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BIRMINGHAM CITY FOOTBALL CLUB PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2003



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BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003

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BIRMINGHAM CITY FOOTBALL CLUB PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 2003

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 (appointed 24th September 2002)

Team Manager: Steve Bruce

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

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

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

Principal Solicitors: Henri Brandman & Co
46 Queen Anne Street
LONDON
W1G 8HQ

Company Number: 27318

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

	<u>2003</u> £	<u>2002</u> £	<u>2001</u> £	<u>2000</u> £	<u>1999</u> £
Match Receipts, F.A. and Football League Distributions	25,817,928	6,850,512	7,228,330	5,829,644	5,167,228
Commercial Activities including television and radio fees	10,662,268	8,333,524	6,058,383	4,297,094	3,988,590
INCOME	<u>36,480,196</u>	<u>15,184,036</u>	<u>13,286,713</u>	<u>10,126,738</u>	<u>9,155,818</u>
Wages	19,736,881	13,206,229	9,263,774	7,772,171	6,227,929
Other expenses	6,012,984	4,694,072	4,064,873	3,381,875	3,139,750
EXPENDITURE	<u>25,749,865</u>	<u>17,900,301</u>	<u>13,328,647</u>	<u>11,154,046</u>	<u>9,367,679</u>
OPERATING PROFIT/(LOSS) BEFORE AMORTISATION OF PLAYERS AND INTEREST	<u>10,730,331</u>	<u>(2,716,265)</u>	<u>(41,934)</u>	<u>(1,027,308)</u>	<u>(211,861)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2003

We are delighted to present to shareholders our results for the year ended 31 August 2003, an excellent year for the Club both on and off the pitch.

Our first season in the Premier League saw us finish in 13th position, the highest placed club in the Midlands. We have continued to build upon this success in the 2003/04 season and, as we write, are currently in 9th place in the League and in the 5th round of the FA Cup.

Our principal aim as a Board is to ensure that everyone at the club remains focused on building upon our successful first season in the Premier League and, to this end, we continue to strengthen the Birmingham City FC squad and concentrate on maximising the commercial opportunities currently available to us. The Board has great confidence in Steve Bruce's ability to identify players who are able to improve the standard and performance of the team and in the ability of our management team to continue the commercial success of Birmingham City FC off the playing field.

We are fortunate to have 14 senior international and six youth international players at the Club and, for the first time in 25 years, we have a player, Matthew Upson, playing for the England first team. We also have five England Youth Internationals, for whom we have high hopes for the future.

Overall there is a strong team spirit at the club and on behalf of all shareholders we would like to thank Steve Bruce, his management team and the players for their complete commitment and effort that has ensured our continued success in the Premier League.

DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then 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 a 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 company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

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

The profit on ordinary activities before taxation was £3.34m (2002: loss £6.40m).

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

BIRMINGHAM CITY FOOTBALL CLUB PLC**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2003**

FINANCIAL AND OPERATING REVIEW

We are delighted to report that our turnover has more than doubled to £36.5m (2002: £15.2m) and that we have made a profit before tax of £3.3m (2002: loss £6.40m).

We currently spend 54% of our turnover on wages, but expect this percentage to increase as we continue to improve the playing squad and heighten our ambitions. The board had hoped that the current strength of the squad would result in our not having to make any major investment in players until the summer of 2004. However with injuries to key personnel we may have to review this policy. In the event that we do purchase additional playing staff this will have an immediate effect on wage costs. However, the board is well aware of the need to find the right balance between risk and reward and will continue to manage your company's risk profile accordingly.

Net operating expenses, excluding player transfer costs, have increased to £25.7m, (2002: £17.9m), the majority of which is due to the increase in player wages for the year.

During December 2002 the Board made a decision that to avoid relegation we had to invest significantly in the team. We purchased Matthew Upson, Jamie Clapham and Steven Clemence, and we loaned Christophe Duggary. These players made an instant impact on the team and we finished 13th in the Premier League. We also gained a place on the Premier League's tour of Malaysia along with Newcastle United and Chelsea. Total investment in players during the year exceeded £13m.

