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**BIRMINGHAM CITY FOOTBALL CLUB PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST AUGUST 2004**



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# BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004

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**BIRMINGHAM CITY FOOTBALL CLUB PLC****DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 2004**

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

**Company Secretary:** R A Bannister

**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  
Barclays Bank Chambers  
22a High Street  
Aldridge  
WALSALL  
WS9 8NE

**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>2004</u> £	<u>2003</u> £	<u>2002</u> £	<u>2001</u> £	<u>2000</u> £
Match Receipts, F.A. and Football League Distributions	21,476,371	16,822,849	6,850,512	7,228,330	5,829,644
Commercial Activities including television and radio fees	23,860,447	19,657,347	8,333,524	6,058,383	4,297,094
<b>INCOME</b>	<u>45,336,818</u>	<u>36,480,196</u>	<u>15,184,036</u>	<u>13,286,713</u>	<u>10,126,738</u>
Wages	23,159,177	19,994,000	13,206,229	9,263,774	7,772,171
Other expenses	7,727,292	5,755,865	4,694,072	4,064,873	3,381,875
<b>EXPENDITURE</b>	<u>30,886,469</u>	<u>25,749,865</u>	<u>17,900,301</u>	<u>13,328,647</u>	<u>11,154,046</u>
<b>OPERATING PROFIT/(LOSS) BEFORE AMORTISATION OF PLAYERS AND INTEREST</b>	<u>14,450,349</u>	<u>10,730,331</u>	<u>(2,716,265)</u>	<u>( 41,934)</u>	<u>(1,027,308)</u>

## **BIRMINGHAM CITY FOOTBALL CLUB PLC**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2004**

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We are delighted to report that Birmingham City Football Club has had a satisfactory year.

We achieved a 24% rise in turnover to £45.3m (£36.5m: 2003) and a 61% increase in profit before interest and taxation to £5.6m (£3.5m: 2003).

We continue to put all our energy into establishing ourselves as a Premier League Football Club, both on and off the pitch. Whilst the business environment within football remains difficult, particularly in controlling wages, I am confident that we have the strategy and personnel to continue to take the Club forward.

#### **FINANCIAL AND OPERATING REVIEW**

In the 12 months to 31 August 2004, Birmingham City Football Club performed excellently, both on and off the pitch. The team finished 10<sup>th</sup>; a remarkable achievement bearing in mind it was only our second season in the best league in the world.

Sales have risen 24% to £45.3m, whilst net operating expenses have risen to £39.5m from £32.9m largely as a result of increases in player wages. Net profit before tax and interest stands at £5.6m, up from £3.5m.

I am delighted to report that all sales areas within the business have recorded increases. Match receipts are up from £16.8m to £21.5m and media income up from £13.2m to £16.7m. Commercial revenues have risen by 11% during the year. Expanding the executive facilities within St Andrews is extremely important for us if we are to increase year on year in this area.

I believe the most important individual at the Club is the manager and I am pleased to report that, despite a significant offer to release him from his contract, Steve Bruce has shown his commitment to the Club by signing a new five year contract. This gives us long-term stability with a manager in whom the entire board has full confidence.

During the year we spent £12m on players, which included the purchase of Martin Taylor, Maik Taylor, Julian Gray, Emile Heskey, Muzzy Izzet, Mario Melchiot, Jesper Gronkjaer and Dwight Yorke. This amount will increase significantly depending on football achievements. Sadly we lost the services through injury of Mikael Forssell early in the current season and consequently playing results suffered. We intend to go back into the transfer market during the January 2005 window with a view to strengthening the squad.

During the year we made a payment of £1m to Sport Newspapers Ltd, the former ultimate holding company, by way of a management fee in recognition of their support and services over recent years.

