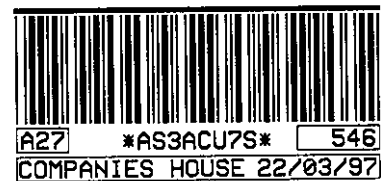


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BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 1996



WALTER J EDWARDS & CO
CHARTERED ACCOUNTANTS

BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996

CONTENTS:

	<u>Page</u>
Directors and Officers	1
Five Year Trading Record	2
Directors' Report	3 - 5
Auditors' Report	6
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9
Notes Forming Part of the Accounts	10 - 22

BIRMINGHAM CITY FOOTBALL CLUB PLC

DIRECTORS AND OFFICERS

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

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

Commercial Manager: Alan Robson

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

Bankers: Midland Bank plc
Bennetts Hill
BIRMINGHAM
B2 5RJ

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

Company Number: 27318

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

	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>13 Months</u>	<u>£</u>
				<u>£</u>	
Match Receipts F.A. and Football League Distributions	4,624,252	4,616,208	2,584,693	2,220,678	1,597,814
Commercial Activities including television and radio fees	2,712,819	2,325,463	1,178,439	899,966	504,616
INCOME	<u>7,337,071</u>	<u>6,941,671</u>	<u>3,763,132</u>	<u>3,120,644</u>	<u>2,102,430</u>
Wages	4,791,500	3,677,808	2,694,973	1,715,409	1,422,560
Other expenses	1,742,180	1,739,675	1,556,613	1,227,026	932,400
EXPENDITURE	<u>6,533,680</u>	<u>5,417,483</u>	<u>4,251,586</u>	<u>2,942,435</u>	<u>2,354,960</u>
OPERATING PROFIT/(LOSS) BEFORE TRANSFER FEES AND INTEREST	<u>803,391</u>	<u>1,524,188</u>	<u>(488,454)</u>	<u>178,209</u>	<u>(252,530)</u>
NET TRANSFER FEES RECEIVED/(PAID)	<u>(2,680,879)</u>	<u>(1,279,327)</u>	<u>(642,368)</u>	<u>(904,741)</u>	<u>(464,725)</u>
CAPITAL AND RESERVES	<u>(4,701,239)</u>	<u>(2,833,901)</u>	<u>(3,090,734)</u>	<u>(1,960,277)</u>	<u>(1,162,905)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1996

The directors present the financial statements for the year ended 31st August 1996.

DIRECTORS' RESPONSIBILITIES

Company law requires us as 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 we are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

RESULTS AND DIVIDENDS

The operating profit before transfer fees and interest amounted to £803,391 (1995 - profit £1,524,188). The loss on ordinary activities before taxation was £1,866,588 as compared to a profit in 1995 of £256,083.

REVIEW OF BUSINESS

The Board are pleased to report that this year turnover has increased again, replacing last year as the highest turnover in the history of the Club. In addition, the Club continued to be profitable, prior to investment in new players. Sport Newspapers has increased its financial support by injecting a further £700,000 during the year. Its debt with the Club at 31st August 1996 was over £6.5 million.

FUTURE DEVELOPMENTS

We are making every effort, both on and off the field, to achieve Premier League status. We are of the opinion that we have selected a first class Manager which is borne out by his backroom staff appointments and recent player purchases.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1996

FUTURE DEVELOPMENTS (continued)

When we reach the Premiership, or when it looks likely to happen, we hope to develop the Railway Stand or Main Stand. To this effect, we are actively contacting independent partners to help finance part of the development. Additionally, we have taken steps to issue shares on the Alternative Investment Market (A.I.M.) in February 1997.

PRINCIPAL ACTIVITY

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

FIXED ASSETS

The movement on fixed assets is shown at note 9 to the accounts.

FREEHOLD LAND AND BUILDINGS

In the opinion of the directors, the book value of land and buildings is significantly less than open market valuation. Book value is after taking into account deferred grant income shown within note 14 to the accounts.

INTANGIBLE ASSETS

It is a policy of Birmingham City Football Club not to value playing staff as an asset to be included within the financial statements. It is the opinion of the directors that the valuation of players would eliminate the balance sheet deficit as shown on page 9.