We currently have 22,471 season ticket holders, an increase on last season, and all boxes and corporate memberships are sold. Commercial income for the year rose to £6.4m (up 27%) and we will be looking to expand the commercial interests within the stadium for the coming season 2004/05. Merchandising sales increased by 19%, and continue to increase this year. We continue to attract and retain significant sponsorships, both locally and nationally, and now work in partnership with some of the country's most high profile blue chip companies. Thank you all for the support that you give so generously to the Club.

Overall it has been a good year for the Club both on and off the pitch and we are delighted with our progress, whilst remaining focussed on the importance of building upon this in our second year in the Premier League.

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 2003 were 56 days (2002: 52 days).

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2003

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 2002 or 31st August 2003.

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

In accordance with the Articles, K Brady and D Sullivan retire by rotation and being eligible, offer themselves for re-election.

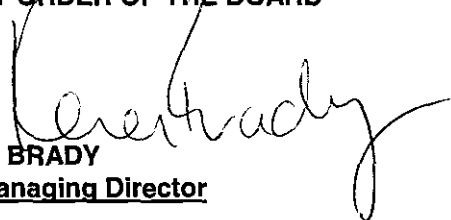
DIRECTORS OF SPORT AND INTERESTS

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

AUDITORS

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

BY ORDER OF THE BOARD



K. BRADY
Managing Director

Date: 13th February 2004

BIRMINGHAM CITY FOOTBALL CLUB PLC

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 2003

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

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

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.

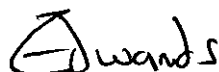
Basis of Audit Opinion

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 2003 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
47 Anchor Road
Aldridge
WALSALL
WS9 8PT

Date: 13th February 2004

BIRMINGHAM CITY FOOTBALL CLUB PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 2003**

	<u>Notes</u>	Operations excluding player amortisation and trading £000	<u>2003</u>		<u>2002</u>	
			Player amortisation and trading £000	Total £000	Total £000	Total £000
TURNOVER	2	36,480,196		36,480,196		15,184,036
Match and ground expenses		(4,179,840)		(4,179,840)		(3,397,720)
Other operating expenses		(1,413,317)		(1,413,317)		(914,342)
Staff costs	6	(19,736,881)		(19,736,881)		(13,206,229)
Depreciation	1b	(475,347)		(475,347)		(446,098)
Player transfer costs including amortisation	3		(7,159,419)	(7,159,419)		(3,356,896)
Amortisation of deferred capital grants	1j	57,446		57,446		54,088
(Loss)/profit on disposal of fixed assets		(1,926)		(1,926)		10,000
Net operating expenses		(25,749,865)	(7,159,419)	(32,909,284)		(21,257,197)
OPERATING PROFIT/(LOSS)	4			3,570,912		(6,073,161)
Loss on sale of players' registrations	1e			(81,539)		(313,838)
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION				3,489,373		(6,386,999)
Interest receivable	7			17,633		40,068
Interest payable	8			(165,672)		(53,784)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION				3,341,334		(6,400,715)
Taxation on profit/(loss) on ordinary activities	9			(3,350)		54,095
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	20 and 21			3,337,984		(6,346,620)

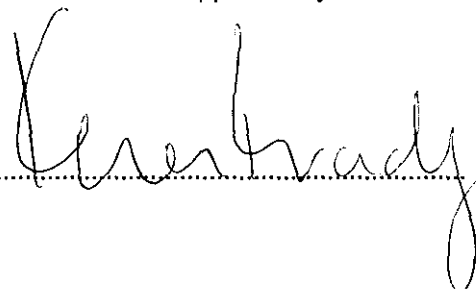
There were no recognised gains or losses other than those reported above.

