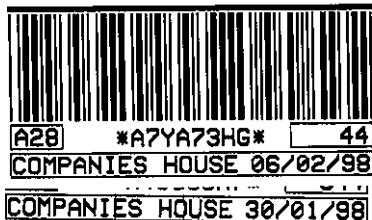


BIRMINGHAM CITY FOOTBALL CLUB PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1997



BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

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FOR DIRECTORS ONLY:

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BIRMINGHAM CITY FOOTBALL CLUB PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 1997

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	(Appointed 23rd December 1997)

Company 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

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>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>13 Months</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Match Receipts F.A. and Football League Distributions	4,464,029	4,624,252	4,616,208	2,584,693	2,220,678
Commercial Activities including television and radio fees	3,158,157	2,712,819	2,325,463	1,178,439	899,966
INCOME	<u>7,622,186</u>	<u>7,337,071</u>	<u>6,941,671</u>	<u>3,763,132</u>	<u>3,120,644</u>
Wages	4,900,328	4,791,500	3,677,808	2,694,973	1,715,409
Other expenses	1,985,405	1,742,180	1,739,675	1,556,613	1,227,026
EXPENDITURE	<u>6,885,733</u>	<u>6,533,680</u>	<u>5,417,483</u>	<u>4,251,586</u>	<u>2,942,435</u>
OPERATING PROFIT/(LOSS) BEFORE TRANSFER FEES AND INTEREST	<u>736,453</u>	<u>803,391</u>	<u>1,524,188</u>	<u>(488,454)</u>	<u>178,209</u>
NET TRANSFER FEES RECEIVED/(PAID)	<u>208,790</u>	<u>(2,680,879)</u>	<u>(1,279,327)</u>	<u>(642,368)</u>	<u>(904,741)</u>
CAPITAL AND RESERVES	<u>(3,631,677)</u>	<u>(4,701,239)</u>	<u>(2,833,901)</u>	<u>(3,090,734)</u>	<u>(1,960,277)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1997

The directors present the financial statements for the year ended 31st August 1997.

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.

RESULTS AND DIVIDENDS

The operating profit before transfer fees and interest amounted to £736,453 (1996 - £803,391). The profit on ordinary activities before taxation was £1,124,773 as compared to a loss in 1996 of £1,866,588.

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

REVIEW OF BUSINESS

The Board are pleased to report that 1997 has seen an increase in turnover for the year to £7.62m (1996 - £7.34m). The Club has continued to invest in the playing squad, spending £4.1m on new players and, as a result of the sales of players, the Club achieved profits of £209,000.

As part of our continuing programme to develop the Club, this season we have seen the opening of the new St Andrew's Museum, International Suite and Corner Flag Bar. We have also successfully launched a customer care initiative, helping us improve relationships with our supporters.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1997

FUTURE DEVELOPMENTS

Following the successful floatation of Birmingham City plc on the AIM in March 1997, the Club will be reconstructing the Railway Stand at the end of the season. The new development will provide an 8,000 plus seater stand, increasing our capacity to 30,200.

We are currently seeking ways to secure our own television show and we are launching our Club newspaper.

With regard to the playing squad, the Manager, Trevor Francis, still has a considerable sum left to spend on the squad and it is the policy of the Club that any money raised from the sale of any player goes back into the transfer budget.

PRINCIPAL ACTIVITY

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

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 8.

CREDITORS PAYMENT POLICY

For all trade creditors, it is the company's policy to:-

- (i) agree the terms of payment at the start of business with that supplier;
- (ii) ensure suppliers are aware of the terms of payment;
- (iii) pay in accordance with its contractual and other legal obligations.

Trade creditors at the year end amount to 38 days of average supplies for the year.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1997

DIRECTORS AND THEIR INTEREST IN THE SHARE CAPITAL

The directors who acted during the period are set out on page 1 and the interest in the share capital of those acting at 31st August 1997 was as follows:-

	<u>31st August 1997</u>		<u>31st August 1996</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
D Sullivan	-	-	-	-
K Brady	-	-	-	-
B Gold	-	-	-	-
R Gold	-	-	-	-
D Gold	-	-	-	-
H Brandman	-	-	-	-
A G Jones	-	-	-	4

On 6th February 1997, the shareholdings of the directors, along with all other shareholdings were purchased by Birmingham City plc, the immediate holding company.