CREDITORS PAYMENT POLICY

In accordance with current company legislation, we declare our creditor payment policy is to settle in accordance with the terms agreed with each supplier. The company has taken an average 38 days to pay its trade creditors during the year ended 31st August 1996 (1995 - 56 days).

BIRMINGHAM CITY FOOTBALL CLUB PLC**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1996****DIRECTORS AND THEIR INTEREST IN THE SHARE CAPITAL**

The directors who acted during the period are set out on page 2 and the interest in the share capital of those acting at 31st August 1996 was as follows:-

	<u>31st August 1996</u>		<u>31st August 1995</u>	
	<u>Preference</u>	<u>Ordinary</u>	<u>Preference</u>	<u>Ordinary</u>
	<u>No</u>	<u>No</u>	<u>No</u>	<u>No</u>
J F Wiseman	5,000	99,210	5,000	99,210
D Sullivan	-	-	-	-
K Brady	-	-	-	-
B Gold	-	-	-	-
R Gold	-	-	-	-
D Gold	-	-	-	-
H Brandman	-	-	-	-
A G Jones	-	4	-	4

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

DIRECTORS OF SPORT AND INTERESTS

D Sullivan, R Gold and D Gold are also directors and owners of Sport Newspapers Limited, the ultimate holding company of Birmingham City Football Club plc.

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


K. BRADY
Managing Director

Dated 13th February 1997.

BIRMINGHAM CITY FOOTBALL CLUB

AUDITORS' REPORT TO THE MEMBERS OF BIRMINGHAM CITY FOOTBALL CLUB PLC FOR THE YEAR ENDED 31ST AUGUST 1996

We have audited the financial statements on pages 7 to 22 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 1996 and of its loss 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

Dated 13th February 1997

BIRMINGHAM CITY FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	7,337,071	6,941,671
		-----	-----
Match and ground expenses		1,031,492	1,023,424
Administration expenses		416,566	465,533
Staff costs	5	4,791,500	3,677,808
Depreciation	1b	294,122	250,718
		-----	-----
Net operating expenses		6,533,680	5,417,483
		-----	-----
OPERATING PROFIT BEFORE TRANSFER FEES	3	803,391	1,524,188
Net transfer fees payable	1c and 7	(2,680,879)	(1,279,327)
		-----	-----
OPERATING (LOSS)/PROFIT AFTER TRANSFER FEES	3	(1,877,488)	244,861
Interest receivable and similar income	6a	20,206	15,920
Interest payable and similar charges	6b	(9,306)	(4,698)
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,866,588)	256,083
Taxation on profit/(loss) on ordinary activities	8	-	-
		-----	-----
(LOSS)/PROFIT FOR THE YEAR	19 and 20	(1,866,588)	256,083
		=====	=====

The only recognised loss for the year is the loss shown above of £1,866,588 (1995 - profit £256,083).

All activities are derived from continuing operations.

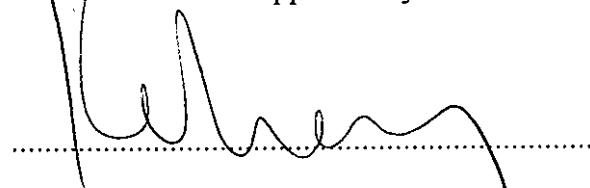
The notes on pages 10 to 22 form part of these financial statements

BIRMINGHAM CITY FOOTBALL CLUB PLC

BALANCE SHEET AS AT 31ST AUGUST 1996

	Note	1996		1995	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		8,128,732		7,675,185
CURRENT ASSETS					
Stocks	10	168,123		92,433	
Debtors	11	2,385,695		1,320,399	
Cash at bank and in hand		16,331		894,263	
		-----		-----	
		2,570,149		2,307,095	
CREDITORS: Amounts falling due within one year					
	12	(6,146,114)		(4,211,297)	
		-----		-----	
NET CURRENT LIABILITIES					
			(3,575,965)		(1,904,202)
			-----		-----
TOTAL ASSETS LESS CURRENT LIABILITIES					
			4,552,767		5,770,983
CREDITORS: Amounts falling due after more than one year					
	13		(6,662,368)		(6,002,364)
			-----		-----
			(2,109,601)		(231,381)
DEFERRED GRANT INCOME					
	14		(2,591,638)		(2,602,520)
			-----		-----
NET LIABILITIES					
			(4,701,239)		(2,833,901)
			=====		=====
CAPITAL AND RESERVES					
Issued share capital	15		771,338		772,088
Share premium account	16		207,096		207,096
Capital redemption reserve	17		750		-
Revaluation reserve	18		312,726		312,726
Profit and loss account	19		(5,993,149)		(4,125,811)
			-----		-----
SHAREHOLDERS' FUNDS (including non-equity)					
	20		(4,701,239)		(2,833,901)
			=====		=====

The accounts were approved by the Board of Directors on 13th February 1997.