We are currently in discussions with Birmingham City Council about the possibility of a new 50,000 seater stadium being built by Las Vegas Sands INC with ourselves as anchor tenants. This project is driven by the desire for the city of Birmingham to have a multi purpose stadium within the city, driving forward the ambitions of the Council to make Birmingham a destination location within Europe. The project is subject to Birmingham being granted one of the eight regional casino licences. I believe that the project would offer a great deal for both the regeneration of the region and for the people of Birmingham.

Finally I would like to take this opportunity to thank everyone at the Club for their hard work, loyalty and total enthusiasm. It is their energy coupled with the commitment of the manager and players and of course our fans which make the Club a very special place.

## **BIRMINGHAM CITY FOOTBALL CLUB PLC**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2004**

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#### **PRINCIPAL ACTIVITY**

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

#### **RESULTS AND DIVIDENDS**

The results for the year are set out in the profit and loss account on page 8.

The profit on ordinary activities before taxation was £5.64 (2003 - £3.34m).

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

#### **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.

#### **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 2004 were 52 days (2003: 56 days).

## **BIRMINGHAM CITY FOOTBALL CLUB PLC**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2004**

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#### **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 2003 or 31st August 2004.

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

*In accordance with the Articles, D Gold and M 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, the former ultimate holding company, and have direct holdings in that company of 50 percent, 25 percent and 25 percent respectively.

#### **EMPLOYEES**

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

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

#### **GOING CONCERN**

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to prepare the financial statements on a going concern basis.

#### **AUDITORS**

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

#### **APPROVAL**

The report of the directors was approved by the Board on 22nd January 2005 and signed on its behalf by:

  
**K. BRADY**  
**Managing Director**

**Date: 22nd January 2005**

## **BIRMINGHAM FOOTBALL CLUB PLC**

### **DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS**

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United Kingdom 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are 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.



## **BIRMINGHAM CITY FOOTBALL CLUB PLC**

### **INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 2004**

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

We have audited the financial statements on pages 8 to 28.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Five Year Trading Record. 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 other information.

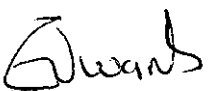
#### **Basis of Audit Opinion**

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 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 2004 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**Edwards**  
**Registered Auditors**  
**Chartered Accountants**  
**22a High Street**  
**Aldridge**  
**WALSALL**  
**WS9 8NE**

**Date: 22nd January 2005**

**BIRMINGHAM CITY FOOTBALL CLUB PLC****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 2004**

	<u>Notes</u>	Operations excluding player amortisation <u>and trading</u> £	<u>2004</u>		<u>2003</u>
			Player amortisation <u>and trading</u> £	<u>Total</u> £	<u>Total</u> £
<b>TURNOVER</b>	2	45,336,818	-	45,336,818	36,480,196
Match and ground expenses		( 4,792,194)	-	( 4,792,194)	( 3,922,721)
Other operating expenses		( 2,532,341)	-	( 2,532,341)	( 1,413,317)
Staff costs	6	(23,159,177)	-	(23,159,177)	(19,994,000)
Depreciation	1b	( 460,202)	-	( 460,202)	( 475,347)
Player transfer costs including amortisation	3		(8,655,143)	( 8,655,143)	( 7,159,419)
Amortisation of deferred capital grants	1j	57,445	-	57,445	57,446
Loss on disposal of fixed assets		-	-	-	( 1,926)
Net operating expenses		(30,886,469)	(8,655,143)	(39,541,612)	(32,909,284)
<b>OPERATING PROFIT/(LOSS)</b>	4	14,450,349	(8,655,143)	5,795,206	3,570,912
Loss on sale of players' registrations	1e	-	( 179,621)	( 179,621)	( 81,539)
<b>PROFIT/(LOSS) BEFORE INTEREST AND TAXATION</b>		14,450,349	(8,834,764)	5,615,585	3,489,373
Interest receivable	7			97,919	17,633
Interest payable	8			( 73,608)	( 165,672)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				5,639,896	3,341,334
Taxation on profit on ordinary activities	9			134,163	( 3,350)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	20 & 21			5,774,059	3,337,984