Details of directors' shareholdings in that company are declared within its financial statements.

In accordance with the Articles, D Sullivan, K Brady and A G Jones retire by rotation and being eligible, offers 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. Walter J. Edwards & Co. as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


K. BRADY
Managing Director

Date: 24th January 1998

BIRMINGHAM CITY FOOTBALL CLUB PLC

AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 1997

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

We have audited the financial statements on pages 7 to 23 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.

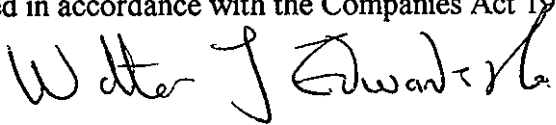
BASIS OF OPINION

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 1997 and of its profit 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: 24th January 1998

BIRMINGHAM CITY FOOTBALL CLUB PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	2	7,622,186	7,337,071
Match and ground expenses		1,055,060	1,031,492
Administration expenses		649,732	416,566
Staff costs	5	4,900,328	4,791,500
Depreciation net of disposals	1b	346,622	360,129
Amortisation of deferred income	1i	(66,009)	(66,007)
Net operating expenses		6,885,733	6,533,680
OPERATING PROFIT BEFORE TRANSFER FEES	3	736,453	803,391
Net transfer fees receivable/(payable)	1c	208,790	(2,680,879)
OPERATING PROFIT/(LOSS) AFTER TRANSFER FEES	3	945,243	(1,877,488)
Interest receivable and similar income	6	194,071	20,206
Interest payable and similar charges	7	(14,541)	(9,306)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,124,773	(1,866,588)
Taxation on profit/(loss) on ordinary activities	8	(55,211)	-
PROFIT/(LOSS) FOR THE YEAR	19 and 20	1,069,562	(1,866,588)

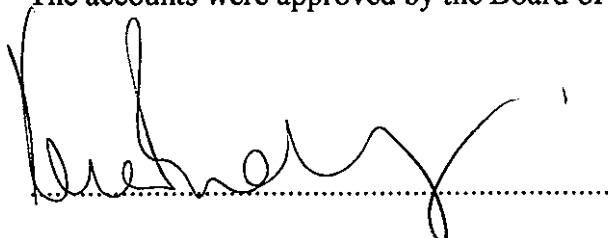
There were no recognised gains or losses other than those reported above.

All activities are derived from continuing operations.

BIRMINGHAM CITY FOOTBALL CLUB PLC**BALANCE SHEET AS AT 31ST AUGUST 1997**

	<u>Note</u>	<u>1997</u>		<u>1996</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		7,859,206		8,128,732
CURRENT ASSETS					
Stocks	10	142,605		168,123	
Debtors	11	2,682,075		2,385,695	
Cash at bank and in hand		6,875,635		16,331	
		-----		-----	
		9,700,315		2,570,149	
CREDITORS: Amounts falling due within one year	12	(4,881,269)		(6,146,114)	
		-----		-----	
NET CURRENT ASSETS/(LIABILITIES)			4,819,046		(3,575,965)
			-----		-----
TOTAL ASSETS LESS CURRENT LIABILITIES			12,678,252		4,552,767
CREDITORS: Amounts falling due after more than one year	13		(13,784,300)		(6,662,368)
			-----		-----
			(1,106,048)		(2,109,601)
DEFERRED CAPITAL GRANT	14a		(2,525,629)		(2,591,638)
			-----		-----
NET LIABILITIES			(3,631,677)		(4,701,239)
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	15		771,338		771,338
Share premium account	16		207,096		207,096
Capital redemption reserve	17		750		750
Revaluation reserve	18		312,726		312,726
Profit and loss account	19		(4,923,587)		(5,993,149)
			-----		-----
SHAREHOLDERS' FUNDS (including non-equity)	20		(3,631,677)		(4,701,239)
			=====		=====

The accounts were approved by the Board of Directors on 24th January 1998.



