500). Since the year end and to the date of approval of these accounts, £21,000 of this amount has crystallised and additional transfer fee payables have amounted to £3,447,726, with transfer receivables of £Nil.

24. CAPITAL AND OTHER FINANCIAL COMMITMENTS**(a) Capital Commitments**

	<u>2002</u> £	<u>2001</u> £
Contracted but not provided for	231,890	115,090

(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 £1,502,750 (2001 - £1,098,125).

(c) Lease Commitments

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

	<u>2002</u> £	<u>2001</u> £
Expiring:		
Within one year	-	-
Between two and five years	10,748	-
Over five years	84,000	84,000
	<u>94,748</u>	<u>84,000</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****25. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<u>2002</u> £	<u>2001</u> £
Operating (loss) after amortisation of players	(6,083,161)	(2,522,851)
Player transfer costs including amortisation	3,356,896	2,480,917
Depreciation	446,098	409,739
Amortisation of deferred income	(54,088)	(54,089)
(Increase)/decrease in stocks	2,041	(26,855)
Decrease/(increase) in debtors	(1,758,766)	171,646
Increase in creditors	15,744,687	2,638,081
Net Cash (Outflow)/Inflow from Operating Activities	<u>11,653,707</u>	<u>3,096,588</u>

26. GROSS CASH FLOWS

	<u>2002</u> £	<u>2001</u> £
(i) Returns on Investments and Servicing of Finance		
Interest received	40,068	84,191
Interest paid (note 8)	(53,784)	(28,496)
	<u>(13,716)</u>	<u>55,695</u>
(ii) Taxation		
Corporation Tax paid	-	(62,906)
	<u>-</u>	<u>(62,906)</u>
(iii) Capital Expenditure		
Payments to acquire tangible fixed assets	(1,256,740)	(632,955)
Grant received towards fixed asset additions	167,850	-
Receipts from sales of tangible fixed assets	10,000	-
Payments for purchases of players' contracts	(9,525,973)	(3,070,750)
Receipts from sales of players' contracts	286,224	1,438,123
	<u>(10,318,639)</u>	<u>(2,265,582)</u>
(iv) Financing		
Receipt of loan from holding company	1,000,000	308,000
Repayment of loan from holding company	(1,000,000)	(308,000)
Capital repayment of bank loan	(8,673)	-
Capital element of finance lease payments	(35,277)	(44,708)
Bank loan	500,000	-
	<u>456,050</u>	<u>(44,708)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2002****27. ANALYSIS OF CHANGES IN NET DEBT**

	<u>01.09.01</u> <u>£000</u>	<u>Cash Flows</u> <u>£000</u>	<u>Bank Loan</u> <u>£000</u>	<u>31.08.02</u> <u>£000</u>
Cash in hand and at bank	451,619	1,777,402	-	2,229,021
Loans	(14,565,516)	8,673	(500,000)	(15,056,843)
Finance leases	(38,367)	35,277	-	(3,090)
Borrowings	<u>(14,603,883)</u>	<u>43,950</u>	<u>(500,000)</u>	<u>(15,059,933)</u>
Net (Debt)	<u>(14,152,264)</u>	<u>1,821,352</u>	<u>(500,000)</u>	<u>(12,830,912)</u>

28. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Sport Newspapers Limited, a company registered in England and Wales, number 1994074. The accounts of the company can be obtained from 840 Melton Road, Thurmaston, Leicester, LE4 8BE.