K. Brady - Managing Director

The notes on page 10 to 22 form part of these accounts.

BIRMINGHAM CITY FOOTBALL CLUB PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1996

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
OPERATING ACTIVITIES			
Cash inflow before net transfer fees paid		721,022	4,620,707
Net transfer fees paid		(1,989,805)	(1,640,572)
		-----	-----
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	24	(1,268,783)	2,980,135
		-----	-----
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		20,206	15,920
Bank interest paid		(9,306)	(4,698)
		-----	-----
NET CASH INFLOW FROM SERVICING OF FINANCE		10,900	11,222
		-----	-----
NET CASH (OUTFLOW)/INFLOW BEFORE INVESTING ACTIVITIES		(1,257,883)	2,991,357
		-----	-----
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(892,654)	(3,764,303)
Deferred grant income received		55,125	1,346,058
Proceeds of sale of tangible fixed assets		26,113	42,212
		-----	-----
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(811,416)	(2,376,033)
		-----	-----
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(2,069,299)	615,324
		-----	-----
FINANCING ACTIVITIES			
Issue of ordinary shares		250	750
Redemption of preference shares		(1,000)	-
Capital element of hire purchase payments		-	(38,268)
Loan from Sport Newspapers Ltd		700,000	1,110,000
Loan from Football Trust		-	200,000
Instalments repaid on Football Trust loan		(39,996)	(30,017)
Release from Bass M&B loan		(28,887)	-
Repayment of unsecured loan		-	(39,500)
		-----	-----
NET CASH INFLOW FROM FINANCING	26	630,367	1,202,965
		-----	-----
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	25	(1,438,932)	1,818,289
		=====	=====

The notes on pages 10 to 22 form part of these accounts.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996**

The accounts have been prepared in accordance with applicable accounting standards. There were no material departures from those standards.

1. ACCOUNTING POLICIES**(a) Basis of Preparation of Financial Statements**

The financial statements have been prepared under the historical cost convention, adjusted for the revaluation of certain freehold premises.

(b) Tangible Fixed Assets Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives. The following expected useful lives have been used:-

Freehold land	-	Nil
Freehold property	-	over 50 years
Computer equipment	-	over 3 years
Fixtures and equipment	-	between 2 to 5 years
Motor vehicles	-	over 5 years

(c) Transfer Fees

Fees payable to and receivable from other football clubs on the transfer of player's registrations, together with associated costs, are dealt with through the profit and loss account in the year in which the transfer takes place. Transfer fees contingent on, for example, future appearances, are taken to the profit and loss account in the period they become payable or receivable.

(d) Signing-On Fees

Signing-on fees payable to players are charged to the profit and loss account in the year of payment. Signing-on fees not paid in the year but contracted for and payable in future years are dependent upon the Club retaining the players registration for the duration of the contract. The commitments to pay signing-on fees are shown within note 23.

(e) Stock

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

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996****1. ACCOUNTING POLICIES (continued)****(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.

(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) Leasing

Rentals payable under operating leases are charged to the profit and loss account as incurred.

(i) Deferred Grant Income

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.

(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.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996**