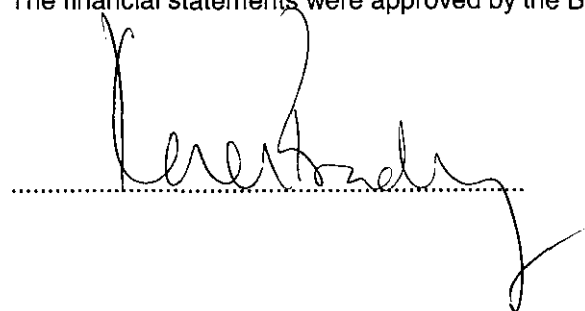
There were no recognised gains or losses other than those reported above.

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 2004**

	<u>Note</u>	<u>2004</u>		<u>2003</u>	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	10		18,109,364		17,268,194
Tangible assets	11		13,096,542		12,812,588
			<u>31,205,906</u>		<u>30,080,782</u>
<b>CURRENT ASSETS</b>					
Stocks	12	335,362		216,599	
Debtors	13	5,826,448		3,016,003	
Cash at bank and in hand		8,774,420		4,476,545	
			<u>14,936,230</u>	<u>7,709,147</u>	
<b>CREDITORS: Amounts falling due within one year</b>	14	(30,346,652)		(26,941,751)	
<b>NET CURRENT LIABILITIES</b>			<u>(15,410,422)</u>	<u>(19,232,604)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>15,795,484</u>	<u>10,848,178</u>	
<b>CREDITORS: Amounts falling due after more than one year</b>	15		(20,272,301)		(21,099,054)
<b>NET LIABILITIES</b>			<u>(4,476,817)</u>	<u>(10,250,876)</u>	
<b>CAPITAL AND RESERVES</b>					
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		(5,768,727)		(11,542,786)
<b>SHAREHOLDERS' FUNDS (including non-equity)</b>	21		<u>(4,476,817)</u>		<u>(10,250,876)</u>

The financial statements were approved by the Board of Directors on 22nd January 2005.



K. Brady - Managing Director

**BIRMINGHAM CITY FOOTBALL CLUB PLC****CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 2004**

	<u>Note</u>	<u>2004</u> £	<u>2003</u> £
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	25	13,473,509	14,931,346
Returns on Investments and Servicing of Finance	26(i)	24,311	( 148,039)
Taxation	26(ii)	152,569	96,494
Capital Expenditure	26(iii)	(9,313,658)	(12,592,916)
<b>Cash Inflow Before Financing</b>		<u>4,336,731</u>	<u>2,286,885</u>
Financing	26(iv)	( 38,856)	( 39,361)
<b>INCREASE IN CASH</b>		<u><u>4,297,875</u></u>	<u><u>2,247,524</u></u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<u>Note</u>	<u>2004</u> £	<u>2003</u> £
Increase in cash in year		4,297,875	2,247,524
Cash to repay bank loan	26(iv)	38,856	36,271
Cash to repay finance leases	26(iv)	-	3,090
<b>Increase in Net Funds</b>	27	<u>4,336,731</u>	<u>2,286,885</u>
Net debt at 1st September 2003	27	<u>(10,544,027)</u>	<u>(12,830,912)</u>
Net debt at 31st August 2004	27	<u><u>( 6,207,296)</u></u>	<u><u>(10,544,027)</u></u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004**

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**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.

**(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.

**(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	-	Not depreciated
Freehold property	-	50 years
Long leasehold property	-	period of lease
Fixtures and equipment	-	between 3 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.

**(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.

Instalments due in the future on continued service are not provided but are noted as contingent liabilities within note 23b.

**(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.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004**

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**1. ACCOUNTING POLICIES (continued)****(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.

**(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 as 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, whereon the basis of all available evidence it is more likely than not the taxable gain will be rolled over into replacement assets.