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 2003**

	<u>Note</u>	<u>2003</u>		<u>2002</u>	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		17,268,194		11,500,765
Tangible assets	11		12,812,588		12,849,805
			<u>30,080,782</u>		<u>24,350,570</u>
CURRENT ASSETS					
Stocks	12	216,599		179,758	
Debtors	13	3,016,003		3,672,645	
Cash at bank and in hand		4,476,545		2,229,021	
		<u>7,709,147</u>		<u>6,081,424</u>	
CREDITORS: Amounts falling due within one year	14	(26,884,306)		(22,432,732)	
NET CURRENT LIABILITIES			<u>(19,175,159)</u>		<u>(16,351,308)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,905,623		7,999,262
CREDITORS: Amounts falling due after more than one year	15		(18,792,041)		(19,166,218)
DEFERRED CAPITAL GRANT	16		(7,886,418) (2,364,458)		(11,166,956) (2,421,904)
NET LIABILITIES			<u>(10,250,876)</u>		<u>(13,588,860)</u>
CAPITAL AND RESERVES					
Called up share capital	19		771,338		771,338
Share premium account	20		207,096		207,096
Capital redemption reserve	20		750		750
Revaluation reserve	20		312,726		312,726
Profit and loss account	20		(11,542,786)		(14,880,770)
SHAREHOLDERS' FUNDS (including non-equity)	21		<u>(10,250,876)</u>		<u>(13,588,860)</u>

The accounts were approved by the Board of Directors on 13th February 2004.



K. Brady - Managing Director

BIRMINGHAM CITY FOOTBALL CLUB PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 2003**

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
CASH INFLOW FROM OPERATING ACTIVITIES	25	14,931,346	11,653,707
Returns on Investments and Servicing of Finance	26(i)	(148,039)	(13,716)
Taxation	26(ii)	96,494	-
Capital Expenditure	26(iii)	(12,592,916)	(10,318,639)
Cash Inflow Before Financing		<u>2,286,885</u>	<u>1,321,352</u>
Use of Liquid Resources and Management of Liquid Resources		-	-
Financing	26(iv)	(39,361)	456,050
INCREASE IN CASH		<u><u>2,247,524</u></u>	<u><u>1,777,402</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
Increase in cash in year		2,247,524	1,777,402
Cash to repay bank loan	26(iv)	36,271	8,673
Cash to repay finance leases	26(iv)	3,090	35,277
Bank loan		-	(500,000)
Increase in Net Funds	27	<u>2,286,885</u>	<u>1,321,352</u>
Net debt at 1st September 2002	27	(12,830,912)	(14,152,264)
Net debt at 31st August 2003	27	<u><u>(10,544,027)</u></u>	<u><u>(12,830,912)</u></u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****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.

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

(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 24b.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003**

1. ACCOUNTING POLICIES (continued)**(e) Profit on Sale of Players' Registrations**

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

(f) Stock

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

(g) Turnover

Turnover represents match receipts, executive box rentals, sponsorship and other income associated with the continuing principal activity of running a professional football club, and excludes Value Added Tax. Season ticket and sponsorship income received during the year, for the following season, is deferred to the next year. Income received for internet rights is credited to the profit and loss account based on the number of hits on, and income generated from, the Club's website.

(h) Deferred Taxation

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

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

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

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003

1. ACCOUNTING POLICIES (continued)

(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.

(k) Pensions

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

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****2. TURNOVER**

	<u>2003</u>	<u>2002</u>
	£	£
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	25,817,928	6,850,512
Television and radio coverage	4,223,899	3,273,023
Commercial activities	6,438,369	5,060,501
	<u>36,480,196</u>	<u>15,184,036</u>

3. PLAYER TRANSFER COSTS INCLUDING AMORTISATION

	<u>2003</u>	<u>2002</u>
	£	£
Amortisation of transfer fees	7,253,242	3,336,694
Net additional (income)/costs for player appearances	(93,823)	20,202
	<u>7,159,419</u>	<u>3,356,896</u>

4. OPERATING PROFIT/(LOSS)

	<u>2003</u>	<u>2002</u>
	£	£
Operating profit/(loss) is stated after charging/(crediting):-		
Aggregate directors' emoluments	212,926	242,773
Auditors' remuneration:		
Audit services	12,500	12,500
Non-audit work	8,495	14,050
Depreciation of tangible fixed assets – owned	475,347	425,416
Depreciation of tangible fixed assets – financed	-	20,682
Release of deferred income from Football Trust Grants	(57,446)	(54,088)
Equipment leased under operating leases	10,748	14,979
Premises leased under an operating lease	84,000	84,000
	<u>212,926</u>	<u>242,773</u>