K. Brady - Managing Director

BIRMINGHAM CITY FOOTBALL CLUB PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1997**

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Cash inflow from operating activities before net transfer fees paid	24	1,761,042	721,022
Net transfer fees paid	24	(1,519,125)	(1,989,805)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		241,917	(1,268,783)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25(i)	179,530	10,900
CAPITAL EXPENDITURE	25(ii)	(77,096)	(811,416)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		344,351	(2,069,299)
FINANCING	25(iii)	7,121,932	630,367
INCREASE/(DECREASE) IN CASH		<u>7,466,283</u>	<u>(1,438,932)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Increase/(decrease) in cash in year		7,466,283	(1,438,932)
Loan from holding company	25(iii)	(7,161,928)	-
Loan from Sport Newspapers Limited	25(iii)	-	(700,000)
Cash to repay Football Trust loan	25(iii)	39,996	39,996
Change in Net Funds/(Debt)	26	344,351	(2,098,936)
Net debt at 1st September 1996	26	(7,293,012)	(5,194,076)
Net debt at 31st August 1997	26	<u>(6,948,661)</u>	<u>(7,293,012)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997**

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

1. ACCOUNTING POLICIES**(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
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 22.

(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 1997**

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. 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) Leasing

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.

(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 1997**

2. TURNOVER	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Turnover comprises:-		
Match receipts, F.A. and League distributions	4,464,029	4,624,252
Television and radio coverage	329,770	379,947
Commercial activities	2,828,387	2,332,872
	-----	-----
	<u>7,622,186</u>	<u>7,337,071</u>
Included within commercial activities is income from the Club Shops:-		
	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Sales	990,752	1,092,032
Cost of sales	(466,139)	(499,904)
	-----	-----
Net income	<u>524,613</u>	<u>592,128</u>
3. OPERATING PROFIT	<u>1997</u>	<u>1996</u>
Operating profit is stated after charging:-	<u>£</u>	<u>£</u>
Directors' fees	-	-
Directors' emoluments	125,163	101,133
Pension of directors	-	-
	-----	-----
Total directors' emoluments	<u>125,163</u>	<u>101,133</u>
Auditors' remuneration:		
Audit services	9,000	8,000
Non-audit work	12,325	4,000
Depreciation of owned assets	343,449	363,095
Release of deferred income from Football Trust Grants	(66,009)	(66,007)
(Loss)/profit on sale of tangible assets	3,173	(2,966)
Equipment leased under operating leases	19,924	13,064
	-----	-----

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

4. DIRECTORS' REMUNERATION (Excluding Pension Contributions)

	<u>1997</u>	<u>1996</u>
	£	£
The remuneration of the highest paid director was	92,536	71,279

5. STAFF COSTS

	<u>1997</u>	<u>1996</u>
	£	£
Staff costs during the year were made up as follows:-		
Wages, salaries, signing on fees, etc	4,425,201	4,386,267
Social Security costs	472,927	402,633
Other pension costs	2,200	2,600
	-----	-----
	<u>4,900,328</u>	<u>4,791,500</u>

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

	<u>1997</u>	<u>1996</u>
	No.	No.
Playing staff	49	58
Training staff	9	9
Commercial and fund raising	9	8
Shop	8	8
Administration and other	20	21
	-----	-----
	<u>95</u>	<u>104</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1997</u>	<u>1996</u>
	£	£
Bank interest	191,837	19,013
Other interest	2,234	1,193
	-----	-----
	<u>194,071</u>	<u>20,206</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997****7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1997</u>	<u>1996</u>
	£	£
Bank loans and overdrafts	14,541	9,306

8. TAXATION

	<u>1997</u>	<u>1996</u>
	£	£
Corporation Tax for the year	55,211	NIL

As a result of the utilisation of taxation losses from previous years, provision is required for taxation on interest received only.

The tax losses not utilised at 31st August 1997 amount to approximately £3,000,000 (1996 - £4,000,000).