**(i) Leased Assets**

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

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

**(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.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****1. ACCOUNTING POLICIES (continued)****(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.

**(m) Financial instruments**

The group does not use financial instruments for speculative purposes. The group's financial instruments consist of amounts receivable from customers, cash, short-term deposits, bank loans and payments to suppliers.

**2. TURNOVER**

	<u>2004</u> £	<u>2003</u> £
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	21,476,371	16,822,849
Television and radio coverage	16,724,405	13,218,978
Commercial activities	7,136,042	6,438,369
	<u>45,336,818</u>	<u>36,480,196</u>

**3. PLAYER TRANSFER COSTS INCLUDING AMORTISATION**

	<u>2004</u> £	<u>2003</u> £
Amortisation of transfer fees	8,655,143	7,253,242
Net additional (income)/costs for player appearances	-	( 93,823)
	<u>8,655,143</u>	<u>7,159,419</u>

**4. OPERATING PROFIT/(LOSS)**

	<u>2004</u> £	<u>2003</u> £
<b>(a) Operating profit/(loss) is stated after charging/(crediting):-</b>		
Aggregate directors' emoluments	160,353	212,926
Auditors' remuneration:		
Audit services	12,500	12,500
Non-audit work	2,335	8,495
Depreciation of tangible fixed assets – owned	460,202	475,347
Release of deferred income from Football Trust Grants	( 57,445)	( 57,446)
Equipment leased under operating leases	77,601	10,748
Premises leased under an operating lease	84,000	84,000
Management charge (note 22)	1,052,000	70,000
	<u>1,052,000</u>	<u>70,000</u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004**4. **OPERATING PROFIT/(LOSS) (continued)**(b) **Analysis of comparative profit and loss account**

	<u>2003</u>		
	Operations excluding player amortisation <u>and trading</u> £	Player amortisation <u>and trading</u> £	<u>Total</u> £
<b>TURNOVER</b>	36,480,196	-	36,480,196
Match and ground expenses	( 3,922,721)	-	( 3,922,721)
Other operating expenses	( 1,413,317)	-	( 1,413,317)
Staff costs	(19,994,000)	-	(19,994,000)
Depreciation	( 475,347)	-	( 475,347)
Player transfer costs including amortisation	-	( 7,159,419)	( 7,159,419)
(Loss)/profit on disposal of fixed assets	( 1,926)	-	( 1,926)
Amortisation of deferred capital grants	57,446	-	57,446
Net operating expenses	(25,749,865)	( 7,159,419)	(32,909,284)
<b>OPERATING PROFIT/(LOSS)</b>	10,730,331	( 7,159,419)	3,570,912
Loss on sale of players' registrations	-	( 81,539)	( 81,539)
<b>PROFIT/(LOSS) BEFORE INTEREST AND TAXATION</b>	10,730,331	( 7,240,958)	3,489,373

5. **DIRECTORS' REMUNERATION (Excluding Pension Contributions)**

	<u>2004</u> £	<u>2003</u> £
Aggregate directors' remuneration	160,353	212,926
Highest paid director	160,000	209,000

There is no directors' pension scheme.



**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****6. STAFF COSTS**

	<u>2004</u>	<u>2003</u>
	£	£
<b>Staff costs during the year were made up as follows:-</b>		
Wages, salaries, signing on fees	21,024,621	18,103,187
Social Security costs	2,134,556	1,885,509
Other pension costs	-	5,304
	<hr/>	<hr/>
	23,159,177	19,994,000
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2004</u>	<u>2003</u>
	No.	No.
Playing staff	53	60
Training staff	16	17
Training ground staff	13	14
Commercial and fund raising	18	15
Shop	11	9
Administration and other	23	21
	<hr/>	<hr/>
	134	136
	<hr/> <hr/>	<hr/> <hr/>

The company also employs approximately 362 temporary staff on match days. (2003 – 348).