5. DIRECTORS' REMUNERATION (Excluding Pension Contributions)

	<u>2003</u>	<u>2002</u>
	£	£
Aggregate directors' remuneration	<u>212,926</u>	<u>242,773</u>
Highest paid director	<u>209,000</u>	<u>204,000</u>

There is no directors' pension scheme.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****6. STAFF COSTS**

	<u>2003</u> £	<u>2002</u> £
Staff costs during the year were made up as follows:-		
Wages, salaries, signing on fees	17,846,068	12,007,635
Social Security costs	1,885,509	1,195,057
Other pension costs	5,304	3,537
	<hr/>	<hr/>
	19,736,881	13,206,229
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2003</u> No.	<u>2002</u> No.
Playing staff	60	57
Training staff	17	17
Training ground staff	14	14
Commercial and fund raising	15	12
Shop	9	7
Administration and other	21	17
	<hr/>	<hr/>
	136	124
	<hr/> <hr/>	<hr/> <hr/>

7. INTEREST RECEIVABLE

	<u>2003</u> £	<u>2002</u> £
Bank interest receivable	17,633	38,061
Other interest receivable	-	2,007
	<hr/>	<hr/>
	17,633	40,068
	<hr/> <hr/>	<hr/> <hr/>

8. INTEREST PAYABLE

	<u>2003</u> £	<u>2002</u> £
Hire purchase interest	-	2,086
Bank loans and overdrafts	152,003	40,483
Interest payable to ultimate parent undertaking	6,984	11,215
Other interest payable	6,685	-
	<hr/>	<hr/>
	165,672	53,784
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BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****9. TAXATION**

	<u>2003</u> £	<u>2002</u> £
Corporation Tax charge for 2003 (2002 credit)	3,350	(293)
Corporation Tax refund at 30% (2002 - 30%)	-	(53,802)
	<u>3,350</u>	<u>(54,095)</u>

The 2002 credit of £53,802 relates to the surrender of losses to Sport Newspapers Limited, the ultimate parent undertaking.

The tax losses not utilised at 31st August 2003 amount to approximately £6.0m (2002 - £10.0m).

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>2003</u> £	<u>2002</u> £
Profit/(loss) on ordinary activities before taxation	3,341,334	(6,400,715)
Profit/(loss) on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2002 - 30%)	1,002,400	(1,920,214)
Expenses not deductible for tax purposes	6,369	20,864
Depreciation for the year in excess of capital allowances	120,349	114,603
Use of tax losses brought forward (2002 tax losses carried forward)	(1,155,086)	1,691,165
Player registration timing differences	31,258	93,582
Adjustment to charge in respect of previous periods	-	(54,095)
Reduction in tax due to lower rate of 19% applied	(1,940)	-
Actual current tax charge/(credit)	<u>3,350</u>	<u>(54,095)</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 2003****10. INTANGIBLE FIXED ASSETS**

	<u>Players'</u> <u>Registrations</u> £
Cost:	
At 1st September 2002	19,802,448
Additions	13,169,414
Disposals	(3,695,345)
	<hr/>
At 31st August 2003	29,276,517
	<hr/> <hr/>
Accumulated Amortisation:	
At 1st September 2002	8,301,683
Charge for the year	7,253,242
Eliminated on disposals	(3,546,602)
	<hr/>
At 31st August 2003	12,008,323
	<hr/> <hr/>
Net Book Value:	
At 31st August 2003	17,268,194
	<hr/> <hr/>
At 31st August 2002	11,500,765
	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****11. TANGIBLE FIXED ASSETS**