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

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>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost or Valuation:					
At 1st September 1996	8,015,397	1,322,819	39,757	101,736	9,479,709
Additions	113,757	53,345	45,600	17,394	230,096
Disposals	(159,360)	-	-	-	(159,360)
At 31st August 1997	<u>7,969,794</u>	<u>1,376,164</u>	<u>85,357</u>	<u>119,130</u>	<u>9,550,445</u>
Depreciation:					
At 1st September 1996	307,749	931,036	21,648	90,544	1,350,977
Charge for the year	159,396	154,106	13,647	16,300	343,449
Disposals	(3,187)	-	-	-	(3,187)
At 31st August 1997	<u>463,958</u>	<u>1,085,142</u>	<u>35,295</u>	<u>106,844</u>	<u>1,691,239</u>
Net Book Value:					
At 31st August 1997	<u>7,505,836</u>	<u>291,022</u>	<u>50,062</u>	<u>12,286</u>	<u>7,859,206</u>
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>
Land and building comprises:-					<u>Freehold Properties</u>
					<u>£</u>
Cost and valuation 1991					1,153,807
Additions at cost 1991 to 1997					6,815,987

					7,969,794
Depreciation					(463,958)

At 31st August 1997					<u>7,505,836</u>
At 31st August 1996					<u>7,707,648</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

9. TANGIBLE FIXED ASSETS (continued)

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>1997</u>	<u>1996</u>
	£	£
Cost	7,657,068	7,702,671
Accumulated depreciation	(445,193)	(295,239)
	-----	-----
	<u>7,211,875</u>	<u>7,407,432</u>

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>1997</u>	<u>1996</u>
	£	£
Club Shop stock	142,605	168,123
	-----	-----
	<u>142,605</u>	<u>168,123</u>

11. DEBTORS

	<u>1997</u>	<u>1996</u>
	£	£
Trade debtors	2,545,662	2,024,777
Other debtors	1,450	173,591
Prepayments	134,963	187,327
	-----	-----
	<u>2,682,075</u>	<u>2,385,695</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997****12. CREDITORS: Amounts falling due within one year**

	<u>1997</u>	<u>1996</u>
	£	£
Unsecured loans (note 13)	39,996	39,996
Bank overdraft (secured)	-	606,979
Trade creditors	1,270,191	2,210,057
Other creditors	15,448	19,365
Taxation and social security costs	581,100	139,612
Corporation Tax	55,211	-
Accruals and deferred income	2,919,323	3,130,105
	<u>4,881,269</u>	<u>6,146,114</u>

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

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

	<u>1997</u>	<u>1996</u>
	£	£
Unsecured loans	49,995	89,991
Amount due to Sport Newspapers Limited	6,572,377	6,572,377
Amount due to holding company	7,161,928	-
	<u>13,784,300</u>	<u>6,662,368</u>

Repayable

	<u>1997</u>	<u>1996</u>
	£	£
Between one and two years	39,996	39,996
Between two and five years	6,582,376	6,622,372
Over five years	7,161,928	-
	<u>13,784,300</u>	<u>6,662,368</u>

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

The amount due to Sport Newspapers Limited 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.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997**

14a. DEFERRED CAPITAL GRANT	<u>1997</u>	<u>1996</u>
	£	£
At 1st September 1996	2,591,638	2,602,520
Grants received during the year	-	55,125
	-----	-----
	2,591,638	2,657,645
Transfer for profit and loss account	(66,009)	(66,007)
	-----	-----
Balance at 31st August 1997	<u>2,525,629</u>	<u>2,591,638</u>

As a result of the substantial redevelopment of the stadium, the Directors have reviewed the allocation of grants received. The amount of £2,525,629 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.

14b DEFERRED TAXATION

At 31st August 1996 and 1997 there was no unprovided deferred taxation.

15. SHARE CAPITAL

	<u>1997</u>		<u>1996</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>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

15. SHARE CAPITAL (continued)

- (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>1997</u>	<u>1996</u>
	£	£
No movement in year	207,096	207,096
	<u>207,096</u>	<u>207,096</u>