**7. INTEREST RECEIVABLE**

	<u>2004</u>	<u>2003</u>
	£	£
Bank interest receivable	97,919	17,633
	<hr/> <hr/>	<hr/> <hr/>

**8. INTEREST PAYABLE**

	<u>2004</u>	<u>2003</u>
	£	£
Bank loans and overdrafts	73,137	152,003
Interest payable to ultimate parent undertaking	-	6,984
Other interest payable	471	6,685
	<hr/>	<hr/>
	73,608	165,672
	<hr/> <hr/>	<hr/> <hr/>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****9. TAXATION**

	<u>2004</u> £	<u>2003</u> £
Corporation tax charge/(credit) at 22.2% (2003 – 19%)	21,756	3,350
Adjustment in respect of previous years	(155,919)	-
	<u>(134,163)</u>	<u>3,350</u>

The 2004 credit of £155,919 relates to the surrender of losses relating to 2002 to Sport Newspapers Limited, the former ultimate parent undertaking.

The tax losses not utilised at 31st August 2004 amount to approximately £138,000 (2003 - £6.0m).

**Factors affecting the current tax charge for the year**

The tax charge for the year is lower than the standard rate of corporation tax for the reasons set out below:

Current tax reconciliation:	<u>2004</u> £	<u>2003</u> £
Profit on ordinary activities before taxation	5,639,896	3,341,334
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2003 - 30%)	1,691,969	1,002,400
Expenses not deductible for tax purposes	11,509	6,369
Depreciation for the year in excess of capital allowances	120,827	120,349
Use of tax losses brought forward (2003 tax losses carried forward)	(1,793,078)	(1,155,086)
Player registration timing differences	( 1,851)	31,258
Adjustment to charge in respect of previous periods	( 155,919)	-
Reduction in tax due to lower rate of 22.2% applied (2003 – 19%)	( 7,620)	( 1,940)
<b>Actual current tax (credit)/charge</b>	<u>(134,163)</u>	<u>3,350</u>

**Factors that may affect future tax charges**

The company expects to continue to be able to claim capital allowances in excess of depreciation in future years, and expects to be able to continue to utilise brought forward losses in future years.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****10. INTANGIBLE FIXED ASSETS**

	<u>Players'</u> <u>Registrations</u> £
<b>Cost:</b>	
At 1st September 2003	29,276,517
Additions	11,985,086
Disposals	(10,456,243)
	<hr/>
At 31st August 2004	30,805,360
	<hr/> <hr/>
<b>Accumulated Amortisation:</b>	
At 1st September 2003	12,008,323
Charge for the year	8,655,143
Eliminated on disposals	( 7,967,470)
	<hr/>
At 31st August 2004	12,695,996
	<hr/> <hr/>
<b>Net Book Value:</b>	
At 31st August 2004	18,109,364
	<hr/> <hr/>
At 31st August 2003	17,268,194
	<hr/> <hr/>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****11. TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £	Long Leasehold Land and Buildings £	Fixtures and Equipment £	Motor Vehicles £	Total £
<b>Cost or Valuation:</b>					
At 1st September 2003	12,835,459	1,425,202	2,436,432	77,319	16,774,412
Additions	8,999	213,901	521,256	-	744,156
Disposals	-	-	-	-	-
At 31st August 2004	<u>12,844,458</u>	<u>1,639,103</u>	<u>2,957,688</u>	<u>77,319</u>	<u>17,518,568</u>
<b>Depreciation:</b>					
At 1st September 2003	1,853,674	43,727	2,050,545	13,878	3,961,824
Charge for the year	264,989	29,361	151,676	14,176	460,202
Disposals	-	-	-	-	-
At 31st August 2004	<u>2,118,663</u>	<u>73,088</u>	<u>2,202,221</u>	<u>28,054</u>	<u>4,422,026</u>
<b>Net Book Value:</b>					
At 31st August 2004	<u>10,725,795</u>	<u>1,566,015</u>	<u>755,467</u>	<u>49,265</u>	<u>13,096,542</u>
At 31st August 2003	<u>10,981,785</u>	<u>1,381,475</u>	<u>385,887</u>	<u>63,441</u>	<u>12,812,588</u>