	<u>Freehold Land and Buildings</u> £	<u>Long Leasehold Land and Buildings</u> £	<u>Fixtures and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost or Valuation:					
At 1st September 2002	12,833,316	1,232,163	2,239,109	63,755	16,368,343
Additions	2,143	193,039	197,323	64,779	457,284
Disposals	-	-	-	(51,215)	(51,215)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st August 2003	12,835,459	1,425,202	2,436,432	77,319	16,774,412
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation:					
At 1st September 2002	1,596,992	16,642	1,872,544	32,360	3,518,538
Charge for the year	256,682	27,085	178,001	13,579	475,347
Disposals	-	-	-	(32,061)	(32,061)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st August 2003	1,853,674	43,727	2,050,545	13,878	3,961,824
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Book Value:					
At 31st August 2003	10,981,785	1,381,475	385,887	63,441	12,812,588
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st August 2002	11,236,324	1,215,521	366,565	31,395	12,849,805
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net book value of tangible fixed assets includes £Nil (2002 - £10,342) in respect of assets held under finance leases.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****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 2003	11,681,652
	<hr/>
Depreciation	12,835,459 (1,853,674)
	<hr/>
At 31st August 2003	10,981,785
	<hr/> <hr/>
At 31st August 2002	11,236,324
	<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>2003</u> £	<u>2002</u> £
Cost	12,522,733	12,520,590
Accumulated depreciation	(1,796,805)	(1,541,333)
	<hr/>	<hr/>
	10,725,928	10,979,257
	<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>2003</u> £	<u>2002</u> £
Club Shop stock	216,599	179,758
	<hr/> <hr/>	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****13. DEBTORS**

	<u>2003</u> £	<u>2002</u> £
Trade debtors	2,402,380	3,086,667
Other debtors	54,283	102,406
Prepayments	559,340	483,572
	<hr/>	<hr/>
	3,016,003	3,672,645
	<hr/> <hr/>	<hr/> <hr/>

Included within debtors is £Nil (2002 - £Nil) not due until after more than one year

Included within trade debtors is £Nil (2002 - £48,971) in respect of transfer fees receivable.

14. CREDITORS: Amounts falling due within one year

	<u>2003</u> £	<u>2002</u> £
Obligations under finance leases and hire purchase contracts	-	3,090
Bank loan	36,683	32,689
	<hr/>	<hr/>
Debt due within one year	36,683	35,779
Trade creditors	5,804,797	4,681,570
Other creditors	80,326	71,561
Corporation Tax	3,350	-
Taxation and social security costs	2,854,671	1,798,797
Accruals and deferred income	18,104,479	15,845,025
	<hr/>	<hr/>
	26,884,306	22,432,732
	<hr/> <hr/>	<hr/> <hr/>

Included within creditors is £2,568,334 (2002 - £1,761,778) in respect of transfer fees payable.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****15. CREDITORS: Amounts falling due after more than one year**

	<u>2003</u> £	<u>2002</u> £
Amount due to holding company	14,565,516	14,565,516
Bank loan	418,373	458,638
	<hr/>	<hr/>
Net debt due after more than one year	14,983,889	15,024,154
Accruals and deferred income	3,808,152	4,142,064
	<hr/>	<hr/>
	<u>18,792,041</u>	<u>19,166,218</u>

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

Included within bank loans is £231,688 (2002 - £286,488) due after more than five years repayable in equal instalments by 2012.

Borrowings Analysis

	<u>2003</u> £	<u>2002</u> £
Due within one year:		
Bank loan	36,683	32,689
Obligations under finance leases and hire purchase contracts	-	3,090
	<hr/>	<hr/>
	<u>36,683</u>	<u>35,779</u>
Due in one to two years:		
Bank loan	40,678	36,684
	<hr/>	<hr/>
Due in two to five years:		
Bank loan	146,007	135,466
	<hr/>	<hr/>
Due in more than five years:		
Bank loan	231,688	286,488
	<hr/>	<hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003**

16. DEFERRED CAPITAL GRANT	<u>2003</u> £	<u>2002</u> £
At 1st September 2002	2,421,904	2,308,142
Grants received during the year	-	167,850
	-----	-----
Transfer to profit and loss account	2,421,904 (57,446)	2,475,992 (54,088)
	-----	-----
At 31st August 2003	<u>2,364,458</u>	<u>2,421,904</u>

As a result of the substantial redevelopment of the stadium, the Directors have reviewed the allocation of grants received. The amount of £2,364,458 relates to those assets remaining at the balance sheet date.