2. TURNOVER	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Turnover comprises:-		
Match receipts, F.A. and League distributions	4,624,252	4,616,208
Television and radio coverage	379,947	196,381
Commercial activities (Note 2a)	2,332,872	2,129,082
	-----	-----
	<u>7,337,071</u>	<u>6,941,671</u>
	=====	=====
 2a COMMERCIAL ACTIVITIES		
Included within commercial activities is income from the Club Shops:	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Sales	1,092,032	1,276,287
Cost of sales	(499,904)	(587,765)
	-----	-----
Net income	<u>592,128</u>	<u>688,522</u>
	=====	=====
 The 1995 income from Club shops reflected an increased volume of sales due to the appearance at Wembley in the Auto Windscreens Shield Final.		
 3. OPERATING PROFIT	<u>1996</u>	<u>1995</u>
Operating profit is stated after charging:-	<u>£</u>	<u>£</u>
Directors' fees	-	-
Directors' emoluments	101,133	79,502
Pension of directors	-	-
	-----	-----
Total directors' emoluments	<u>101,133</u>	<u>79,502</u>
	=====	=====
Auditors' remuneration:		
Audit services	8,000	7,000
Non-audit work	4,000	4,000
Depreciation of owned assets	363,095	316,306
Release of deferred income from Football Trust Grants	(66,007)	(53,112)
Profit on sale of tangible assets	(2,966)	(12,476)
Equipment leased under operating leases	11,830	3,068
	=====	=====

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996

4. DIRECTORS' REMUNERATION (Excluding Pension Contributions)

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
The remuneration of the chairman was	NIL	NIL
The remuneration of the highest paid director was	71,279	50,071
	<u>71,279</u>	<u>50,071</u>

	<u>1996</u>	<u>1995</u>
	<u>No.</u>	<u>No.</u>
The remuneration of the directors, including the above, was within the following ranges:-		

£Nil - £ 5,000	6	6
£25,001 - £30,000	1	1
£50,001 - £55,000	-	1
£70,001 - £75,000	1	-

Remuneration of the directors relate only to full-time working directors. Other directors do not receive remuneration.

5. STAFF COSTS

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Staff costs during the year were made up as follows:-		
Wages, salaries, signing on fees, etc	4,386,267	3,374,953
Social Security costs	402,633	300,255
Other pension costs	2,600	2,600
	<u>4,791,500</u>	<u>3,677,808</u>

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

	<u>1996</u>	<u>1995</u>
	<u>No.</u>	<u>No.</u>
Playing staff	41	53
Training staff	9	9
Commercial and fund raising	8	6
Shop	8	7
Administration and other	21	21
	<u>87</u>	<u>96</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996****6a. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>1996</u>	<u>1995</u>
	£	£
Bank interest	19,013	12,265
Other interest	1,193	3,655
	-----	-----
	<u>20,206</u>	<u>15,920</u>

6b. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1996</u>	<u>1995</u>
	£	£
Bank loans and overdrafts and other loans repayable within five years	9,306	4,698
	-----	-----
	<u>9,306</u>	<u>4,698</u>

7. NET TRANSFER FEES

The majority of net transfer fees paid relate to the activity in the transfer market towards the end of the financial year following the appointment of Trevor Francis (Team Manager) on 9th May 1996.

8. TAXATION

As a result of the utilisation of taxation losses from previous years, no provision for taxation is required.

The tax losses not utilised at 31st August 1996 amount to approximately £4,000,000.

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996

9. TANGIBLE FIXED ASSETS

	<u>Freehold land and Buildings</u>	<u>Fixtures and Equipment</u>	<u>Motor Vehicles</u>	<u>Computer Equipment</u>	<u>Total</u>
	£	£	£	£	£
Cost or Valuation:					
At 1st September 1995	7,372,052	1,152,304	52,122	99,667	8,676,145
Additions	643,345	171,740	22,635	2,069	839,789
Disposals	-	(1,225)	(35,000)	-	(36,225)
	-----	-----	-----	-----	-----
At 31st August 1996	<u>8,015,397</u>	<u>1,322,819</u>	<u>39,757</u>	<u>101,736</u>	<u>9,479,709</u>
Depreciation:					
At 1st September 1995	147,441	773,553	23,333	56,633	1,000,960
Charge for the year	160,308	157,728	11,148	33,911	363,095
Disposals	-	(245)	(12,833)	-	(13,078)
	-----	-----	-----	-----	-----
At 31st August 1996	<u>307,749</u>	<u>931,036</u>	<u>21,648</u>	<u>90,544</u>	<u>1,350,977</u>
Net Book Value:					
At 31st August 1996	<u>7,707,648</u>	<u>391,783</u>	<u>18,109</u>	<u>11,192</u>	<u>8,128,732</u>
At 31st August 1995	<u>7,224,611</u>	<u>378,751</u>	<u>28,789</u>	<u>43,034</u>	<u>7,675,185</u>

If stated under historical cost principles, the comparable total amounts for the freehold land and buildings would be:-

	<u>1996</u>	<u>1995</u>
	£	£
Cost	7,702,671	7,059,326
Accumulated depreciation	(295,239)	(141,186)
	-----	-----
	<u>7,407,432</u>	<u>6,918,140</u>

There were no assets held under finance leases and hire purchase contracts at 31 August 1996.