The net book value of tangible fixed assets includes £Nil (2003 - £Nil) in respect of assets held under finance leases.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****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 2004	11,690,651
	<hr/>
Depreciation	12,844,458 ( 2,118,663)
	<hr/>
At 31st August 2004	10,725,795
	<hr/> <hr/>
At 31st August 2003	10,981,785
	<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>2004</u> £	<u>2003</u> £
Cost	12,531,732	12,522,733
Accumulated depreciation	( 2,047,440)	( 1,796,805)
	<hr/>	<hr/>
	10,484,292	10,725,928
	<hr/> <hr/>	<hr/> <hr/>

It is not the company's intention to revalue the freehold property on an ongoing basis and the existing 1991 valuation has been rolled forward as permitted under the transitional provisions of FRS15.

**12. STOCK**

	<u>2004</u> £	<u>2003</u> £
Club Shop stock	335,362	216,599
	<hr/> <hr/>	<hr/> <hr/>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****13. DEBTORS**

	<u>2004</u> £	<u>2003</u> £
Trade debtors	4,806,328	2,402,380
Other debtors	213,318	54,283
Prepayments	806,802	559,340
	<hr/>	<hr/>
	5,826,448	3,016,003
	<hr/> <hr/>	<hr/> <hr/>

Included within debtors is £Nil (2003 - £Nil) not due until after more than one year

Included within trade debtors is £467,625 (2003 - £Nil) in respect of transfer fees receivable.

**14. CREDITORS: Amounts falling due within one year**

	<u>2004</u> £	<u>2003</u> £
Bank loan	40,679	36,683
	<hr/>	<hr/>
Debt due within one year	40,679	36,683
Trade creditors	7,878,298	5,804,797
Other creditors	88,250	80,326
Corporation Tax	21,756	3,350
Taxation and social security costs	2,212,434	2,854,671
Accruals	648,051	133,338
Accruals and deferred income	19,399,858	17,971,141
Capital grants (deferred credits)	57,326	57,445
	<hr/>	<hr/>
	30,346,652	26,941,751
	<hr/> <hr/>	<hr/> <hr/>

Included within creditors is £4,142,391 (2003 - £2,568,334) in respect of transfer fees payable.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****15. CREDITORS: Amounts falling due after more than one year**

	<u>2004</u> £	<u>2003</u> £
Amount due to holding company	14,565,516	14,565,516
Bank loan	375,521	418,373
	<hr/>	<hr/>
Net debt due after more than one year	14,941,037	14,983,889
Deferred income	3,081,577	3,808,152
Capital grants (deferred credits)	2,249,687	2,307,013
	<hr/>	<hr/>
	<u>20,272,301</u>	<u>21,099,054</u>

The bank loan is secured on the land and buildings.

Included within bank loans is £173,458 (2003 - £231,688) due after more than five years repayable in equal instalments by 2012.

**Maturity of financial liabilities****Bank Loan**

	<u>2004</u> £	<u>2003</u> £
Within one year	40,679	36,683
More than one year but not more than two years	44,673	40,678
More than two years but not more than five years	157,390	146,007
After five years	173,458	231,688
	<hr/>	<hr/>
Total borrowings	<u>416,200</u>	<u>455,056</u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****16. DEFERRED CAPITAL GRANT**

Included within creditors is £2,307,013 (2003 - £2,364,458) relating to deferred capital grants.

The grant is in respect of the substantial redevelopment of the stadium. The grant has been treated as a deferred capital grant and is being amortised in line with the depreciable assets to which it relates.