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

17. DEFERRED TAXATION

At 31st August 2002 and 2003 there was an unrecognised deferred taxation asset amounting to £2,270,000. £424,000 relating to accelerated capital allowances and £1,846,000 to tax losses carried forward. (2002 £3,338,000. £337,000 relating to accelerated capital allowances and £3,001,000 to tax losses carried forward.)

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>Fixed Rate</u>	<u>Non interest</u>
<i>Sterling</i>	£	Financial	Financial	Bearing
	£	Liabilities	Liabilities	Financial
	£	£	£	Liabilities
	£	£	£	£
At 31st August 2003	15,020,572	-	455,056	14,565,516
	-----	-----	-----	-----
At 31st August 2002	15,059,933	-	494,417	14,565,516
	-----	-----	-----	-----

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****18. FINANCIAL INSTRUMENTS (continued)**

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

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

The fair values of the fixed rate financial liabilities at 31st August 2003 was also approximately £455,000 (2002 £494,000). 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% (2002 – 5.5%).

The weighted average period for which the interest rate is fixed is four years (2002 – five 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 2003 was:

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

Cash at bank and in hand at 31st August 2003 and 2002 is made up of uncleared funds and cash requirements which could not be placed on deposit.

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

Maturity of borrowing facilities

The company has an overdraft facility of £5.00 million (2002 £5.00 million) due for review in June 2004. The undrawn committed facilities available at 31st August 2003 in respect of which all conditions precedent had been met at that date were £5 million (2002 £5 million).

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****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>2003</u>		<u>2002</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
(a) Authorised				
4.2% redeemable cumulative preference shares of 50p each	40,000	20,000	40,000	20,000
Ordinary shares of 50p each	5,000,000	2,500,000	5,000,000	2,500,000
	<u>5,040,000</u>	<u>2,520,000</u>	<u>5,040,000</u>	<u>2,520,000</u>
(b) Allotted, Called Up and Fully Paid				
4.2% redeemable cumulative preference shares of 50p each	37,000	18,500	37,000	18,500
Ordinary shares of 50p each	1,505,676	752,838	1,505,676	752,838
	<u>1,542,676</u>	<u>771,338</u>	<u>1,542,676</u>	<u>771,338</u>

- (c) The company may redeem cumulative preference shares at par any time upon giving not less than three months previous notice in writing to the holders of the cumulative preference shares. On an earlier winding up, the cumulative preference shares carry priority over the ordinary shares to the extent of their par value plus any arrears of dividends (which are cumulative for a period of three years). The preference shares carry no votes except on a winding up or on variations of their rights.

20. RESERVES

	<u>Share Premium</u>	<u>Capital Redemption Reserve</u>	<u>Revaluation Reserve</u>	<u>Profit and Loss Account</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1st September 2002	207,096	750	312,726	(14,880,770)
Retained profit	-	-	-	3,337,984
	<u>207,096</u>	<u>750</u>	<u>312,726</u>	<u>11,542,786</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2003</u> £	<u>2002</u> £
Profit/(loss) for the financial year	3,337,984	(6,346,620)
New share capital subscribed	-	-
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	3,337,984	(6,346,620)
Opening shareholders' funds	(13,588,860)	(7,242,240)
	<hr/>	<hr/>
Closing shareholders' funds	(10,250,876)	(13,588,860)
	<hr/> <hr/>	<hr/> <hr/>
Non-equity preference shares	18,500	18,500
Unpaid preference dividends	2,331	2,331
	<hr/>	<hr/>
Non-equity shareholders' funds	20,831	20,831
Equity shareholders' funds	(10,271,707)	(13,609,691)
	<hr/>	<hr/>
	(10,250,876)	(13,588,860)
	<hr/> <hr/>	<hr/> <hr/>

22. RELATED PARTY TRANSACTIONS

Goods and services to the value of £17,500 (2002 - £15,000) have been supplied by the Club to Gold Group International which is owned by D Gold and R Gold (directors).