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996

9. TANGIBLE FIXED ASSETS (continued)

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.

10. STOCK

	<u>1996</u>	<u>1995</u>
	£	£
Club Shop stock	168,123	92,433

11. DEBTORS

	<u>1996</u>	<u>1995</u>
	£	£
Trade debtors	2,024,777	1,206,427
Other debtors	173,591	16,837
Prepayments	187,327	97,135
	-----	-----
	2,385,695	1,320,399
	=====	=====

All debtors are recoverable within one year, with the exception of £52,667 relating to prepaid administration charges.

12. CREDITORS: Amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£	£
Unsecured loans	39,996	68,883
Bank overdraft (secured)	606,979	45,979
Trade creditors	2,112,518	1,297,686
Amounts owed to Sport Newspapers Limited	97,539	-
Other creditors	19,365	84,454
Taxation and social security costs	139,612	227,454
Accruals and deferred income	3,130,105	2,486,841
	-----	-----
	6,146,114	4,211,297
	=====	=====

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996****13. CREDITORS: Amounts falling due after more than one year**

	<u>1996</u>	<u>1995</u>
	£	£
Unsecured loans	89,991	129,987
Amount due to holding company	6,572,377	5,872,377
	-----	-----
	<u>6,662,368</u>	<u>6,002,364</u>

The amount due to holding company relates to Sport Newspapers Limited. The loan is interest free until 7th March 2000 and not repayable before such date. Thereafter, it is repayable, in whole or in part, subject to receiving six months' prior notice in writing.

(a) Unsecured Loans

£129,987 of the loans stated relates to a Football Trust loan and is interest free and repayable by monthly instalments of £3,333 over 4 years

(b) Bank Overdraft

The bank overdraft is secured by a fixed charge on the St. Andrew's Stadium and a floating charge over assets of the company.

14. DEFERRED GRANT INCOME

	<u>1996</u>	<u>1995</u>
	£	£
At 1st September 1995	2,602,520	1,309,574
Grants received during the year	55,125	1,346,058
	-----	-----
	2,657,645	2,655,632
Transfer for profit and loss account	(66,007)	(53,112)
	-----	-----
Balance at 31st August 1996	<u>2,591,638</u>	<u>2,602,520</u>

As a result of the substantial redevelopment of the stadium, the directors have reviewed the allocation of grants received. The amount of £2,591,638 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 1996

15. SHARE CAPITAL

	<u>1996</u>		<u>1995</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
(a) <u>Authorised</u>				
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) <u>Allotted and Fully Paid</u>				
4.2% redeemable cumulative preference shares of 50p each	37,000	18,500	39,000	19,500
Ordinary shares of 50p each	1,505,676	752,838	1,505,176	752,588
	<u>1,542,676</u>	<u>771,338</u>	<u>1,544,176</u>	<u>772,088</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.

16. SHARE PREMIUM ACCOUNT

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
No movement in year	<u>207,096</u>	<u>207,096</u>

17. CAPITAL REDEMPTION RESERVE

During the year ended 31st August 1996 the company redeemed 2000 preference shares of 50p each and issued 500 ordinary shares of 50p each. As a result, the company transferred £750 to a capital redemption reserve in that year.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996****18. REVALUATION RESERVE**

	<u>1996</u>	<u>1995</u>
	£	£
No movement in year	312,726	312,726
	<u>=====</u>	<u>=====</u>

The revaluation reserve represents surpluses that have arisen on the revaluation of the company's freehold land and buildings.