17. CAPITAL REDEMPTION RESERVE

	<u>1997</u>	<u>1996</u>
	£	£
No movement in year	750	750
	<u>750</u>	<u>750</u>

18. REVALUATION RESERVE

	<u>1997</u>	<u>1996</u>
	£	£
No movement in year	312,726	312,726
	<u>312,726</u>	<u>312,726</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>1997</u>	<u>1996</u>
	£	£
Accumulated losses brought forward	(5,993,149)	(4,125,811)
Profit/(loss) for the year	1,069,562	(1,866,588)
Transfer to capital redemption reserve	-	(750)
	-----	-----
Accumulated losses carried forward	<u>(4,923,587)</u>	<u>(5,993,149)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997****20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1997</u>	<u>1996</u>
	£	£
Profit/(loss) for the year	1,069,562	(1,866,588)
New share capital subscribed	-	250
Preference share capital redeemed at par	-	(1,000)
	-----	-----
Net addition/(reduction) to shareholders' funds	1,069,562	(1,867,338)
Opening shareholders' funds	(4,701,239)	(2,833,901)
	-----	-----
Closing shareholders' funds	<u>(3,631,677)</u>	<u>(4,701,239)</u>
Non-equity preference shares	18,500	18,500
Unpaid preference dividends	2,331	2,331
	-----	-----
Total non-equity shareholders' funds	20,831	20,831
Equity shareholders' funds	(3,652,508)	(4,722,070)
	-----	-----
	<u>(3,631,677)</u>	<u>(4,701,239)</u>

21. 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 £731 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 £40,410 of which £11,790 represented disbursements.

Sport Newspapers Limited, the former holding company, carried out certain administrative and accounting duties during the year for which it charged £62,144.

All transactions were of a commercial nature. There were no substantial balances owing at 31 August 1997, other than the unsecured loan due to Sport Newspapers Limited. (Note 13).

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997****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 1997 is £1,847,500 (1996 - £304,000). Since the year end and to the date of approval of these accounts, the transfer fee commitments have amounted to £2.4m.

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

	<u>1997</u>	<u>1996</u>
	£	£
Contracted but not provided for	<u>20,247</u>	<u>2,920</u>

(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 £730,083 (1996 - £1,197,500).

(c) Lease Commitments

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

	<u>1997</u>	<u>1996</u>
	£	£
Expiring:		
Within one year	3,881	8,880
Between one and five years	6,100	8,147
Over five years	-	2,500
	-----	-----
	<u>9,981</u>	<u>19,527</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

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

	<u>1997</u>	<u>1996</u>
	£	£
Operating profit before transfer fees	736,453	803,391
Depreciation	343,449	363,095
Amortisation of deferred income	(66,009)	(66,007)
Loss/(profit) on sale of fixed assets	3,173	(2,966)
Decrease/(Increase) in stocks	25,518	(75,690)
Decrease/(Increase) in debtors	231,820	(635,854)
Increase/(Decrease) in creditors	486,638	335,053
	-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES BEFORE TRANSFER FEES	1,761,042	721,022
Net transfer fees receivable/(payable)	208,790	(2,680,879)
Increase in transfer fee debtors	(528,200)	(429,442)
(Decrease)/increase in transfer fee creditors	(1,199,715)	1,120,516
	-----	-----
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<u>241,917</u>	<u>(1,268,783)</u>

25. GROSS CASH FLOWS

	<u>1997</u>	<u>1996</u>
	£	£
(i) Returns on Investments and Servicing of Finance		
Interest received	194,071	20,206
Interest paid	(14,541)	(9,306)
	-----	-----
	<u>179,530</u>	<u>10,900</u>
(ii) Capital Expenditure		
Payments to acquire tangible fixed assets	(230,096)	(892,654)
Deferred grant income received	-	55,125
Receipts from sales of tangible fixed assets	153,000	26,113
	-----	-----
	<u>(77,096)</u>	<u>(811,416)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

25. GROSS CASH FLOWS (continued)

	<u>1997</u>	<u>1996</u>
	£	£
(iii) Financing		
Loan from holding company	7,161,928	-
Loan from Sport Newspapers Limited	-	700,000
Issue of ordinary share capital	-	250
Redemption of preference shares	-	(1,000)
Release of Bass M&B loan	-	(28,887)
Repayment of Football Trust loan	(39,996)	(39,996)
	<u>7,121,932</u>	<u>630,367</u>