Goods and services to the value of £20,185 (2002 - £15,000) 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 £48,000 (2002 - £17,250).

Sport Newspapers Limited, the parent undertaking, carried out certain administrative and accounting duties during the year for which it charged £70,000 (2002 - £52,000). Sport Newspapers Limited also charged interest to the Club amounting to £6,984 (2002 - £11,215) on short-term loans provided and repaid during the year.

All transactions were at arm's length. There were no balances owing at 31st August 2003.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****23. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS**

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum that could be payable in respect of transfers to 31st August 2003 is £5,919,375 (2002 - £1,262,500). Since the year end and to the date of approval of these accounts, £630,000 of this amount has crystallised and additional transfer fee payables have amounted to £1,562,500, with transfer receivables of £1,150,000.

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

	<u>2003</u> £	<u>2002</u> £
Contracted but not provided for	121,927	231,890

(b) Signing-On Fees Payable

The maximum possible commitments in respect of deferred signing-on fees due to players under contracts at the year-end and including contracts renegotiated since the year-end, which are payable on future dates specified in their contracts, and not provided in the accounts, amounted to £1,027,500 (2002 - £1,502,750).

(c) Lease Commitments

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

	<u>2003</u> £	<u>2002</u> £
Expiring:		
Within one year	-	-
Between two and five years	10,748	10,748
Over five years	84,000	84,000
	<u>94,748</u>	<u>94,748</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****25. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<u>2003</u> £	<u>2002</u> £
Operating profit/(loss) after amortisation of players	3,570,912	(6,073,161)
Player transfer costs including amortisation	7,159,419	3,356,896
Depreciation	475,347	446,098
Loss/(profit) on sale of assets	1,926	(10,000)
Amortisation of deferred income	(57,446)	(54,088)
(Increase)/decrease in stocks	(36,841)	2,041
Decrease/(increase) in debtors	511,177	(1,758,766)
Increase in creditors	3,306,852	15,744,687
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	14,931,346	11,653,707
	<hr/> <hr/>	<hr/> <hr/>

26. GROSS CASH FLOWS

	<u>2003</u> £	<u>2002</u> £
(i) Returns on Investments and Servicing of Finance		
Interest received	17,633	40,068
Interest paid (note 8)	(165,672)	(53,784)
	<hr/>	<hr/>
	(148,039)	(13,716)
	<hr/> <hr/>	<hr/> <hr/>
(ii) Taxation		
Corporation Tax received	96,494	-
	<hr/> <hr/>	<hr/> <hr/>
(iii) Capital Expenditure		
Payments to acquire tangible fixed assets	(457,284)	(1,256,740)
Grant received towards fixed asset additions	-	167,850
Receipts from sales of tangible fixed assets	17,228	10,000
Payments for purchases of players' contracts	(12,269,035)	(9,525,973)
Receipts from sales of players' contracts	116,175	286,224
	<hr/>	<hr/>
	(12,592,916)	(10,318,639)
	<hr/> <hr/>	<hr/> <hr/>
(iv) Financing		
Receipt of loan from holding company	2,300,000	1,000,000
Repayment of loan from holding company	(2,300,000)	(1,000,000)
Capital repayment of bank loan	(36,271)	(8,673)
Capital element of finance lease payments	(3,090)	(35,277)
Bank loan	-	500,000
	<hr/>	<hr/>
	(39,361)	456,050
	<hr/> <hr/>	<hr/> <hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****27. ANALYSIS OF CHANGES IN NET DEBT**

	<u>01.09.02</u> <u>£000</u>	<u>Cash Flows</u> <u>£000</u>	<u>31.08.03</u> <u>£000</u>
Cash in hand and at bank	2,229,021	2,247,524	4,476,545
Loans	(15,056,843)	36,271	(15,020,572)
Finance leases	(3,090)	3,090	-
Borrowings	(15,059,933)	39,361	(15,020,572)
Net (Debt)	(12,830,912)	2,286,885	(10,544,027)

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.