19. PROFIT AND LOSS ACCOUNT

	<u>1996</u>	<u>1995</u>
	£	£
Accumulated losses brought forward	(4,125,811)	(4,381,894)
(Loss)/profit for the year	(1,866,588)	256,083
Transfer to capital redemption reserve	(750)	-
	<u>-----</u>	<u>-----</u>
Accumulated losses carried forward	(5,993,149)	(4,125,811)
	<u>=====</u>	<u>=====</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>1995</u>
	£	£
(Loss)/profit for the year	(1,866,588)	256,083
New share capital subscribed	250	750
Preference share capital redeemed at par	(1,000)	-
	<u>-----</u>	<u>-----</u>
Net (reduction)/addition to shareholders' funds	(1,867,338)	256,833
Opening shareholders' funds	(2,833,901)	(3,090,734)
	<u>-----</u>	<u>-----</u>
Closing shareholders' funds	(4,701,239)	(2,833,901)
	<u>=====</u>	<u>=====</u>
Non-equity preference shares	18,500	19,500
Unpaid preference dividends	2,331	2,457
	<u>-----</u>	<u>-----</u>
Total non-equity shareholders' funds	20,831	21,957
Equity shareholders' funds	(4,722,070)	(2,855,858)
	<u>-----</u>	<u>-----</u>
	(4,701,239)	(2,833,901)
	<u>=====</u>	<u>=====</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996****21. TRANSACTIONS WITH DIRECTORS AND RELATED PARTY TRANSACTIONS**

Gold Star Publications Limited, owned by D Gold and R Gold (directors), supplied goods to the Club during the year to the value of £11,828 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 £6,140.

During the financial year, Paul Peschisolido, husband of Karren Brady (Managing Director) was bought and sold by the Club. On 28th March 1996, he was purchased for £400,000 and sold on 22nd July 1996 for £550,000.

The company purchased the former residential premises of Karren Brady (Managing Director) in November 1995 for £157,000, being the market value at that time. The property was acquired for use by the former team manager and has since been sold at a loss to the company of £4,000.

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

All transactions were of a commercial nature. There were no substantial balances owing at 31 August 1996, other than the unsecured loan due to Sport Newspapers Limited. (Note 13).

22. 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 1996 is £304,000 (1995 - £445,000).

23. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(a) Capital Commitments	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Contracted but not provided for:-		
Other capital	2,920	157,000
Outstanding against Ground Redevelopment Contract of £4,650,000	-	33,151
	-----	-----
	<u>2,920</u>	<u>190,151</u>
Authorised by the directors but not yet contracted for	<u>NIL</u>	<u>NIL</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996****23. CAPITAL AND FINANCIAL COMMITMENTS (continued)****(b) Signing-On Fees Payable**

The commitments in respect of deferred signing-on fees due to players under contracts at the year-end and not provided in the accounts, amounted to £1,197,500 (1995 - £562,500).

(c) Lease Commitments

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

	<u>1996</u>	<u>1995</u>
	£	£
Expiring:		
Within one year	8,880	3,068
Between one and five years	8,147	6,136
Over five years	2,500	-
	-----	-----
	<u>19,527</u>	<u>9,204</u>
	=====	=====

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

	<u>1996</u>	<u>1995</u>
	£	£
Operating profit before transfer fees	803,391	1,524,188
Depreciation	363,095	316,306
Amortisation of deferred income	(66,007)	(53,112)
Profit on sale of fixed assets	(2,966)	(12,476)
Decrease/(Increase) in stocks	(75,690)	(38,147)
Decrease/(Increase) in debtors	(635,854)	1,125,288
Increase/(Decrease) in creditors	335,053	1,758,660
	-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES BEFORE TRANSFER FEES	721,022	4,620,707
Net transfer fees payable	(2,680,879)	(1,279,327)
(Increase) in transfer fee debtors	(429,442)	(576,619)
Increase in transfer fee creditors	1,120,516	215,374
	-----	-----
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(1,268,783)	2,980,135
	=====	=====

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1996

25. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>Movement</u>	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cash at bank and in hand	(877,932)	16,331	894,263
Bank overdraft	(561,000)	(606,979)	(45,979)
	-----	-----	-----
Increase/(Decrease) In Cash and Cash Equivalents	(1,438,932)	(590,648)	848,284
	=====	=====	=====

26. ANALYSIS IN CHANGES IN FINANCING

	<u>Net Cash Flow from Financing</u>	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Share capital	(750)	771,338	772,088
Holding company loan	700,000	6,572,377	5,872,377
Unsecured loans	(68,883)	129,987	198,870
	-----	-----	-----
	630,367	7,473,702	6,843,335
	=====	=====	=====

27. ULTIMATE HOLDING COMPANY

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