26. ANALYSIS OF CHANGES IN NET DEBT

	<u>01.09.96</u>	<u>Cash Flows</u>	<u>Other</u>	<u>31.08.97</u>
	£	£	£	£
Cash in hand and at bank	16,331	6,859,304		6,875,635
Bank overdraft	(606,979)	606,979	-	-
		<u>7,466,283</u>		
Debt due within one year	(39,996)	39,996	(39,996)	(39,996)
Debt due after one year	(6,662,368)	(7,161,928)	39,996	(13,784,300)
	<u>(7,293,012)</u>	<u>344,351</u>	<u>-</u>	<u>(6,948,661)</u>

27. 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

The following pages do not form part of the audited
statutory financial statements and are for
management purposes only

BIRMINGHAM CITY FOOTBALL CLUB PLC**SCHEDULE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997****TURNOVER**

	Analysis Ref	<u>1997</u> £	<u>1996</u> £
Match Receipts, etc			
F.A. and F.L. distributions		814,282	454,096
Match receipts (net of league levies)		3,649,747	4,170,156
		-----	-----
		<u>4,464,029</u>	<u>4,624,252</u>
Television and radio coverage		329,770	379,947
		-----	-----
		<u>329,770</u>	<u>379,947</u>
Commercial Activities			
Catering		110,432	102,920
Shop	A1	524,613	592,128
Lottery income/donations	A2	73,323	163,723
Boxes/adverts, etc	B	2,120,019	1,474,101
		-----	-----
		<u>2,828,387</u>	<u>2,332,872</u>
TURNOVER		<u>7,622,186</u>	<u>7,337,071</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

SCHEDULE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

MATCH AND GROUND EXPENSES

	Analysis Ref	<u>1997</u> £	<u>1996</u> £
Players' equipment, training and medical expenses	C	120,888	114,994
Hotel and travelling expenses	D	324,452	292,039
Gatemen, police, referees and linesmen	E	350,242	383,410
Rent, rates, electricity and insurance	F	161,826	160,621
Ground and property maintenance		97,652	80,428
		----- 1,055,060	----- 1,031,492

ADMINISTRATION EXPENSES

	Analysis Ref	<u>1997</u> £	<u>1996</u> £
General office expenses	G	403,026	256,659
Professional charges	H	110,056	41,674
Audit and accountancy charges		18,000	13,000
Bank charges		19,098	13,678
Net credit card charges		37,408	38,888
Management charges from Sport Newspapers		62,144	52,667
		----- 649,732	----- 416,566

TRANSFER FEES

	<u>1997</u> £	<u>1996</u> £
Sales transfer fees	4,104,160	3,753,350
	-----	-----
Purchase transfer fees and 5% levy	3,802,370	6,373,229
Direct Agents' fees	93,000	61,000
	-----	-----
Total purchase cost	3,895,370	6,434,229
	-----	-----
NET FEES RECEIVED/(PAID)	<u>208,790</u>	<u>(2,680,879)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**SCHEDULE OF STAFF COSTS FOR THE YEAR ENDED 31ST AUGUST 1997**

	<u>1997</u>	<u>1996</u>
	£	£
Playing staff	3,426,268	3,387,854
Training staff	445,217	492,949
Commercial Department staff	171,684	141,587
Shop staff	71,284	66,497
Administration staff	146,247	150,083
Groundsmen and cleaning staff	49,680	56,397
Pension cost	2,200	2,600
National Insurance	472,927	402,633
Directors' remuneration	114,821	90,900
	-----	-----
	<u>4,900,328</u>	<u>4,791,500</u>
	No.	No.
Number of playing and training staff, including trainees	<u>58</u>	<u>67</u>
	£	£
Simple average cost per person of playing and training staff	<u>66,750</u>	<u>57,922</u>

DIRECTORS' REMUNERATION

	<u>1997</u>	<u>1996</u>
	£	£
A Jones	28,231	25,000
K Brady	86,590	65,900
	-----	-----
	<u>114,821</u>	<u>90,900</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**SCHEDULE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997**