**17. DEFERRED TAXATION**

The unprovided deferred tax asset is as follows:

	<u>2004</u> £	<u>2003</u> £
Historic excess of depreciation over Capital allowances	475,000	424,000
Losses	41,000	1,846,000
	<u>516,000</u>	<u>2,270,000</u>

**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 (all of which are denominated in sterling) 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 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 2004	14,981,716	-	416,200	14,565,516
	<u>14,981,716</u>	<u>-</u>	<u>416,200</u>	<u>14,565,516</u>
At 31st August 2003	15,020,572	-	455,056	14,565,516
	<u>15,020,572</u>	<u>-</u>	<u>455,056</u>	<u>14,565,516</u>



**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****18. FINANCIAL INSTRUMENTS (continued)**

All of the company's creditors falling due within one year other than loans 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 2004 was also approximately £416,000 (2003 £455,000). 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% (2003 – 5.5%).

The weighted average period for which the interest rate is fixed is three years (2003 - four years).

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 2004 was:

	<u>Total</u>	<u>Cash at Bank</u>	<u>Short-term</u>
	<u>£</u>	<u>and in hand</u>	<u>Deposits</u>
		<u>£</u>	<u>£</u>
<b>Sterling</b>			
At 31st August 2004			
- non-interest bearing	57,764	57,764	-
- floating rate	4,904,638	-	4,904,638
- fixed rate	3,812,018	-	3,812,018
	<u>8,774,420</u>	<u>57,764</u>	<u>8,716,656</u>
<b>Sterling</b>			
At 31st August 2003			
- non-interest bearing	4,476,545	4,476,545	-
- floating rate	-	-	-
	<u>4,476,545</u>	<u>4,476,545</u>	<u>-</u>

Cash at bank and in hand at 31st August 2004 and 2003 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 no overdraft facility (2003 £5.00 million).

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****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>2004</u>		<u>2003</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
<b>(a) Authorised</b>				
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>(b) Allotted, Called Up and Fully Paid</b>				
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 2003	207,096	750	312,726	(11,542,786)
Retained profit	-	-	-	5,774,059
	<u>207,096</u>	<u>750</u>	<u>312,726</u>	<u>(5,768,727)</u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2004</u> £	<u>2003</u> £
Profit for the financial year	5,774,059	3,337,984
Opening shareholders' funds	(10,250,876)	(13,588,860)
	<hr/>	<hr/>
Closing shareholders' funds	( 4,476,817)	(10,250,876)
	<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	(4,497,648)	(10,271,707)
	<hr/>	<hr/>
	<u>(4,476,817)</u>	<u>(10,250,876)</u>

**22. RELATED PARTY TRANSACTIONS**

Goods and services to the value of £9,934 (2003 - £Nil) have been supplied to the Club by Gold Group Air International Limited which is owned by D Gold and R Gold (directors). At the balance sheet date £434 was due to Gold Air International Limited from the company.

Goods and services to the value of £18,545 (2003 - £17,500) have been supplied by the Club to Gold Group International which is owned by D Gold and R Gold (directors). At the balance sheet date £18,545 was due from Gold Group International to the company.

Goods and services to the value of £Nil (2003 - £20,185) have been supplied by the Club to Betta 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 £62,562 (2003 - £48,000). At the balance sheet date £41,000 was due from the company to Henri Brandman & Co.

Sport Newspapers Limited, the former ultimate parent undertaking, during the year carried out certain administrative and accounting duties during the year for which it charged £1,052,000 (2003 - £70,000). At the balance sheet date £52,000 was due from the company to Sport Newspapers Limited. Sport Newspapers Limited also charged interest to the Club amounting to £Nil (2003 - £6,984) on short-term loans provided and repaid during the year.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****23. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS****(a) Player Transfer Costs**

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 2004 is £7,234,000 (2003 - £5,919,000). Since the year end and to the approval of these accounts £NIL of this has crystallised and additional transfer fees payable have amounted to £1,956,000 with transfer receivables of £4,370,000.

**(b) Signing-On Fees and Image Rights Payable**

The maximum possible commitments in respect of signing-on fees and image rights 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 for in the accounts, amounted to £4,985,000 (2003 - £1,027,000).

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

	<u>2004</u> £	<u>2003</u> £
Contracted but not provided for	-	121,927
	<u>                    </u>	<u>                    </u>

**(b) Lease Commitments**

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

	<u>2004</u> £	<u>2003</u> £
Expiring:		
Within one year	-	-
Between two and five years	92,849	10,748
Over five years	84,000	84,000
	<u>                    </u>	<u>                    </u>
	176,849	94,748
	<u>                    </u>	<u>                    </u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>2004</u> £	<u>2003</u> £
Operating profit after amortisation of players	5,795,206	3,570,912
Player transfer costs including amortisation	8,655,143	7,159,419
Depreciation	460,202	475,347
Loss on sale of assets	-	1,926
Amortisation of deferred income	( 57,445)	( 57,446)
Increase in stocks	( 118,763)	( 36,841)
(Increase)/decrease in debtors	(2,342,820)	511,177
Increase in creditors	1,081,986	3,306,852
	<hr/>	<hr/>
<b>Net Cash Inflow from Operating Activities</b>	<b>13,473,509</b>	<b>14,931,346</b>
	<hr/> <hr/>	<hr/> <hr/>

**26. GROSS CASH FLOWS**

	<u>2004</u> £	<u>2003</u> £
<b>(i) Returns on Investments and Servicing of Finance</b>		
Interest received	97,919	17,633
Interest paid (note 8)	(73,608)	(165,672)
	<hr/>	<hr/>
	24,311	(148,039)
	<hr/> <hr/>	<hr/> <hr/>
<b>(ii) Taxation</b>		
Corporation Tax received	155,919	96,494
Corporation Tax paid	( 3,350)	-
	<hr/>	<hr/>
	152,569	96,494
	<hr/> <hr/>	<hr/> <hr/>
<b>(iii) Capital Expenditure</b>		
Payments to acquire tangible fixed assets	( 744,156)	( 457,284)
Receipts from sales of tangible fixed assets	-	17,228
Payments for purchases of players' contracts	(10,411,029)	(12,269,035)
Receipts from sales of players' contracts	1,841,527	116,175
	<hr/>	<hr/>
	(9,313,658)	(12,592,916)
	<hr/> <hr/>	<hr/> <hr/>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2004****26. GROSS CASH FLOWS (continued)**

	<u>2004</u> £	<u>2003</u> £
<b>(iv) Financing</b>		
Receipt of loan from holding company	-	2,300,000
Repayment of loan from holding company	-	(2,300,000)
Capital repayment of bank loan	(38,856)	( 36,271)
Capital element of finance lease payments	-	( 3,090)
	<u>(38,856)</u>	<u>(39,361)</u>

**27. ANALYSIS OF CHANGES IN NET DEBT**

	<u>01.09.03</u> £000	<u>Cash Flows</u> £000	<u>31.08.04</u> £000
<b>Cash in hand and at bank</b>	4,476,545	4,297,875	8,774,420
Loans	(15,020,572)	38,856	(14,981,716)
Finance leases	-	-	-
<b>Borrowings</b>	<u>(15,020,572)</u>	<u>38,856</u>	<u>(14,981,716)</u>
<b>Net (Debt)</b>	<u>(10,544,027)</u>	<u>4,336,731</u>	<u>(6,207,296)</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.

**29. POST BALANCE SHEET EVENT**

On 24th September 2004, Sport Newspapers Limited, which is 50% owned by David Sullivan and 50% by David Gold and Ralf Gold, sold its entire interest in the Birmingham City plc the holding company.

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

As Sport Newspapers Limited is 50% owned by David Sullivan, 25% by David Gold and 25% by Ralph Gold and the purchases have been made as to 50% by interests of David Sullivan and 50% in which David Gold and Ralph Gold are interested, these transactions have not resulted in any effective change of control of the company.