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
A1 SHOP		
Sales	990,752	1,092,032
Cost of sales	466,139	499,904
Gross profit	<u>524,613</u>	<u>592,128</u>
Margins	<u>52.95%</u>	<u>54.22%</u>
A2. LOTTERY INCOME/DONATIONS		
Beau Brummie	-	13,200
True Blue Club	-	75,000
General donations	25,080	2,300
Lottery income	48,243	73,223
	<u>73,323</u>	<u>163,723</u>
B. BOXES/ADVERTS, ETC		
Boxes and executive packages	561,280	415,669
Advertising income	233,998	194,882
Sponsorship, including shirt/matchday	535,775	490,709
Club call franchise	30,650	33,225
Pouring rights	23,913	26,087
Sportsman's dinners	15,390	19,078
Net programme income	109,212	121,338
Pony royalties	372,120	103,477
Other royalties	46,730	25,024
Ladbrokes access fee	15,186	653
Function room hire	13,076	3,155
Junior Blues	8,237	-
True Blue subscriptions	96,275	-
Academy of Football	16,431	-
Sundry income	41,746	40,804
	<u>2,120,019</u>	<u>1,474,101</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

SCHEDULE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

	<u>1997</u>	<u>1996</u>
	£	£
C. PLAYERS' EQUIPMENT, TRAINING AND MEDICAL		
Training ground expenses	54,025	38,057
Players' kit	24,568	5,796
Ambulance charges	15,267	17,838
Medical expenses	16,738	42,979
Health and safety	10,290	10,324
	-----	-----
	<u>120,888</u>	<u>114,994</u>
D. HOTEL AND TRAVELLING		
Coach for away matches	31,851	29,193
Petrol, motor, subsistence and hotel	292,601	262,846
	-----	-----
	<u>324,452</u>	<u>292,039</u>
E. GATEMEN, POLICE AND MATCHDAY STAFF		
Police charges	140,563	151,725
Security charges	21,212	25,225
Matchday staff	188,467	206,460
	-----	-----
	<u>350,242</u>	<u>383,410</u>
F. RENT, RATES, ELECTRICITY AND INSURANCE		
Rent and Rates	65,888	61,836
Electricity	69,642	74,708
Insurance	26,296	24,077
	-----	-----
	<u>161,826</u>	<u>160,621</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

SCHEDULE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997

	<u>1997</u>	<u>1996</u>
	£	£
G. GENERAL OFFICE EXPENSES		
Stationery and postage	145,746	119,234
Telephone and fax	46,335	36,671
Advertising	36,026	11,784
Cleaning	42,473	17,308
Subscriptions	1,692	1,951
Bad debts	11,641	36,204
Hire of equipment	48,180	39,854
Fine re Away Travel Club	20,000	-
Costs re Away Travel Club	8,500	-
Other small fines	225	92
Staff and customer entertaining	6,632	3,393
Purchase ledger creditor write offs	-	(21,911)
Sundry expenses	11,057	12,079
Oil painting	3,500	-
"Sport in Business" course fee	900	-
Interior plant displays	1,604	-
Phonographic licence	1,491	-
Graphics adverts to be recharged to customers	4,314	-
Bingo machine	544	-
Operator service for firework display	5,500	-
Promotional tables	1,260	-
Labour re removal of office furniture	915	-
Belfry – Golf evening	2,941	-
Resite Chubb safe	1,550	-
	-----	-----
	<u>403,026</u>	<u>256,659</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**SCHEDULE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1997**

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
H. PROFESSIONAL CHARGES		
Management charges from Sport	62,144	52,667
Robson Rhodes		
- Inland Revenue report	15,200	13,500
- P11D dispensation work	1,750	-
Walter J Edwards & Co		
- Inland Revenue report assistance	600	-
- Business plan	4,500	-
- Assistance with management accounts	4,225	-
Henri Brandman		
- Various matters	40,410	5,670
Debt recovery charges	3,818	-
IRG registrars	4,978	-
Brendan Fleming charges	423	1,699
Poole Stokes Wood – safety report	1,000	-
Showtime International – Goalkeeper consultancy	2,000	-
Recruitment costs	9,450	-
Cox Turner Morse – Inspection fees	1,650	-
Project Blue	1,675	-
Training costs	3,763	-
Sundry fees	3,720	8,348
Energy costs analysis	-	2,457
P S Robson - "The Sport Business"	-	10,000
Barclay Stratton – Public Relations	10,894	-
	<u>110,056</u>	<u>41,674</u>